LUISS

Department of Business and Management

Chair of Organizational Design

Performance Management Model in an Agile Organization

Prof. Cinzia Calluso

SUPERVISOR

Prof. Sara Lombardi

CO-SUPERVISOR

Carlo Ferraris
ID: 729911

CANDIDATE

A.A. 2021-2022

Table of Content

Abstract

This paper aims at defining the concept of performance management and the requirements for the creation of an efficient model. The subject of the analysis is a company that, because of the major challenges of recent years, needed to review, innovate, and improve its evaluation model, after its switch to an Agile structure to ensure greater flexibility and long-term resilience (particularly in the current pandemic period). The advantages of this transition are mainly the ability to make more readily decisions and with greater adaptability to change. As a result of this change, it was necessary to improve the evaluation system, the goal is creating a system that comprehends all the elements necessary for the improvement of the performance (quantitative and behavioral) of the employees. Creating an environment that allows expressing its full potential. This process of improvement will benefit not only the individual but also the company, as there is always a clear and close correlation between individual and company goals. The structure of the thesis is twofold. The first part is a literature review aimed to explain the main characteristics of performance management. The goal is to try to explain more clearly the cycle of the valuation of the employees. The phases that are described are the creation of performance objectives, assignment, implementation (by the assessor) and monitoring (by the assessor), and finally the feedback and rewarding part. The last one is extremely important to understand not only if the employee will get a reward or not, but also to check the progress and identify areas for improvement. The second part is conceived as a case study, and it is focused on the company transition from one performance management model to another. The analysis covers not only the old model and the new model but especially the process that was followed for this transition. The various steps implemented are discussed. The first is Research and Analysis, conducted through information gathered, surveys, internal workshops, benchmarking, and the use of external consulting services. The second is the creation of the model and its application on a company branch (pilot project), followed by the collection of feedback and impressions from the people involved. Finally, the actual test to comprehend its applicability to the entire company context. The originality of the work comes from this practical demonstration of a model applied in a company with the results obtained. This transition happened during the pandemic period, it is certainly very timely and relevant. It reflects the various needs and answers to the difficulties of the current years. Many of the needs that emerged in the study of the company under review are the same for many other companies. For this reason, many of the possible solutions (already adopted by various successful companies) have a clear value.

Chapter One: Performance Management and Agile Organization

1.1 Performance Management

Definition

The notion of performance management was mentioned for the first time in human resource management in 1990 and is playing an increasingly important role for companies (McMahon G., 2013). It focuses primarily on the systematic improvement of employees' performance by creating an ideal environment that incentivizes the achievement of corporate objectives through a continuous and flexible process. Performance management is the set of methodologies and procedures developed to measure the achievement of objectives and the adequacy of a person for a role. The appraisal process aligns behaviors with the company's strategic objectives to promote professional development and, at the same time, foster business growth. It establishes an entirely new approach in which the main aim is continuously developing employees' performance and skills. It actively involves managers and those they manage as partners, within a framework, by establishing how they can best work together to reach a specific outcome.
An efficient methodology is realized by implementing, understanding, and managing the individual/team's performance to specific and planned targets. Its process consists of several parts/components (Severin I., 2018):
•Performance planning (i.e., setting of objectives).
•Performance monitoring and coaching.
•Measurement (i.e., evaluation) of individual performance linked to organizational goals.
•Attribution of feedback.
•Remuneration to the individual based on their performance against set objectives and required competencies.

The method aims to support the employee, the team, and the organization to get better results and inspire them to reach their full potential and achieve their goals. The context of the agreed framework is helpful for understanding "what is to be reached" and helping people develop in a way that increases the probability of achieving this (in a long- or short-time frame). Very significant is John Lockett's definition, "*Performance management is the development of individuals with competence and commitment, working towards achieving meaningful shared objectives within an organization which supports and encourages their achievement*" (Uk Essays, 2018).

In performance management, the goal is long-term continuous improvement. To achieve this, it is necessary for the people working within the company to continue to push themselves towards increasingly more challenging goals. It is often tricky because not all the target is achieved smoothly, some of which require more time and effort. An example can be one of the behavioral or cultural goals that are often harder to implement concerning more technical knowledge because they interact with individuals' personalities and mindsets. Despite the possible difficulties, this is the core of the process, which is based on the motivation and commitment necessary to achieve those objectives with the company's support (Armstrong. M, 2006).

Entrusting these objectives intends to create a strong performance culture in which people at all levels of the organization work hard to improve the business, along with their skills and capabilities (Groysberg B et al., 2018). Indeed, performance management tries to merge the person's individual goals with the company's targets and follow the company culture. This union of interest intends to help employees develop their skills, achieve, and exceed expectations, and express their full potential. These expectations are created based on the role and responsibility of the person (of course, there is a gap of liability if you are a manager or are a junior employee), skills (what the company expect you have), and behavior (in line with the company value).

Performance management concentrates on planning and improving future performance rather than retrospectively evaluating performance. It is an ongoing, evolutionary process in which performance is tracked and measured to monitor improvement over time. This process requires continuous feedback from both the supervisor and the appraisee to understand critical issues and identify areas for growth. The focus is on development, although performance management is an integral part of the reward system through providing feedback and recognition and identifying growth opportunities.
It relies on consensus and cooperation rather than control or coercion (UK Essays, 2018). Weak core values often characterize a workplace without a transparent performance management model. The risk is that the progress lacks a clear sense and direction. Some goals' improvement and achievement are related more to the individual performance, luck, or favorable conjunction. These ephemeral successes have no solid foundation and are not a consequence of a collective winning culture, but it is rather temporary and can quickly vanish. Instead, a company with a stable PM process often has a competitive advantage despite the possible ups and downs caused by the market changes (Armstrong M., 2006).

Characteristic of Performance management

Performance management is a planned process that maintains a clear order of steps, although it may change between companies. The various phases are closely related to the Inputs. They are the knowledge, skills, and behaviors required to produce the expected results and achieve a precise output. Developmental needs are identified by defining these requirements and assessing the extent to which the expected performance levels have been achieved by effectively using knowledge and skills and appropriate behaviors that uphold the core value. They play a central role in this process by making a practical impact on the improvement of the employee (Armstrong M., 2006).

The plans for increasing and developing these inputs are based on the needs and the identified deficits that emerge during work performance. If the areas for improvement are quantitative or behavioral, create ad hoc solutions to improve them. They will be agreed upon and decided by the manager, who will need to be skilled in identifying what is necessary to help the employee. It is based on the principle of management by contract and agreement rather than control by command. The manager has a relationship of consensus and cooperation with the employee, monitoring actions but leaving them free in their growth path. There is no bond of action control and pressure on him because this can be counterproductive, and there is no coercion in the actions; the employee must be free to express himself.

1) *Planning* is the first phase, which involves setting expectations and objectives on the objective sheet. Linking the employees' goals with business priorities is significant to avoid disconnecting individuals' efforts from what matters for the company. The risk can be that the employees' goals become too numerous, vague, and a certain point, "irrelevant". Concerning the definition of the objectives, they must be transparent and fair: targets must be assigned in coherence with the company's expectations of each specific employee, based on experience, seniority, and role (Pulakos E. D., 2004).

   The objectives must be written and confirmed by both parties (i.e., the manager and the employee) to make the process more precise and defined, t. The person knows the expectation regarding the work and what it must do. During goal-setting a crucial aspect is a measurement because *'if you cannot measure it, you cannot manage it'*.

   To have a complete overview of the evaluation process, it is necessary to define some indicators (both qualitative and quantitative) to know if there is an improvement during the phases, compare different periods, and recognize the weakest areas. Measurement is a fundamental aspect of talking about result objectives and behavioral objectives. The distinction between these two objectives will be explained later.

2) In the *Monitoring Phase*, the manager and the employee discuss results and behavior performance. The aim is continuous mutual feedback during the entire appraisal period. The monitoring phase intends to accompany the appraisee throughout the following months; the manager should be available to for help or clarification as much as possible. During this phase, discussion with the employee on the specific actions taken to achieve the results is encouraged through a continuous constructive exchange of views (Pulakos E. D., 2004).
3) *The Review* stage entails checking the achievement or non-achievement of objectives into a definite time frame, if they need revision, it is impossible to achieve, or if there are new challenges. The need for a continuous review process is something that all companies experience. The employees require a quarterly or monthly meeting to reevaluate the targets, as annual or biannual meetings appear insufficient. They need a revision to respond to shifting strategies and evolving market conditions and avoid wasting employees' time on meaningless actions and efforts (McMahon G., 2013).

4) *Evaluation*, after the review phase, is the moment of the final evaluation, when the managers appraise the team member's performance.

   A numerical rating on which employees can be rank-ordered or identified as top, middle, and per- bottom formers is necessary to grade the results from various people (Pulakos E. D., 2004). The importance of checking, as mentioned, is closely linked to the development of the individual; however, the relationship with the Rewards is also significant, especially when there is a relation with salary increases, bonuses or career opportunities.

5) *The Reward* is the last phase of the performance management process. The relevance is that the primary incentive for employees is to receive bonuses and salary increases at the end of the year. If received each year consistently, following an excellent performance, they lead to promotions and career progression. For this reason, rewards cannot be limited only to salary increases or monetary awards (Armstrong M., 2006).

Some individuals may have innate leadership skills, so-called 'natural leaders'. On the other hand, others may require a great deal of training over the years (Hancock B. et al., 2018). For this reason, the company must invest many resources in training its managers. Good managers help in the creation of new good managers or top performers. To reach a higher level and contribute to the company's good, employees initiate a process of action to improve or acquire skills; the results are the final outputs. This continuous process aims to achieve higher standards in every part of the organization by clearly understanding what each team or individual needs to increase their effectiveness and efficiency in their work.

In the performance management process, the manager is not only a supervisor but also a mentor, guide, and coach (Manikutty S., 2005). To be a good manager, individuals must master their management skills. A possible summary of these ten elements is (Burgoyne J. & Stuart R., 2007):

- Command of basics of the situation: people, state of play, situations.
- Relevant professional Understanding: technology, market, custom and practice
- Continuing sensitivity to the event: perceptiveness and data getting skills
- Analytical problem solving and decision-making skills
- Social Skills and Abilities
- Emotional Resilience: the ability to work under pressure
- Proactivity and the ability to respond entirely to events
- Balanced learning habits and skills
- Mental Agility
- Creativity and imagination

The meaning remains the same regardless of vertical, horizontal or personal development. The continuous process aims to achieve higher standards in every part of the organization, with a clear understanding of what each team or individual needs to increase the effectiveness and efficiency of their work.

The goal is always the satisfaction of all the actors in the organization (i.e., team, managers, employees): each of them has an indispensable role in improving company performance. Given their importance, they actively participate in the decision of the action plan. It is crucial to remember that the individual's path and journey remain, and the company's objective is to support and help, not to force (Groysberg B. et al., 2018). At the same time, a unique logic is required to create a correlation between the various objectives with a cascading process. A correlation occurs between the goals of the individual and the team and those of the high level. The ultimate solution is to combine a Bottom-Up and a Top-Down component to create objectives. Performance evaluation is individual but related to the big picture.

1.2 Agile Organization

Definition

The main characteristics of the traditional company structure are definition stable, hierarchal, and vertical. Although the precise structure of the company changes according to a series of factors (e.g., products, sector, dimension), in general, they present similar logic related to the top-down objectives and decision-making. In these firms, the two concepts of control and planning are critical to maximizing the profit for the company's various stakeholders. These companies are solid and structured but, at the same time, are often very rigid and slow-moving. The mechanistic nature of these firms represents a big issue in high-speed and continuously changing environments.

The term "Vuca" is an acronym for defining environments characterized as Volatile, Uncertain, Complex, and Ambiguous (Mittelsdorf B., 2016). In such environments, companies must face many problems and issues like the rapid, unpredictable changes in consumer requests, lack of core resources, technological evolution, increase in complexity, and many others (Aghina W. et al., 2018). In this light, Ricardo D'Aveni's theory called "hyper-competition" remains a certain point valid. It says in 1990 that it is hard to maintain a sustainable competitive advantage for long periods. The hyper-competitive environment is constantly disruptive and requires continuous development, a new way of thinking and a continuous review of the rule of the game (Sammut Bonnici T., 2017).

It is impossible to define an organizational approach that consistently beats the market. A structure or working methodology can succeed during a specific period but cannot face new needs after a few years. The ability and flexibility to change and the capacity to adapt fast are crucial for survival in the current times.

Many firms are trying to adopt more agile organizational configurations. Such companies are usually better able than non-Agile companies to flourish in such a complex environment because they have developed the capabilities necessary to react quickly to rapid changes and possible external threats.

The creation of Agile organizations follows the idea of achieving dynamism but, at the same time, stability (Brosseau D. et al., 2019).

They arise from a network of teams within a people-centric culture, characterized by rapid learning and fast decision cycles enabled by technology and driven by a robust common purpose of co-creating value for all stakeholders. Such agile operating models permit rapid and efficient re-adjustment of strategy, structure, processes, people, and technology to maximize value creation. An agile structure assures speed and adaptability for competitive advantage in a fast-changing environment.

Characteristics

The complete transition from a traditional hierarchical model to an agile structure takes time and involves the company in all aspects. It profoundly changes positions within the company by building new roles and responsibilities and changing how they work. It is a clear objective to reduce vertical and top-down processes of allocating decisions and objective (Brosseau D. et al., 2019). The criteria influence the construction of the organizational structure, the creation of the teams and the workforce's division, following a goal-oriented approach. A mission-oriented system uses specific challenges to stimulate innovation in different parts of the company. The aim is to prioritize the achievement and pursuit of a set of specific goals that, in turn, allow to simultaneously achieve other more formal goals (e.g., the number of working hours, etc.). Reporting and communication are straightforward to reduce the distance between managers and employees as much as possible, flattening the structure and making it more horizontal.

The Governance tries streamlining decision-making to make all the strategies straighter at the point. One of the principal problems in a hierarchical (but not only) company is the effective management of time and the surplus of communications. In the covid period, the risk of useless meetings and unclear information became even more critical. Agile models aim to reduce this inefficient time utilization, thus making the various procedures more manageable. Agility means an appropriate response to emerging turbulence and changes in the business environment. Another definition can be "*the ability to make an efficient change of an operational level*" responding to emerging customer needs. Organizational agility is the ability to immediately react to changes in the internal and external business environment and the use of emerging opportunities (Holbeche L., 2016).

Another characteristic of an Agile Model is *Simplicity* (Davis C., 2017). This model aims not to overcomplicate and over structure the various processes but rather to make everything as easy as possible. Innumerable rules do not clarify the model for people within the organization.

Instead, being able to confront each other to understand whether things are correct or wrong. The continuous feedback process also helps in alignment between managers and employees. Working together to achieve something and have a common goal helps the various teams to remain on the same line.

Test and fail fast, considering that even the best plans can fail, the planning and decision-making processes are crucial. In strongly future-oriented companies, planning and decision-making follow an approach of quick testing and learning. The key is to design experiments to test hypotheses quickly, balancing the desire to consider a strategy comprehensively with the desire to minimize investment. The advantage also from a psychological point of view for the company is that a rapid failure is much less harrowing and depressing than a slow one. The prospect of failure became less problematic as compared to what happens in traditional organizations in the staff's eyes, which will be, in turn, more willing to experiment. The dynamicity of the process and learning culture is ambitious and promotes the idea of refraining from demonizing errors but instead seeing them as a learning opportunity (Darino et al., 2019).

In the Agile Model also *Leadership* has significant relevance. Leaders must practice and strengthen their leadership and influence their colleagues. The leader must strive to make the company sustainable and cope with the current enormous change. They must lead with intention and think about best preparing the various teams to face the new challenges. All the decisions need to maintain a solid customer-centric mentality. Indeed, the final goal is to create additional value for customers, for example, by providing a better quality of products and a higher-value experience. It is also essential to anticipate customers' tastes or create a new need or offer before customers demand them (Doz Y. & Kosonen M., 2010). *Managers* must always watch industry dynamics and social, economic, legislative, and technological aspects. In a rapidly changing market, companies that will thrive in the future will be able to anticipate change and act accordingly. Indeed, although following trends only once they have already solidified may represent a less risky option in the short-term, such strategy may threaten the firm's viability in the long term, especially in rapidly changing and turbulent environments.

In an Agile organization, managers are not the only ones who direct the employees and say what everyone needs to do; they have a more complex role. The manager provides vision, inspires people, and coaches, and tries to be a model (Manikutty S., 2005). He must have a marked strategic sensitivity in the sense of keen perception, awareness, and attention, among their characteristics. In addition, the leader must make the teamwork effective and be a guarantor of collective commitment. The team's commitment is closely related to the Leadership's ability to make critical decisions. Achieving all these points is very hard and requires specific training from the company (De Smet A., 2018).

Talent management represents another crucial aspect, both internal and external. The company needs to retain the best and most talented employees; to do so, it must invest resources to train them, invest in their development and guide and support them on their career paths (Darino L. et al., 2019). Although the company tries to hire the best people in line with the company's needs, this process is no longer sufficient. In addition to practical and technical skills, employees must develop specific soft skills and participate in the company's culture.

Organizational Culture is not fixed and unchangeable but evolves in line with the company's development. Despite values and mindsets being part of the company and defining it, others change according to the evolution of the market. Creating opportunities for employees to form organic networks across the organization is also essential. Agile companies pay attention to networking among employees through 'Fun' moments or organizing Team Building events (Aghina W. et al., 2018).

Technology plays a leading role and is also a vital backbone for agile companies and enables efficient working conditions for employees. It is one of the main assets that companies cannot afford to scrimp. For the model to work well, it needs to be accompanied and supported by an efficient IT system (Aghina W. et al., 2018). Business development goes hand in hand with an improvement in available technology. It will be up to managers to ensure that the business has the technological tools to support the model and that the current foundations can withstand all the rapid changes. The architecture must be designed and evolve according to the environment's needs and the industry. The Agile model is also significant for logistic reasons; the possibility to work remotely and wherever one wants is a crucial point and must be supported by an adequate IT system.

The Transition to Agile

While some companies are born as agile organizations, especially those operating in a highly technological sector, most require transitioning from a more traditional form of organizing to achieve agility. The company that wants to start this conversation is pushed for various reasons. There is an aspiration component and desire to scale, improve, and not remain behind the market. Most of the transformations start with building the top teams' aspirations, comprehending the model, and recognizing the added value of Agile. After that, the organization needs to share the vision of all employees to comprehend it. Additionally, it would also be necessary to gain experience and implement agile pilots to understand whether the model fits the organization and adds value (Aghina W. et al, 2018).

The scope of the Agile pilot project must be clear and choose the company's area to apply it; this might include deciding on the team's personnel, structure, workspace, facilities, and resources. The agile pilot needs to be mapped out in the agreement to the system, process, and people, in a way to be executed meaningfully. The Agile pilot is collected in a rulebook that provides the foundation for communication with others.

For most companies, the Transition is not a fast and immediate process; instead, it requires a slow step-to-step journey and a process entailing several planned phases. The model requires acquiring new skills, behaviors, and mindsets often not already present inside the organization. For this reason, the staff at all levels needs to take on new roles or responsibilities and acquire new abilities. This process often requires people to give up roles that they have done for many years. The transition requires a re-organization and re-training of the entire company but represents a powerful stimulus and motivation for all the employees (Aghina W. et al., 2018).

Top management decision/ambition. In the beginning, the process is decisive; all the company leadership agrees and understands that this Transition is crucial and fundamental (Dubois A., 2018). Moving to a new model is not just about alleviating current challenges and solving some problems; this decision requires a real belief and commitment to the company's future. After making the decision, the first step is to study the model. Usually, another agile company is taken as a model to gain valuable knowledge and experience.

Benchmarking and external study are extremely important for a company that wants to integrate new processes or adopt new models. Companies constantly study and inspire each other in today's interconnected market and the present competition relationship.

The next phase is the project/model phase, this phase cannot be reduced to the definition of the new organizational chart as it also represents a new operational model. It identifies the position of people, processes, and technological and operational changes.

It is necessary to create an initial version of the model to begin the experimental phase that can be applied and tested. At this stage, the main element is not structuring but understanding where the value is, how the company creates value and the sector's value. Comprehending the added value is more relevant than the formal and schematic part. After the structuration, the first analysis concerns the strategic position and purpose.

Organizations must identify the number of agile coaches needed, hire new people with experience in the agile organization and help existing employees develop the required skills. The organization must define the new agile roles (i.e., agile coach, product owner, tribe lead, chapter lead and product owner, for example) and a clear idea of the characteristics of each position (Brosseau et al., 2019).

According to these steps, the agile company does not follow the classical organizational chart but is structured in a series of cells/teams around frequent missions, often called Tribes. Individual agile cells are defined by outcomes or tasks rather than input actions or capabilities. Teams performing different types of studies are likely to use other agile models (Brosseau et al., 2019).

First, cross-functional teams are responsible for delivering products, projects, or activities. They have the skills and abilities within the team and should have a task representing the associated end-to-end value stream delivery.

Secondly, self-management teams provide core load capabilities and are relatively consistent over time. These teams, like production or operations teams, determine how best to set goals, prioritize activities, and focus efforts.

Thirdly, flow teams of individuals are assigned full-time to different tasks depending on the priority. Functional teams, such as HR, or scarce resources, such as business architects, are often seen as "flow" resources.

The final step in blueprinting, when the main activities that can be built upon are defined, is to outline the implementation road map. It should contain the transformation's primary purpose and general element and the list of tasks (or "backlog"). Many aspects emerge during the path, which is unknown in the initial moment. These emerging elements make it even more important to have a right and precise direction in mind.

Only very critical decisions are taken to the executive committee, while most daily decisions are more decentralized. The objectives of the whole organization must be set, aligned, reviewed, and represented in a more adaptable way (Doz Y. & Kosonen M., 2010). The change in the budgeting process has become much more flexible and ready for reallocation. Funding decisions are often made more frequently with a continuous review every three months. Another critical aspect is the operating model, which must be set up to strengthen control around risks and ensure technical quality by removing layers, increasing transparency about what is happening, and preserving technical competence. This aspect remains very significant in high-tech companies. Learning and career paths should be for all staff, clarifying new opportunities, all in a logic of a flatter organization. It is essential to support the transformation with ground rules and motivate the employees. A clear path of development and progressive growth is a strong point for the company to attract new people and motivate staff. People must feel that the company invests in them and is at the center of the process. It will be crucial to allow continuous learning and improvement (Darino et al., 2019).

1.3 Performance management in Agile organization

Very different from Agile is Traditional performance management. It prioritizes efficient production and involves top-down hierarchies, silos, and static performance management processes. Instead, Agile performance management results from today's changing marketplace, which requires adaptability and alignment (Williscroft & Uddeen H., 2021). The Agile Method has some features that fit perfectly with performance management procedures. They share many fundamental principles making it easier to evaluate employee performance. Some of the tools used are Frequent appraisals, check-ins, and various instruments for feedback to promote efficiency by allowing flexibility, autonomy, and ownership.

Some identified weaknesses of traditional performance management are (Darino L. et al., 2019):

• Assigning objectives and creating development plans is often complex annually. Squeezing all this into one session often reduces the yearly performance review into a tick-the-box exercise for managers and staff. Instead, in the Agile company, the managers are free to provide frequent check-ins to employees to give them the feedback they need promptly and appropriately (Williscroft & Uddeen H., 2021).

• An end-of-year review. When done annually, it is more complex to correct it in progress and have a chance to intervene. There is a risk that some objectives assigned at the beginning of the year are no longer current and valid. There are two-way informal check-ins in the agile company that promptly nudge employees in the right direction (Williscroft & Uddeen H., 2021).

• Feedback is given long after an event, whereas constant improvement requires timely and relevant feedback. Retaining or presenting feedback long after an event occurs is frustrating and ineffective for the manager and the employee (Williscroft & Uddeen H., 2021).

• In performance reviews, in an agile company, managers/staff are no longer forced to endure annual appraisals that provide "out of date" feedback saved from the beginning of the year to justify an assessment but the feedback provided is always up to date and new (Williscroft & Uddeen H., 2021).

In the agile methodology, teamwork is essential; people within the company must have the ability to work collectively and contribute to the work towards the goal. This way of working goes well with both individual and team evaluation in performance management. The aim is to push people to do their best collectively and collaboratively to achieve results.

In most cases, employees consider the performance management approach within the company to be correct if there is a result differentiation between the team and individual outputs. Ultimately, separating the two types of evaluation can be more difficult in agile organizations, where collaborative and highly interdependent teams make it difficult to track results to individual efforts. Successful organizations can assess and manage the performance of individuals not only against challenging goals but also based on how they operate within a team and the extent to which the individual has displayed and 'lived' the desired mindset and value behaviors (Haas M. & Mortensen M., 2016)

Teams in agile organizations operate based on established strategic directions and priorities rather than detailed instructions from above. It results in greater freedom to work and makes the assessment made by performance management more truthful. People do not have to follow predetermined and standardized procedures in their work but can act and try to solve problems in the best way they think. Work freedom helps make a person's real potential more explicit, increases mutual trust, and encourages a non-hierarchical culture. Greater freedom also leads to another fundamental goal that agile companies seek: to make their workforce happy and fulfilled (Wouter A. et al., 2018).

Agile companies and performance management want to affect employee's perception of their work positively. The idea of '*not making people feel at work*' is significant. Informality, spontaneity, and the presence of fun elements characterize agile companies. Organizations (Darino L. et al., 2019). Creating a happy and positive working environment is, in some cases, even more, potent than higher pay. If people feel good at work, with their colleagues and the working environment, they will not want to leave, even with new offers. Employee retention is significant nowadays, after the pandemic period. It is important to remember that the company, like any organization, is made up of human beings. People are the real heart of the business. Every company must take care of people's happiness because employees work in a brilliant way when they feel exceptional. The management must consider "what can be the best option for the employees during a decision-making process" (Kappel M., 2018). Since any structure cannot be suitable if the employees are unhappy, companies must work continuously to maintain an atmosphere of empathy and happiness. The company must behave towards its employees the same way it does towards its customers. In this way, the organization builds trust, energy, and positive morale internally and with customers (Darino L et al,2019).

Chapter Two: Process of Performance Management

The first chapter introduces the reader to the characteristics of performance management to understand its importance in company life. This second part aims to investigate the process of valuation specifically. The phases of the performance management are the management process: Plan, Monitor, Review, and Reward. These four phases are a continuous cycle repeated every year and constitute the foundation for the development and growth of the employees. This chapter also defines valuable instruments that can help the manager in the various phases.

2.1 Planning

In the first Planning phase, managers and employees will decide teams' and individuals' performance expectations and objectives. The objectives should generally cover a period of three to six months. They must meet the SMART criteria (Macleod L., 2013), an acronym that indicates specific, measurable, achievable, realistic, and time-limited objectives. The manager works with the employee to identify the precise number of goals they need to achieve. They vary in nature and number between companies, but usually, the gold standard would be between three and six. The nature can be related to Results expectations or behavioral expectations.

Behavioral Expectations

Effective performance management systems provide behavioral standards that describe employees' expectations in key competency areas. Managers should review and discuss these behavioral standards with employees during the performance planning. Managers must ensure employees understand how the behavioral standards relate to their jobs (Pulakos E. D., 2004).

Results Expectations

The results to be concluded by employees must be attached to the organization's strategy and goals. It is also necessary to include development objectives, which may not provide immediate short-term benefits, but conceive a medium- to long-term perspective. Their purpose is to improve current job performance or prepare for career advancement. Example goals for an employee might be (Pulakos E. D., 2004):

- Complete project "X" by time "Y".
- Increase sales by 10 percent.
- Successfully mentor employee "X" to develop skill "Y".

The importance of Planning derives from the possibility of reviewing the position of an employee's work, roles, and responsibilities. These moments also help investigate any training or performance development programs that might be useful for the company's long-term objectives and the employee's career (Levinson H., 1970).

During the Planning Phase is essential to define technical competencies, what skills are required to perform a particular role, and the assessment criteria for that role to perform well (Armstrong M., 2006).
The first identification is the *Role profile*, which defines the role based on expected outcomes, namely, understanding the requirement for the role holder based on the knowledge and technical competencies required (Armstrong M., 2006). The expectation is to perform in behavioral competencies and uphold the organization's core values. After they define the profile, it is necessary to decide how to implement it and what needs reinforcement. In particular, the skills required and the core competencies for a specific role change and increase rapidly.
"*It is an in-house system, so it needs constant refreshing, and we need to make sure that that is up to date and reflecting skills required in the business now and in the next five years*" (Chubb C. et al., 2011).

The approach works like a competency framework/list developed for the organization. The manager and the individual will then analyze it during the planning phase to ensure consistency and presence in the individual's skill set.
Some of the critical characteristics that the employee requires are (Armstrong M., 2006):
1. *Business understanding*: the employee scrutinizes business contingency and understands the organization's business concerns and priorities.
2. *Teamwork*: The employee works and agrees with the other team members and effectively plays his role.
3. *Communication*: the employee communicates clearly and respectfully. When the employee gives feedback at one collogue is for reasons of encouraging, motivating, and improvement.
4. *Customer Focus*: The employee puts at first place the necessity of the customer and tries to satisfy their wishes and needs in the best way possible.
5. *Flexibility*: The employee can adapt and evolve in a different context.
6. *Leadership*: The employee is a reference point and a guide for the colleagues and helps them achieve the desired outcome.
7. *Problem-solving*: The employee can analyze complex situations and diagnose problems. After identifying key issues, one can find an appropriate and logical solution.
Other essential aspects of every role are punctuality, effectiveness, efficiency, professionalism, and mutual respect.

Objectives describe what the employee has to accomplish and achieve within a specific time. They fit within the larger purposes of one's team, department, and company. Goal setting is an essential part of the performance management systems of defining and managing expectations and is the cornerstone of performance reviews.

Generally, in the definition of goals, they must possess some characteristics:
1. *Consistent:* coherent with the organizational values and targets.
2. *Precise*: clear and adequately defined.
3. *Challenging*: to stimulate and encourage progress.
4. *Measurable*: related to quantified or qualitative performance measures.

5. *Achievable*: the capabilities of the individual need to be sufficient for achieving the objectives; these could include the lack of resources (money, time, equipment, support from other people), experience, training and external factors beyond the individual's control.
6. *Based on the Agreement* between the manager and the individual - the aim is to provide ownership, not an imposition, of goals. However, there may be situations where individuals require some explanations to accept a higher standard to achieve.
7. *Time-related*: achievable within a defined timescale (this would not apply to a role or work objective).
8. *Focus on teamwork*: emphasize the need to work as an influential member of a team and individual achievement.

An effective improvement process is fundamental to a complete view of the current performance; it is a specific measurement. The manager needs to create a solid base for identifying improvement and development requirements and for a complete understanding of the current performance level regarding results and competencies. Finding the necessary information for career planning and continuous development and recognizing the strengths is also fundamental. All of these points require a precise and reliable evaluation criterion. It becomes impossible to completely understand a person's progress if they cannot be measured, evaluated, and monitored.

Measurability and Achievability: these two elements are particularly relevant in performance management for the reasons explained above. They are the basis for producing and creating feedback, by identifying where things are working well and crating the foundations for building long-term results (Carpi R. et al., 2017). They also indicate where things are not working well to find a satisfying solution. For this reason, during the performance assessment, it is necessary to see the output and input of the process. A result that can be measured and quantified is called output. It is also required to consider inputs to examine the view of knowledge and skills attained and behavior following the standards set at the level of competence and in the core value statements (Armstrong M., 2006).

Once the core characteristics of the goals have been defined, it is essential to relate them with the macro targets. The distinctive feature of performance management is the correlation between individual and organizational goals. Integrating organizational, individual, and team goals is a 'goal cascading' process. Cascading helps align strategy by promulgating the information/policy from the top level to all subordinates in the organization (Purihita P. I. & Secokusumo D. T., 2019).
Goal setting is a two-way process born from the union of intentions between what management considers essential to achieve and how employees think they can contribute to achieving these goals. The manager must direct the appraisee to achieve the company's goals but always consider the employee's opinion and point of view (Nicholson N, 2003). Greater employee involvement in goal decision-making contributes to increased awareness and ownership of the purpose.

The appraiser knows that achieving the objectives will contribute to their career development and possible rewards. If the employees require suggestions or tips, it is essential to answer them clearly, explaining what bonus they obtain for satisfactorily achieving a goal. On the other hand, discussions related to training and development should be separate from talks on appraisal, promotion or pay. These meetings, which aim to improve the employee's performance, can cover rewards, promotions, or bonuses that are topics for other situations. This deviation from the main subject is not favorable, as the conversation needs to remain focused on development (Chubb C. et al., 2011).

Support Instrument: OKR and KPI

Key performance indicators (KPIs) are a performance evaluation tool. KPIs evaluate the realization of an organization or a particular activity (such as projects, programs, products, and other initiatives). It simplifies the assessment of performance to the key indicator criteria. Typically, KPIs follow SMART principles (Zhou & Yu-Ling, 2018)

As a mature performance evaluation tool, KPIs have the *following advantages* (Zhou H. & Yu-Ling, 2018):

1) KPIs are intrinsically linked to the company's strategic goals and help managers assess whether they have been achieved.

2) KPIs are actionable and limited. Therefore, there is a tendency to have few of them to reduce possible waste and costs. It encourages the optimal allocation of resources to make the most of everyone's strengths.

3) KPIs can effectively identify changes in the external environment of critical performance, which helps identify possible issues in the business and correct them in time.

4) It is done from top to bottom to ensure employee and organizational performance consistency. If done correctly, they help the superior and subordinate relationship.

At the same time, the KPI method has *some disadvantages*:

1) Employees always do what the performance appraisal has tested. The overemphasis of KPIs on specific indicators makes it easy to ignore some new market factors.

2) Oversight of key performance indicators can be costly or difficult for organizations. Many elements are impossible to measure, and it is possible to make mistakes in assigning importance to objectives over others.

3) KPIs require time, effort, and employee buy-in to live up to their high expectations, but there is no clear guidance on achieving specific targets practically.

5) The foundation of prediction is the key activity in the future. No one can predict the result if these possible outcomes do not occur. Therefore, innovation is complicated to produce if the implementation of the KPI is without a corresponding incentive mechanism.

6) Key performance indicators may negatively influence the way employees to work, resulting in employees working for specific measures at the expense of the actual quality or value of their work.

OKR stands for Objectives and Key Results. It is a framework for defining and recording objectives and results. Its primary purpose is to define the company's "objectives" and the measurable "key results" of the implementation of each objective. One definition is "a framework of critical thinking and continuous discipline to ensure that employees work together to focus on measurable contributions". OKRs are often shared entirely at the corporate level so that teams have visibility of goals across the organization, helping to align and focus efforts (BetterWorks,2015).

The Advantages are (Zhou H & Yu-Ling, 2018):

1) OKR focuses on what matters most. OKRs require isolating the most fundamental priorities by focusing only on the key potential variables.

2) OKR scores are not directly attached to performance but only as a reference. Through the OKR, employees are willing to do things they think are suitable for the organization. It can also spark new thinking that leads to levels of success not previously contemplated.

3) OKRs are not top-down with handed-down goals - it reflects a mix of top-down and bottom-up goal setting, which can increase the time between the top and bottom levels to communicate, stimulating continuous and constructive discussion (Zhou H & Yu-Ling, 2018).

4) In a company, it is imperative that teams have visibility into the performance objectives of other teams. OKRs encourage this transparency throughout the organization, improving the perception of fairness and complete information.

5) At an individual level, OKRs reflect personal growth ambitions and company contributions. However, there are also possible disadvantages:

1) OKRs require employees to assume high responsibility and creativity to meet the requirements. It is challenging to have these characteristics at all levels of the organization.

2) The management skills and leadership style of managers are challenged. More traditional and authoritarian leadership models do not fit this approach.

3) OKRs can lead to a lack of teamwork. Individuals may focus too much on their OKRs rather than on team OKRs.

4) The relationship between OKRs and the evaluation process must always be considered. OKRs involve not directly related compensations, but in case of achievement, employees should get rewarded (Radonic, 2017)

Differences between OKR and KPIs: Both pursue the same goal of achieving the organization's strategic objectives, realizing a business profit, and creating value. OKRs and KPIs are derived from organizational strategies and pointed towards organizational goals. Managers want to use these tools to ensure consistency in individual, team, and organizational performance.

Furthermore, the key indicators highlighted in KPIs and the critical results emphasized in OKRs are similar. Both have the word "key" in their names, symbolizing the specificity of the result. They follow the same rules and best practices as any other form of communication-based on the logic that clear information is better absorbed. A KPI measures performance and assesses the achievement or non-achievement of a target; an OKR can help meet the target defined by the KPI utilizing a set of core results, also perfected in the form of indicators.

Comparing the two indicators (Kanket W., 2019), one of the main differences is that KPIs measure the performance and output of existing processes; OKRs allow to consider future objectives. KPIs focus on how to quantify employee performance. Results are directly linked to employee benefits (i.e., salary, bonuses), risking an excessive focus on self-interest and losing sight of the organizational objectives behind the KPI. OKR, given its characteristics of transparency and negotiation, is more aligned and non-confrontational with the individual's objectives than KPI. Transparency allows employees to participate in the company's affairs, understand the criteria and progress of the evaluation, and facilitate self-reflection and mutual supervision (Zhou H. & Yu-Ling, 2018).

Support Instrument: GAPS GRID

GAPS is an instrument that helps people reflect on their role and development properties. This tool explores the personal awareness of strategic dimensions for one's professional development with open questions. Ask the persons to focus on their current perspectives and future viewpoints.

The GAPS grid model is a two-by-two gaps grid that examines where the person is now and their current situation by comparing it with what matters most and what they should try to achieve. The model considers both aspects from the person's point of view and the opinion of any other significant person, such as the boss, senior management, direct reports, peers, coach, and family (Peterson B D, 2006).

Goals and values: The employees answer what is essential for them and why. It is significant to understand the person and what motivates their behavior. The values represented are wealth, altruism, learning, security, power, variety, and achievement.

Changes in behavior will only last if they are reinforced at some level by the person's existing motivations.

Abilities: The employees answer regarding how they see themselves. It is significant in understanding the person's view of their abilities, skills, and style.
Perceptions: The employees answer how others (e.g., boss, colleagues, direct reports, coach, family) see them., it is possible to gain multiple perspectives by asking people with separating skills and perceptions. Here, the assumption is that a person's view of their abilities will differ from other people's perceptions and that these discrepancies are to be understood.

Success factors: The employees answer by describing people's expectations of what it takes to be successful in various roles or work situations. These elements are also present in job descriptions, annual goal setting, etc. Because Success Factors serve as criteria for assessing how well a person fits or could potentially fit a given role, they shape people's perceptions of others.

Hence the tool serves as an instrument to increase awareness and deepen:
- One's ability to achieve goals
- Knowing if there are "dark zones" or relational problems
- Understanding if the other people have confidence in their abilities
- The motivation status of the employee

A Support Instrument: The Competence Matrix

The competence matrix is an advantageous instrument in the work and sports context for quickly determining whether a person is a good fit for the position and what are the requirement for that position (Piroska B. & Faragò B., 2018). One of its main activities is to assess the competencies needed for a project or a team, by listing all the competencies needed to do a job.
The Matrix is helpful also for other aspects of organizational life. It allows practical and immediate benefits for internal replacements if an employee is sick, on holiday or maternity leave. Having a good idea of whom to replace them with makes it much easier to find people within the company who will return and support them in a specific area. It makes people aware of the skills their team needs to work successfully and provides information about the skills they need to have.

Additionally, the Matrix helps to understand what skills are already available within a team or organization. Thanks to the internal "database" of skills, it will be easier to reveal the most suitable and necessary people for the completion of a project.

When specific characteristics are not present within the company, it is necessary to find them externally. Once these are clear and precise, hiring professionals to complete the team with the missing elements is much easier. It will be possible with the help of headhunters and during the selection phase to make sure that candidates have the required skills. It allows more targeted and precise recruitment processes. It also makes it more effortless to identify areas for improvement and to set up effective training programs.

2.2 Monitor phase

The Characteristics of the monitoring phase are the frequent feedback accompanying the employee during their performance. In addition to regular evaluation of the employees, organizations need to assess the effectiveness of the appraisal system periodically. Supervisors must use this tool correctly and leave room for maneuvering for the employee. Excessive and inappropriate use of the device may be counterproductive. Agreed objectives are often balanced; they should be not too difficult or easy to achieve. An employee needs to be free and 'calm' in providing feedback to a manager on the obstacles they are facing. It is essential to give positive feedback to employees often when they are doing well, as it is a vital source of motivation (Marthouret E., 2016).

Catching people doing the right thing and recognizing this publicly, where appropriate, can do more for productivity and culture than a monetary reward. It is vital to consistently document and updates an employee's progress, challenges, solutions to difficulties, and unusual situations.

During the last few years, digital tools for feedback have improved considerably. Changing the culture to prioritize face-to-face communication sets employees and managers up for success, with the ability to have a fluid dialogue. As business professionals evolve, so will conversations, so a standard check-box form cannot take the place of authentic human feedback (Armstrong M, 2006). It is fundamental for the whole process to set a precise date where to meet to take stock of the situation. The assessment needs to reach the objectives (especially the quantitative ones) within the established time frame.

Agreements and performance plans are working documents. When new needs and situations arise, updating or modifying the objectives and work plans is necessary. They discuss what the job holder (the evaluator) has done and achieved, hence finding, and understanding any shortcomings in realizing goals or meeting required standards. They know the reasons for any weaknesses and analyze them by looking at changes in the circumstances in which the job is completed, identifying new demands and pressures, and considering aspects of the individual's or manager's behavior that have contributed to the problem. A common understanding between the parties is essential in any decision. Performance management jointly creates any necessary changes to objectives and work plans in response to changing circumstances, deciding on any action needed by the individual or manager to improve performance (Carpi R. et al., 2017). It is essential that managers, with their teams and individual team members, consciously agree on the lessons learned from experience and how they can learn to make excellent use of this knowledge in the future.

The team would then review progress in regular 'milestone' meetings, check the results achieved, agree on the lessons learned and decide on any actions to be taken in the form of changes to the way the project needs to evolve. Learning is an unspoken part of these monitoring meetings because the team will decide to change its method of operation. Many definitions of learning are "*a change of conduct through experience*" (Barron, A., 2015). The team will continue to adapt its behavior as necessary. At the end of the project, team members will discuss with their leader what lessons have been learnt and change their behavior in the immediate future. These regular and frequent meetings make the subsequent Review and evaluation phase more straightforward and concise.

2.3 Review phase

Before the performance appraisal, the manager and employee should prepare and view what they want to say. Managers should have a clear list of agreed objectives based on the person's performance during the year and be clear about the person's profile. The manager should already have an opinion on the reasons for success or failure based on which to reward the person, mention any problems and steps to overcome them. To make the meeting more effective, the appraisers should analyze the performance and note down the points touched on (Von Elverfeld A., 2005).

Self-assessment is a process of formative assessment during which the individual reflect on and evaluate the quality of their work and their learning, judge the degree to which they reflect explicitly stated goals or criteria, identify strengths and weaknesses in their work, and revise accordingly (Andrade H., 2007).
Using the objectives agreed upon in the planning phase, employees reflect on their performance by first self-analysis of what went well and what did not. The employee comes to an awareness of which situation could have been done better and in which position it would have been better not to make that choice. This process helps the employee to clarify the situation. Then there is the phase of confrontation with the manager.

The manager should not focus too much on single events or perceptions of him because this would lead to a high risk of distortions and errors. Their assessment should be faithfully based on what the manager tells the employees during the monitoring phase. Managers should avoid assessing issues that are not covered in the performance plan, not in the objectives sheet, or anything outside the employee's sphere of influence.

The meeting should take the form of a dialogue between two interested and involved parties, both looking for a positive conclusion. It is easier the success if it is structured clearly and precisely and if sufficient time is allocated to the meeting to cover all the issues. Creation of

an atmosphere; if the environment permits accessible and genuine communication, it is easier to optimize the time. It will be necessary for the manager to permanently base the assessment on evidence and facts and praise the appraiser for some particularly brilliant work. It allows people to express what they think and unburden themselves and helps them feel that they are being listened to somewhat.
The manager should always talk about performance and behaviors, not 'personality' or 'person'. Discussions about performance are only on factual evidence, not opinion. Possibly discuss behaviors but never the nature and being of the individual. Only deal with actual events or behaviors and the results against agreed performance measures. They are avoiding unexpected and gratuitous criticism, which could hurt the employee. When the previous monitoring phase was adequate, there should be no surprises; the final meeting serves only to take stock of the situation.

Since regular feedback is frequent during the monitoring process, the meeting usually is short. However, it is always essential to take stock of the situation and make a recap. Properly conducted performance management helps ensure the alignment between employee performance and company standards and policies.

A Support Instrument: Stop-Start Continue

The Stop-Start Continue model is a quick and easy way of encouraging review and analysis of individual or team actions before deciding which aspects should be changed (Hoon, A., et al., 2014).
This model has three main stages:
Start - The identification of actions that should be started and missed so far.
Stop - Identifying things that have gone wrong up to a certain point. People who discover these behaviors, routines or habits need to stop immediately.
Continue - What things have benefited the team/customer so far? These should remain core activities during future projects/objectives.
The Stop-Start-Continue process is an excellent solution to implement during a meeting, especially at the beginning, to clarify which topics deserve attention during the session.

A Support Instrument: 360-degree feedback

360-degree feedback is a system based on anonymous feedback. The people of a company and colleagues evaluate members of an organization according to with whom they have worked (London M, 1993).

Ward's definition of 360-degree feedback is: “The systematic collection and feedback of performance data on an individual or group derived from many stakeholders on their performance” (Nugraha F. N. et al., 2019). They are usually their managers, peers, direct reports, and subordinates, hence "360 degrees". Of course, a precise selection of a range of people can share their opinions to provide a well-rounded view of the individual. The data return in the form of ratings against various performance dimensions. It has been used mainly as a development tool because it helps find information about a subject's work abilities, behavior and working relationships. It is for higher-up individuals in the organization's hierarchy (McCarthy A. & Garavan T. N., 2001).

The range of feedback may also include other stakeholders who interact with the subject - external customers, clients, or suppliers (this is sometimes known as 360degree feedback). A self-assessment process may also be incorporated using the same criteria as other feedback generators for comparison.

The definition of the main logic of 360-degree feedback is: that there are two core assumptions in 360-degree activities (Armstrong M., 2006).
1) Awareness of any mismatch between how we see ourselves and how others perceive us increases self-awareness.
2) increased self-awareness is a key to peak performance as a leader and therefore becomes an essential foundation block for management and leadership training development programs.

The Positive aspects of this tool are:
•*Valuable development tool*: The 360-feedback system shows the employees the possible differences between how they see themselves and others. It increases their self-awareness, which means they are more aware of their personality, strengths, weaknesses, beliefs, and motivations. This information can correct their behavior and identify their training needs. If The subject improves their effectiveness, they can reach the position to which they aspire.
•*Multiple sources*: Many people contribute feedback, so the information is certainly more varied and objective than the feedback of the reporting manager alone. It is likely to be more influenced by the subjective opinions of the manager and more at risk of bias. Furthermore, feedback is more likely to be accepted if more than one person says it. The subject becomes more aware of it if everyone they work with thinks the same regarding him.
•*Motivation:* Several people who gave the same feedback strongly motivated the assessor to improve and work to increase performance.
•*Company competencies*: Reinforce the company's core competencies with the questions. During the survey, respondents will answer questions reminding them of the company's values and expected behaviors.
•*Customer service:* Customer service can improve if customers and clients have completed the survey.
•*Method over outcomes*: the 360-feedback system evaluates technique rather than the result. It is more important to do something the right way, even if it does not produce the correct result, and it is the qualitative and value-based approach to the work is valued. For the manager, it is vital to adhere both to the company's values and concepts such as work-life balance, which are becoming increasingly important in work. The manager can apply some solutions because they believe that stress and overworking can increase the chances of mistakes and produce the worst outcome.
•*Large teams or autonomous workers*: This type of feedback is significant in organizations where individuals work independently, reducing their manager's possibility of being controlled. The instrument, therefore, provides a fundamental tool for evaluation.

•*Safe environment*: the individuals discreetly give their opinion confidentially. A lot of the input would be too uncomfortable for colleagues to share, and it provides not probably never be if the system was not anonymous.
•*Improves communication*: Communication increases between the team because the subject understands how others perceive them, which assists with teamwork.
•*Addresses personality and behaviors:* It helps subjects understand how their behaviors affect themselves, their department, and the organization. It is also helpful in reducing conflict.
•*Career development*: The organization benefits from this feedback improving career development planning and execution. It also promotes the organization's assurance of employee development, which aids recruitment and staff retention.

Negative aspects
•*Conflicting feedback:* Feedback may be inconsistent and incorrect. The idea is that the risk of lack of reliability and accuracy is less with a higher number of opinions, but it remains present.
•*Concentrating on negatives*: Organizations sometimes fail to discount strengths, focusing entirely on weaknesses. If all the negative aspects were prioritized and listed in a row, it would be discouraging for the employee - they might switch off or not trust the feedback. Indeed, they must understand the weaknesses but at the same time continue to insist on the strengths.
•*Managers need to pay attention to its use:* If the organization's leadership believes that this feedback is unnecessary or does not contribute, then it is unlikely that other organization members will treat it seriously. The method's effectiveness requires careful evaluation, and it is not evident that it adds value. For example, a lack of utility can be in small organizations because fewer people to interview become less efficient.
•*Vague questions:* It is better to avoid vague and uncertain questions. Because it is difficult to convert them into measurable behavior, the goal is to provide concrete and applicable information to the topic. It is essential to remember that 360-degree feedback is not helpful for all organizations or jobs.
•*Accuracy and Subjectivity*: The amount of time an individual has known the subject affects the accuracy of the feedback provided. It will be necessary to evaluate the intensity and the actual time that one subject has worked with another to understand if her judgment is valid. In addition, do not forget that respondents can provide personal rather than constructive feedback that can upset the topic and not have much value. Always make it clear that feedback must be productive, not personal.
•*Provide Feedback and Follow Up:* The provision of feedback must be planned prior to distributing surveys. Instead, it can be impossible for individuals to provide feedback. Lack of follow-up can make the review useless because people may not stick to their development plans. Follow-ups should be done quarterly for two years, with re-administration of the survey every 6-12 months.
•*Lack of anonymity*: Lack of anonymity can undermine the whole process. Confidentiality must be guaranteed, or respondents will not be truthful.

2.4 Evaluation phase

As the review part, the valuation needs to be coherent with all the precedents without surprise (monitoring, review, etc.). This part concluded a specific period and became the base for the next one.

The evaluation uses quantitative data using accurate measurement, and the result will reflect the organizational goals like productivity, profitability, and sales growth. In this phase, there is also a component of a judgement based on personal impressions from the manager or the colleagues; this part is un-quantified such as innovation, creativity, loyalty, the ability to work together, sharing knowledge, leadership, or the ability to communicate (Baker et al., 1994)

Nevertheless, the evaluation process can still be subject to error. Firstly, the halo effect is likely to occur when the evaluator assesses the person based on the totality rather than closely analyzing separate and independent individual attributes/behaviors. (Yustina A. et al., 2017). An appraisal error can also occur when comparing one employee with another, contrary to the job description standards. Sometimes the halo effect occurs because the evaluator may be afraid to rate someone low on an element of performance appraisal.

However, this may be an advantage in the short term, but it certainly makes the rating less valuable for the employee's development. Proper training on how to handle a performance appraisal interview is an excellent way to avoid this.

The validity issues relate to how the tool measures relevant aspects of performance. The fundamental aspects of performance are the key competencies and responsibilities of the job, so all previous assessments made on the role profile and at the review stage must have been as fair and objective as possible.

It must observe specific characteristics, precisely the evaluation method, thus linked to the specific measurement of the various performance indicators.

Reliability refers to the consistency of the same measurement instrument across the organization or job title (Chandramohan R., 2015). When looking at reliability in performance appraisals, several evaluators must evaluate the same person differently, especially on quantitative metrics.

For this reason, it is appropriate to make all the performance standards clear. For example, expressing values in percentages makes it easier to check at the end of the period whether the target has been reached or not.

Acceptability refers to how good members of the organization, managers and employees evaluate the performance tool as a valid performance measure. The lack of confidence in a model can lead to its misuse and loss of significance.

The evaluation methodology must present a standard method, and, at the same time, it should be specific. If the criteria are not specific enough, the tool is not helpful to the employee for development. Remember that the evaluation phase is the last phase of the evaluation process and the first phase for the subsequent one.

Regarding the evaluation, there are some types of Performance appraisal systems (Schröder V. S., 2021):

Assessment of personal characteristics/character attributes: this allows managers to measure the personal characteristics of their employees that are related to their job performance, such as skills, talents and personality. However, this type of assessment may not be accurate, as having a specific personal characteristic does not mean that this characteristic leads to better work and performance. For example, an employee may have high skills, but their performance could underperform because the context they find themselves in does not fully use their potential. Since character traits are relatively stable, employees do have not many opportunities to change them in favour of performance. However, companies use this type of personality assessment less and less because judgements about the person and the personality cannot be perceived well by the employee.
Behavior assessment: Managers evaluate how well employees perform through behavior assessment (reaction to action). While the assessment of character traits evaluates employees, the behavior assessment evaluates how they act and react to the work process. Since it is easier for employees to change their behavior in the work process than character traits, feedback is often more effective than the former.
Evaluation of results: people differ in their abilities and inclinations. There is always a difference between the quality and quantity of the same work performed by two different people. Despite a great effort, an employee may not contribute to achieving the organization's goals.
Self-assessment: is another method of assessment that puts the employee in a position to evaluate and assess their performance in achieving the organization's goals. This methodology discussed in the review always presents the problem and risk of subjective evaluations (Andrade H., 2007).

A Support Instrument: Force Ranking System

It is a performance appraisal type that orders employees' percentages into specific categories based on how well they perform compared to their peers. The rationale is always to identify the best and worst employees to understand who creates value for the company and who does not (Bashir U., 2011). With this performance appraisal, managers risk creating intense competition among employees. At least, in theory, the result becomes a ranking of employees from best to worst (for the same role to compare them with their peers).

The approach follows the Traditional Ranking (Thompson J., 2019); an employee's performance is confronted with that of other employees according to a specific criterion. The more variables, the more reliable the evaluation will be. In the end, there is a division of employees into three categories:
A-players: 20% of the most successful employees are the stars who will guide the company into the years to come. The company rewards them with increases, promotions, and skills training.

B-players: The average 70% are the safe and steady workers who show up and do a good job but are not considered future leaders. They can receive small salary increases and strategies to improve in weak areas.
C-players: The last 10% are the worst performers. They may work poorly in a team of competent people or in a standard way in a team of excellent people. They usually do not receive bonuses or salary increases and may be put on performance improvement plans, managed out of the organization, or fired.

One of the advantages of the FRS is that this system ensures uniformity in appraisals based on the same criteria rather than individual managers using their preferences to evaluate, which leads to a more objective outcome of the process (Grote D., 2005). All evaluators understand the FRS rules and will bring more objectivity to the Performance appraisal. Employees will fully comprehend every increment and reward if they have performed well or vice versa (Bashir U., 2011). The FRS helps management identify its peak performers and reward them accordingly in a distinct way (Guralnik & Wardi, 2003). Another use of the ratings is to allocate the annual increment to identify the most talented employees ready for promotion. The low performers will either improve their contribution or leave the company over time. Still, it also has definite disadvantages such as increased competition, high stress, increased turnover and possible loss of effectiveness over time (Alsever J., 2008).
The strong short-term orientation may have the opposite effect rather than the one hoped for, i.e., failure to recognize raw talent. There is a risk of not realizing a person's potential over time with the help of coaching and mentorship.

A Support Instrument: 9 Box Matrix

The 9 Box matrix is a simple and immediate tool that represents the basis for a constructive comparison to identify and share strengths and areas for improvement with clarity and transparency (Van Vulpin E., 2021). It is like the competence matrix that helps understand the individual contribution to the team.
It is an intuitive tool with a visual impact, which allows communicating the adherence between the expectations and those of the company concerning the person's role, the results achieved, and the behavior implemented.
The assessment follows specific parameters that measure behavior and company performance through the assignment of scores summarized with the positioning in the Matrix within the quadrants, thus making the assessment fair and objective (Figure 1).
One of the tool's strengths is that it is intuitive and has a strong visual impact so that it graphically shows the correspondence between the behaviors and values required by the company.

The Matrix is compiled annually by each manager with the support of the relevant Business Partner and is an integral part of the Performance Management process. (Pulakos E. D., 2004).

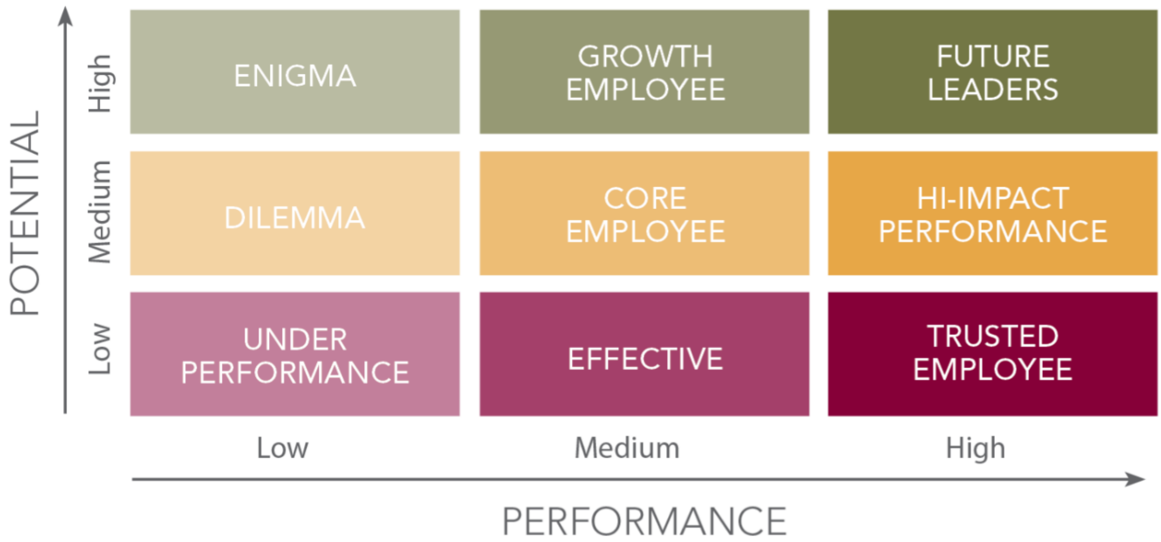

Fig.1. Nine-box matrix. Source:
https://achieve.lausd.net/cms/lib/CA01000043/Centricity/Domain/595/Tool2-9-BoxTool.pdf

This management tool must allow us to differentiate the skills of each of the employees. People in the same position or work team do not have the same level of performance and the same potential. It is a double-entry table in which employees are organized and distributed following two factors: their performance and potential (Cánovas A. G. et al., 2018). There are three levels for each element:
- *Potential*: low, medium and high.
- *Performance:* does not meet the objectives, meets the objectives, or exceeds them.

Potential means acquiring new knowledge and skills, generating innovative ideas, being willing to change and take on new responsibilities, and having innate soft skills.
Forward-looking conclusions are reached when the company employees are placed in this Matrix and workers number in each box into a percentage. The company's human capital makes decisions. Usually, most employees are in the middle part. They represent the traditional/core part. Usually, this part is 65% to 75% of the team.
The extremes of the Matrix are low yield/potential and high yield/potential. The low point is the below-average performance subjects who do not add value to the team. If the potential for improvement exists, the solutions usually involve investing in training or repositioning them in another role. Some people who do not perform in one position may not necessarily work in another. However, if a change does not give the desired effects or the opinion that the employee does not have potential, it often proceeds to their exit. On the other hand, when people have high potential and performance, they are considered the stars of a team; often, if they are consistent in their results, they have a fast career path and receive awards every year.

2.5 Reward and Managing Underperformance

As discussed in chapter 1, rewards significantly impact employees' motivation to increase their commitment to the cause (Eshun C. & Duah K., 2011). On the other hand, unattractive or poorly designed rewards may make them feel unappreciated or look for another job.

The two parts decide the reward in the planning phase and whether expectations have been met or exceeded. It is essential to consider the internal balance and budget to maintain agreements. Failure to reward can progressively sour the relationship of trust between managers and supervisors, putting the process at risk in subsequent years. For this reason, managers in the planning phase will have to be careful not to make promises that are not fulfilling.

Just as managers must be careful about who gets the rewards, they will also have to be careful about who does not. They must be able to deal with underperformance appropriately and sensitively. Employees cannot be comfortable with missing out on rewards for several years. The reasons for underperformance are varied and not always only work-related (Nicholds J., 2020). Employees are first and foremost people who, like everyone else, have a personal life with ups and downs. Therefore, the manager must always pay attention to how the person interacts with the evaluated person and transparent procedures.

Underperformance can be divided into two categories (Pindek S., 2020):
1) *Acute/Episodic underperformance*
2) Chronic underperformance

Acute/episodic underperformance is limited in time, for example, an error or incident, typically the way to perform a specific task. Given the assignment of objectives, the appraiser chooses an approach that does not meet performance standards or results in significantly worse outcomes than they might have if he chooses a different task execution. Regardless of the severity and intensity of the error, failure to meet an objective in one period, if episodic, does not affect subsequent ones. It is difficult to have an ever-growing and error-free career path, and it is precisely from mistakes in the path that everyone discovers new things and learns from mistakes.

Chronic underperformance is a failure to meet the standards of effectiveness requirements in terms of quality or quantity of output over time (Rotundo & Sackett, 2002). Underperformance refers to actions that are within the employee's control. External factors that influenced performance but were not considered in the appraisal strongly influence the individual's performance. The performance management cycle helps intervene and deal with these situations if done correctly. If they understand the chronic nature of the underperformance, a supervisor can start by asking if other factors may be affecting their performance and, in case, change the plan or the goals. If the problems are personal, it may be better to refer them to a professional counselling or support service. The toxic work environment is another possible cause that requires the manager's intervention. The person may be ill at ease in the working environment where it operates at the team management level until more severe behaviors, such as micromanaging and bullying.

The performance management cycle helps intervene and deal with these situations if done correctly. A supervisor may start by planning the employee's workplace goals but then ask if other factors may affect their performance. If the problems are personal, it may be better to refer them to a professional counselling or support service.

The request concerning the person's situation should be asked intelligently by creating empathy with the employee. The worst mistake can be made to start from an accusatory point of view, which will have the opposite effect to the one hoped for, i.e., closing the employee down further.

The regular feedback model helps the employee identify where they believe their strengths and weaknesses lie and then set goals. The manager's job is to help build a culture of empowerment and trust instead of a paternalistic and coercive culture.

Clarifying expectations, developing a work plan, and identifying clear incentives are essential to managing underperformance. Then, through observation and regular reviews, the managers can transparently monitor progress.

Chapter Three: Company A PM Model

The first two chapters aimed to provide the basics of Agile Methodology, performance management and its various phases. After the theoretical part, this third chapter covers the experimental part of this thesis, dealing with a company's transition from one performance management model to another.

3.1 The Company Scaled Agile Structure

Before discussing the transaction of the performance management model, it is essential to explain the business and structure adopted by the company in question. The company under analysis, which we will call Company A for privacy reasons, operates in the technology and IT sector and has grown rapidly and continuously since its creation.
Over the last few years, the structure adopted is Agile, more precisely Scaled Agile. The organizational structure represents a definite competitive advantage over its competitors. For this reason, in this chapter, the analysis of the firm's characteristics and practices will remain in general terms to avoid revealing private company information.

The Scaled Agile Framework

The SAFe is a variation of the agile methods (already explained in the first chapter); it helps provide greater flexibility and adaptability. It is a set of organizational and workflow models used to simplify the assimilation of Agile practices on an enterprise scale. The Four basic concepts are (Sreenivasan S. & Kothandaraman K., 2019):

- *Alignment*: SAFe requires the company to apply the strategies at every level of the organization and for all teams.
- *Built in quality:* SAFe requires teams at all levels to explain and clarify when a task is complete or finished for each unit of work and to include quality assurance in the development process.
- *Transparency:* SAFe provides visibility of all aspects of the development process for all teams across several business areas: prioritization of features, task estimates, work performed or completed, etc.
- *Program execution:* SAFe requires both teams and individuals to provide quality work solutions that have business value.

The primary users of this methodology are advanced companies and larger organizations, which generally face different challenges when moving to agile working methods (Scaled Agile Framework, Airfocus).

The framework is a collection of knowledge that includes structured direction on positions and responsibilities, planning, work management and corporate values (Blake S., 2020). SAFe promotes alignment, collaboration, adaptability, and delivery in many Agile teams.

There are four levels of implementation of this methodology (Heidemeyer C., 2021):
1) The Company adopt at the level of a *Team* or a *few specific teams* working on a given business objective.
2) When working on a program or the primary business objective. Many teams work together to create an *Agile Release Train* (ART). The Train, one of the fundamental concepts of agile, is a virtual organization (typically between 50 and 120/130 people) that plans, engage, and develops. They follow business goals and objectives, they aim to create solutions that benefit the end-user ARTs are cross-functional, independent, and have all the capabilities (software, hardware, firmware, and more) needed to define, implement, test, deploy, release, and operate the solutions (Agile Release Train, 2021).
3) Consists of 2 or 3 trains that together form an Agile Release Train.
4) The final level is the *Portfolio level*; the entire company (or business area) has implemented the Agile methodology. The company must organize the entire structure according to Agile through lean budgeting and strategic governance processes.

Company A Structure

Company A has totally implemented the Agile methodology, according to the structure described below.
At the top, there is *Lean portfolio management*. It is a set of teams whose objective is to coordinate between trains and align their strategy, budgeting, and related investments.
Next are *Three Trains* which represent the three main core businesses of the company. Each Train has the achievement of targets regarding profit, customer satisfaction, cost reduction and others.
Inside the various trains, there is a division in *Sub Value Streams*, which can be defined as "*a series of steps to provide the product or service their customers want or need*" (Braglia M. et al., 2006). They subordinate a variable number of teams based on the current needs. They involve various advantages, which "*enables the team and leadership to see where the value is being added, allowing them to improve the overall efficiency of delivering a software product or feature request*". Therefore, these Value Streams can assume the shape of the several sequential processes turned into the realization of a determined product, such as Define, Build, Validate and Realize. Alternatively, Value Streams can be defined according to the various phases of the customer's life, for example, in a service company: Attract, Offer, Buy and Deliver.

In support of the various Trains, there are several *Domains*. They are teams united by the same skills that have as their primary mission the support of the work of the Trains. Each domain has its *Domain leader.* The domains are divided into *Component teams* (i.e., teams united by the same skill) with a *component leader*. Possible examples of domains can be human resources department, technology, finance, and marketing. Possible component teams are, for example in the human resources department, recruiting, compensation, business partners.

Three significant figures support the three trains' work: the release train leader, the solution architect, and the product manager. They are three "extensive" figures whose functions often vary based on the company where they are in use. But briefly the main characteristics of each are (Alqudah M. & Rozilawati Razali, 2016):

1) A *Solution Architect* is responsible for the technical and technological vision within the Train. Typically, as part of the solution development team, the solution architect translates the requirements created by Train's analysts for that solution and describes it through a precise architecture and design.

2) The *Release Train Leader* aims to improve the quality of work inside the Train. They deal with resolving all possible problems that may arise that risk undermining the work's success. It stands as one of the main drivers of continuous improvement and heads the team of the various scrum masters.

3) The *Product Manager* sets product strategy and creates product roadmaps in an agile environment. It, therefore, deals with the phase of achieving profit and customer satisfaction. It plays both a strategic role and a leader, and it is the reference manager of all the product owners inside the trains.

Each Train has two fundamental roles: The Product Owner and the Scrum Master (Schwaber K. & Sutherland J., 2020)

*Product owner**:*** The owner of this role represents the interest of the business stakeholders and directs the priorities of the Train toward customers' and the company's priorities, performing a connection function between the development team and the customers. The product owner is responsible for the various functions performed by the user group at the operational level to define, prioritize and adjust what features will be in the product release. The owner accepts or rejects the work results, ensuring that the work's goals are met and communicated. They work with the Scrum Master to ensure the maximization of the product's value (Sverrisdottira H. F. et al., 2014)

*Scrum master**:*** The facilitator works to ensure that the Scrum Team has an enabling environment to complete product development. It has the responsibility of *Scrum*. It is a specific process framework used under the Agile umbrella to develop complex products, manage product development and other knowledge work (Schwaber K. & Sutherland J., 2020)
The *Scrum master* is the primary figure for the project development team. They manage the information exchange process during the Sprint, including conducting the stand-up meetings and helping the team stay on track by mediating issues and removing obstacles. It effectively

takes on a role as a carrier of the values of the Agile methodology by taking on a significant role at the corporate culture level as well. Their goals are to achieve full transparency and understanding of Scrum theory and practice for the correct execution of the work. In addition to developers, the scrum team may contain testers, architects, designers, and IT operations. While the scrum master aims to protect the team and maintain focus, the unit is self-directed and ultimately responsible for collectively determining how to achieve its goals. Under the responsibility of the Scum master operates the *Scrum Team*: this group of people is responsible for executing the work.

Differences between scrum master and product owner:
There are some differences between Scrum Master and the Product Owner, they possess different responsibilities, nevertheless they work closely together and complement each other. The Scrum master should support the Product Owner in the various actions. The Scrum Master's principal goal is to ensure the project's success by supporting the Product Owner and the team with a proper process and adhering to Agile principles. Projects that follow together within the Scrum framework consist of short periods called sprints (Sverrisdottira H. F. et al., 2014).

The Sprints: They are another fundamental concept of the Agile model and are highly significant and related to the performance management process. Sprints consist of periods ranging from a week to a month, during which a product owner, a scrum master, and the scrum teamwork complete a specific addition to the product. It is an established period during which specific objectives must be completed and be ready for review. The Sprint begins immediately after the end of the current Sprint, which means after one month (or less) of Sprint, start another sprint of another month (or less). Within the various Sprints, various ceremonies are also characteristic of the agile scaled structure (Schwaber K. & Sutherland J., 2020). Such agile ceremonies are meetings with defined duration, frequency, and objectives. They lead the project teams to plan, monitor and involve stakeholders in their work and help them reflect on how well they worked together. The Four most important ceremonies are considered (Schwaber K. & Sutherland J., 2020):

1) *The Planning meeting*: it is the first of the ceremonies during a Sprint. During the meeting, the product owner and the development team decide what work they will perform during the Sprint. The team has a significant influence in determining the work by establishing how much can realistically be done during the Sprint. At the same time, the product owner decides the criteria for achieving the goal.

2) *Daily Stand Up*: It is a daily meeting, often done at the beginning of the workday, to quickly inform everyone of what is happening in the team. The tone of the stand-up should be light and fun, but informative. It helps all team members update each other on how work is progressing. The goal is for everyone on the team to have complete information on the work progresses. In addition, this meeting has significant cultural importance because the informal tone helps to strengthen the team's relationship. The very fact of meeting at the beginning of

the day symbolizes a moment of sharing and communication at the entire team's level before starting their work or within the component team of reference (Stray V. et al., 2018).

3) *Iteration Review*: It is a time to showcase the team's work, usually in the middle of a sprint or at the end. Its nature can be informal or in a more formal meeting structure. It is a time for the team to celebrate their accomplishments and demonstrate finished work within the iteration.

4) *Retrospective:* It helps the team understand what worked well and what did not. At the end of the Sprint, the team usually does this meeting to understand what is and is not working and use the time to find creative solutions and develop an action plan. Often, during this meeting, there is also space for proposals and brainstorming to find collectively new solutions (Ozoliņš P., 2018).

3.2 The Creation of New Model

The reasons for change

The foundation of the old performance management system was on an annual objective sheet assignment. Depending on the person, the target card was assigned either in January or July. The duration meant that all the various support tools and procedures were annual.

The previous process showed many weaknesses:

- Many employees did not understand the metrics and methods for evaluating objectives, which were often considered confusing and unclear. More specific indicators were needed, especially for qualitative and behavioral objectives, to avoid the risk of subjectivity in evaluations.
- Many supporting tools were perceived by employees and managers as obsolete and no longer functional. The annual horizon did not help the functioning of many tools that needed a short/medium term utilization.
- Objective sheets on an annual basis that did not follow changes in roles and priorities
- Evaluation focused only on manager observation. Especially on behavioral goals could lead to risks of bias and distortion.
- The PM process was not always in line with the values and culture of the organization.

In addition to the difficulties of the process, the company's and the external situation had changed rapidly, mainly according to three factors:

- *Transition to a Scaled Agile model*: The transition from a classical matrix structure to a scaled agile structure represented a significant change for the company, taking time to learn. Many people who worked for years in a certain way with a particular structure had reviewed the entire work modality.
- *Remote Working*: This transaction took place entirely during the pandemic period; for this reason, it was necessary to adapt all the various company processes to smart working. The old process was inadequate for an employee who works remotely. There were many possible issues, such as leaving them abandoned and making it difficult to monitor the processes.
- *Continuous Improvement*: The increasing competitiveness at the market level, especially in the Tech sector, leads companies to try to improve continuously. A transparent and perfectly functioning performance management process is a vital competitive advantage tool.

In 2021, as a function of all these factors, the company A revised the process and model making it more:

Agile: constant feedback and measurement at least every six months.

Flexible: able to adapt the dynamism to individual and strategic goals, promote professional development, and at the same time foster business growth.

Integrated: with all the functionalities of new and modern database.

In approaching the project of revision of the process and understanding better what was necessary to renew and what to maintain, the company decided to work in phases.

The first phase was Data Collection. It took place both internally, to gather the opinion of people working in the company, and externally, to understand the Performance Management processes adopted by others successful companies. After, they referred to some consultant companies with expertise in agile. On this basis, they created a model to launch a pilot project to test its effectiveness. The final phase was the Test to verify the applicability of the new model created and a subsequent evaluation of the tools' adequacy. The process can be therefore divided into 3 phases:

1) Analysis and Research phase (internal and external)

2) Launch Pilot Project

3) Phase of Test and Review tools

Analysis and Research phase

Internal Research: The company decided to carry out a series of workshops and launch various surveys to understand people's opinions and get feedback. The consensus was to review the performance management process and understand the new requirements. Despite the perceived need for improvement, employees perceived the previous performance management process as solid and structured. Many of the cornerstones of the previous method were appreciated, and the intention was to maintain them. However, given the rapid changes we have seen in recent times, it is not entirely adequate. Furthermore, given the company's rapid growth, it was necessary to implement new actions.

The company divided the feedback into two categories

1) Which actions to keep and improve (Keep)

2) Which actions to start (Start)

To Keep:

- Maintain the behavioral part in the evaluations: The qualitative and behavioral indicators are considered fundamental by the population of company A quantitative indicators.
- The Use of the objectives card: the tool of an objective card is considered a tool to be maintained.
- Maintain the 360-degree feedback tool: The goal is to keep the number of feedbacks as extensive as possible.
- The use of Mapping: The "visual" importance of the tool is powerful for company A's population.

But at same time to improve:

- 1)Target Sheet: Increase the number of information and details within the target sheet.
- 2) Making the mapping process more detailed and meticulous. To provide more information to managers for evaluations.
- 3) Implement Feedback collection tool: Despite the confirmed value of the 360-degree feedback, the population of company A and the managers required additional feedback tools. A lighter and more manageable instrument, as compared to the 360 degrees, can be implemented, and used more frequently.

To Start:

- They asked for increased goal alignment and priorities among the various roles of diverse professional families (thus with different responsibilities) but working in the same teams.

- No more annual frequency: making the various meetings and objectives quarterly or half-yearly. The annual horizon was perceived as too wide. The distance between the meetings between the evaluator and the manager was too large, the request was for more frequent meetings.
- Increased transparency on evaluation processes and the assignment of objectives (especially on Trains, where it is more complex, given the lack of coexistence of community and team).
- Awarding of goals based on seniority, responsibility, and role.
- Develop a feedback-centric process to allow managers to support their reports in their work and development despite belonging to different teams.
- Creation of a Repository where it is possible for people working in Company A find the history of their colleagues.
- Creation of precise growth paths within the company. With a clear explanation of what to expect and what are the steps to progress over the years.
- Streamlining and simplifying the process.
- Greater sharing of objectives (more transparency).
- Introduction of a link between individual objectives and strategic objectives.
- Involvement of the new actors introduced by Scaled Agile in the decision-making and evaluation process.
- Continuity in growth and development paths during organizational changes.
- Clear and defined guidelines for evaluation (elimination of subjectivity).

*The External Research***:** The goal was to analyze the performance management of the most successful companies on the international scene. The external analysis revealed that all leading technology and digital companies start from the same principles but apply them differently. The impossibility stems from using the model (as is also the case with agile working) in its entirety in each company. The necessary condition for a correct application is customization according to the personal needs and culture of the company.
In the primary phases, there are some standard practices that most of the companies under analysis use:

OKR: Introduction of team objectives and/ instead of individual objectives with the general use of the OKR tool. As explained in chapter two, this methodology is trendy in many companies.
The individual may agree to the objectives entirely with the supervisor or halfway between supervisor and employee. The correlation between these and compensation is more direct in some companies, but there are also companies where the link with salary increases is not present. Performance management procedures are only for supporting individual development. As explained, the use of support tools may vary according to a company's specific needs. In any case, their creation remains based on quantitative indicators and estimated on precise results.

*Objectives***:** individual and collective goals are not set by an individual (e.g., the manager or the PO), but by the team, following specific guidelines. The aim is to make the objectives of a team more shared and agreed upon by all, not by a vertical decision-making process. Transparency goals and targets are a constant in all the companies analyzed. It is a question of making quarterly, half-yearly and annual strategic objectives clear to all.

Competence frameworks: The purpose is to specify each person's competencies and behaviors according to profession and seniority. These competency frameworks are essential for defining and setting the individual competencies required by individuals to do their job effectively. They also meet the need for clarity about performance expectations and establish a clear link between personal and organizational performance. Most companies now use them, and, in some cases, they are at the heart of the performance management process (while others are only to support development).

Pilot project & workshops

At this stage, the process was mainly led by the company's HR department, particularly by creating a team dedicated to this process primarily consisting of BPs. During starting the model, company A also organized several workshops. They were beneficial to increasing competence and ideas on how to guide the transition. The possibility of having hours dedicated to this topic, of discussion and brainstorming, helped a lot to speed up the process.

The four "value behaviors" were decided upon to observe and measure at the end. Currently, they are:

1) Balanced planning and time management
2) Listening and communication
3) Learning ability
4) Team spirit.

The company approached some consulting companies to create a practical framework for progression regarding the role behavior part. Company A identified a basic model that each manager can modify/supplement regarding the competencies linked to the professional role/figure. In this case, the four aspects were:

1) Knowledge & Reference,
2) Execution & Autonomy
3) Responsibility
4) Proactivity & Openness to change.

After creating these eight fundamental pillars, the model's base was born. As this is a delicate process, the decision was to test it in a small way, i.e., apply it to a sample (a team from the new business train) to check its effectiveness and applicability.
The Team built target sheets with a group of 8 managers and 8 team members and tried to involve different professionals to test the model and draw up targets for various job titles. The idea of the pilot project followed one of the fundamental principles of Company A, which is "Test and Learn".

The proposal impacted different areas of the company, both on and off trains. Also, the figures involved were diverse, from developers and scrum masters to portfolio analysts.
The community manager also helped directly and indirectly with the process through regular alignment and co-construction of the sheets. Everything was structured to make it sustainable regarding the number of hours and not overloading the people involved.

Testing and Survey

The training program involved a total of 40 managers. They worked hard to ensure that the process of constructing and sharing the target sheets (80 in total) was as effective as possible. The results obtained from this Test were very positive. The aspects that struck the managers most positively were the clarity, the practicality of the new process and the perceived benefits for both managers and employees.

Company A used graphical tools (i.e., matrix) and practical examples to support the evaluation. The sharing of best practices and advice for managers made their work much more manageable and allowed them to cover a broader range of areas. The extensive data made available in the process and the guidelines provided by the consulting firms helped make the process more comprehensive and measurable.

From the survey sent by the business partners to the various people involved, the most relevant data were:

- The new model fully satisfies the managers who responded positively in a survey about accuracy and completeness (4.3 as an average response on the 1-5 scale).
- Satisfaction with the form of the completed objective is considered complete compared to its predecessors (4.5 as the average response on the 1-5 scale).

The company also reviewed the tools behind the Feedback system. Again, the company collected the opinions and expectations of our internal customers with another survey. This time, the team collected not only feedback from managers but also from employees.
The HR department sent a 15-question survey to collect information to help implement and improve the new model. The mapping phase, it turned out, needs to be enriched with the

latest methodologies, has more details, and allows managers to assess the % of achievement of critical metrics. As for the latter, workshops have been held similarly to what the company did in the creation phase. They try to verify the effective improvement in terms of thoroughness and objectivity of the actual model compared to the previous one.

3.3 The New Model

The phases of the performance management process are (Armstrong R., 2019):

Assignment of performance and behavior goals: co-construction the goal sheet and share the expectations and challenges the person will face in the months to come. They then assign goals and priorities and identify behaviors to improve (goal & priority setting).

Performance Talk: Individual meetings (monthly in the new methodology), where the manager discusses the achievement of objectives with the evaluated colleague. They are relevant if the objectives are every quarter; otherwise, the manager chooses a six-monthly feedback session on the objective sheet (Mid Term). What is important is the continuous process of comparison to recognize and reward certain behaviors or provide suggestions for improvement (tips) on difficulties or weaker areas.

Evaluation: through the tools available, there are three levels of feedback, which the manager can decide to enable in a gradual way to accompany the communication and feedback culture: between manager and resource, between colleagues of the same team, or between different teams. The main tools used are Stop-Start-Continue, 360° Feedback.

Mapping: Managers map their teams using a 9-box matrix system. The aim is to understand who the top performers are and who is not performing well. The best performing employees and team drivers will receive bonuses. Based on the mapping, the manager proposes allocation with the budget available for their area (i.e., train, domain, team). It might consist of a salary increase or a single bonus. Once the managers complete the map, they send it to the HR BP and top management for approval.

Meeting review: HR BP meets managers to confirm, revise and review the decisions taken in the annual review meeting. HR BP plays a significant role in the internal performance management process. They support the manager by giving advice and help to make decisions regarding mapping, possible rewards and salary increases. A decision will be made regarding the employees performing poorly and the possible causes for this underperformance. The business partner will have to suggest possible solutions, including moving to another department. However, as explained, the conversation is also about bonuses. Some managers may not be objective in their mapping and may rate their employees too highly. Many managers, who do not have the complete picture of the Company, may opt for a higher number of people to be rewarded than is possible. It is the task of the various business partners to check that the assessment processes within the Company are balanced and cohesive. At the same time, it remains vital that the managers always take the final decisions, as they are the guarantors and guides of their teams.

Annual Review: As explained, the annual review meeting used to be or in January or July, but under the new model, the meeting is in a single period (January). In the (individual) meeting, as explained in chapter two, managers discuss the performance, results, achievements, and difficulties encountered. It is essential to understand what went right and wrong in review moments. Tools such as Stop-start-Continue, and Grid Gaps are helpful in this context. The target sheet for the following year is shared in the second part of the meeting. Goals are primarily individual; in customer value & claims departments, performance goals are often departmental and tied firmly to KPI.

The steps indicated represent only the main steps of the process and do not consider:

- Monitoring phase of the target sheets.
- Support from the Compensation team of the HR domain.
- Administrative/compilation activities by the HR team and managers.

Performance Goals

Individual Goals

They are individual performance objectives expressed through quantitative evaluation metrics commonly used to compare and monitor performance.
These are real numerical targets that follow some specific *Core metrics* (minimum of Three). They must have a precise percentage (relative to the total weight of the goal. These sub-objectives as well as the main objective must respect the four criteria: Measurability, Achievability, Timeliness, Quality.
They link the role and the area in which the evaluated person operates and are assigned every quarter (or PI) or every semester. The metrics and the team objective are part of the performance objectives included within the objectives sheet.

Depending on the domain/train of reference, the metrics can totally or partially overlap with the KPIs. Regarding the two possible forms, core metrics are focused on the performance of the individual. To be evaluated and included in performance management, they must be the direct product of individual work. For example, in some domains of the company (e.g., more customer-focused), the KPIs overlap perfectly with the metrics of the Individual Goals. However, at the same time, in other domains, this overlap is not totalitarian as the KPI does not represent the product of the individual but only a guide to the work and individual performance.

The annual assessment, guided in part by the objective card, will take account of the achievement of all the KPIs of the department, without prejudice to the fact that each manager may decide, based on individual performance, whether it is necessary to focus on a specific KPI in each period.

There are also a series of "guiding" questions to define with the evaluated colleague, the individual goals, and consequent metrics to be assigned.
What is the desired outcome?
Why is this outcome important?
How will we measure progress?
How can I influence the outcome?
How will I know I have achieved the outcome?
How often will we review progress toward the outcome?

In order to identify and construct metrics, it is helpful to think about how they should objectively provide progress toward achieving the assigned individual goals.
Instead, some mistakes that are important not to make are:

1) Not checking (monitoring) the progress and achievement of individual goals.
2) Do not assign new individual goals for the next quarter/IP/semester.
3) Include non-measurable individual goals.
4) Do not include a qualitative component in the evaluation.
5) Confuse individual goals metrics with tasks to be managed.

A Valuable example can be the case of a developer in the technology part of the Company, the part of individual goal might look like this:

Tasks completed per month > 100 (weight 40%)

Development speed < 2 days (weight 30%)

Number of bugs < 15 (weight 30%)

In this case, the number of bugs represents the quantitative but also qualitative variable. It allows for the evaluation of the achievement of the core metric. In evaluating the individual part, a great deal of attention is the qualitative part of the process in company A. It concerns the number or quantity of activities and how they are performed.

Team Goals

The team goal is a team objective that is assigned and evaluated every quarter (or IP) or every semester. It is the same for the team to which it is assigned and is linked to Company A strategic goals and priorities. Each community manager/manager will enter and update the team objective in the objective sheet during the year.

For the people inside trains, the team goal will link to the objectives of the period's relevance.

For example, in the developer community, planned objectives following the priorities decided by the product owner may be:
A) Maintenance and bug fixing
B) Control activities of the operating systems
C) Improvement Rules KOL.

Although present in the objectives sheet, the team goals will not be within the objective sheet. Each community manager will consider achieving the assigned team goals during the evaluation phase.

Behavioral Goals

The new performance management model made these objectives more measurable and minor, subject to possible subjective evaluations.
Each person of Company A receives at least one Role Objective and one Value Objective in the objective sheet. At the end of the observation period, each person will be evaluated on all eight dimensions of behavior (four for the Role objective and four for Value objective).

Value Behavior

This annual objective brings together the Company's expectations of its People. The bind is between the dimension of expected behavior without considering the role and seniority.

The idea is to start from behaviors and go into them in an even more specific and detailed way to review them and adapt them more and more to the Company A professional needs. To build the Value Behavior, they have involved some of colleagues in various workshops, and together with them, they have concretely reasoned about expected behaviors starting from the four Company's A pillars: Equality, Fun, Reward & Recognition and Communication.

- *Balancing Planning & Time Management:* the appraiser plans the work by making full use of the resources available and in full respect of colleagues. It prioritizes the activities carried out according to the time and objectives set. It carries out all activities in a punctual and precise manner.

- *Listening & Communication:* The appraiser listens to everyone's needs and requests. Expresses opinions clearly and precisely, handling disagreements professionally and maturely.
- *Learning Abilities:* The appraiser accepts feedback in a constructive and stimulating way. They, approach possible changes in working methods in a positive and motivating way. Is always curious to learn new things.
- *Team Spirit:* Balances and simplifies own and team goals, sharing information and knowledge. Supports and involves colleagues. Actively contributes to creating a positive and fun team climate.

Role Behavior

An individual objective (annual or six-monthly) involves either the consolidation/training of skills according to a skill framework or the acquisition of new skills or personal challenges. It starts with an essential skillset: the manager can either use those skills or modify them according to the job family.

To build our Role Behavior, different models have been investigated in the market and several consultancy firms were involved. They reasoned concretely about expected behaviors starting from the four pillars.

- *Knowledge & Reference point*: The appraiser Knows and applies the tools and technologies in their area of competence. Shares best practices with the team to help achieve objectives. Awareness of their skills and knowledge makes them a point of reference within their team. It is frequently involved in supporting and helping colleagues in various activities.
- *Execution & Autonomy:* The appraiser Maintains a high focus on its own and team objectives; organizes and manages the work independently; gives 100% and more to ensure quality and excellence in the tasks received.
- *Accountability*: The appraiser has a proactive and motivated mindset which helps to increase the sense of responsibility and ownership to achieve objectives.
- *Proactivity & Open to Change*: The appraiser takes on the unexpected and anticipates critical issues. They can find alternative and unconventional solutions to problems. The appraiser approaches new ways of working and daily changes dynamically and interactively. It sees change as an opportunity for change.

Support Tools

1) *Mapping:* The company follows similar modalities to those used with the 9 Box Matrix presented in the second chapter.

The distinction between the Three categories is by color:

- Red: Low Performer

- Blue: Medium Performer
- Green: High Performer

For the third category of High Performers, with the help of the reference manager, a distinction is made between talents and performers.

The definition of performer is a person that demonstrates consistent results over time. Performance achievement predicts success only in similar jobs (comfort zone) and only if the person has been primarily responsible for past success. A high performer has a proven track record in their previous roles. Only 30% of high performers are also high potentials/talents. The remaining 70% have what it takes to succeed now but lack at least one component necessary for future success.

Talents, on the other hand, are persons who demonstrate average performance under "first-time" conditions. They demonstrate the ability to respond quickly to diverse, varied, and complex assignments (outside of one's comfort zone). The talent has strong personal aspirations for growth and career and possesses knowledge and interest in developing the qualities required for effective performance in significantly more challenging leadership roles.

The indicators most considered by company A to define Talent are Capacity (verbal and logical), aspiration & drive, learning agility and traits.

Recognition of Talent helps determine which people the company does not want to lose. The most talented elements are those in which the company invests more, with a higher probability of career advancement and who receive more rewards.

2) *The Stop-Start Continue model:* it is a quick and easy way to review and analyze individual or team actions before deciding which aspects should be changed. The model operates similarly to the model described in chapter 2; it can be elaborated through a survey or during a dedicated meeting, or during the annual review meeting.

3) *Feedback and meeting system*: One of the main revisions was, following numerous requests, the methodology of feedback and the frequency of meetings. Regular and frequent development meetings were introduced (as opposed to annual or biannual development meetings). The average time horizon has halved to 3 months (quarterly meetings), but for those with quarterly targets, meetings are every 30 days. In some companies, a mode of continuous feedback is also becoming established with weekly 1:1 meeting, focused on the person's needs. The aim is to accompany the person as much as possible in the growth process.

Another element developed in the new method was the widening of the sources of feedback collection, following the modalities presented in the second chapter. The diversity of sources aims at assessing performance, both for managers and non-managers, often with the support of tools and technologies. The increase of evaluators satisfies the need for a 360° view of the evaluator's performance. The manager, colleagues, and the employee (in some companies) process the final feedback.

Self-assessment, which is already present in Google, shows the individual's objectivity and honesty about the person's work. The selection of colleagues follows teammates or those with whom the person has shared more tasks. In some companies, it is also possible for the individual to choose the people who will evaluate them. Asking the individual directly for feedback is encouraged to see the quality of the contribution to the cause.

Regarding the tools for collecting feedback, the company currently uses three:

The 360° Feedback: it, already treated in the second chapter, is a development tool that collects feedback structured for Managers, Community Managers/Responsibilities and all colleagues who have a cross-functional role in Company A.

In company A, it consists of an anonymous online survey sent to the person concerned, the manager, the people they manage and the key colleagues with whom they collaborate the most. The dimensions analyzed are communication, resource management, business impact and embodiment of values.

In addition to numerical scores, it includes comments and insights that will provide the opportunity to increase awareness of strengths and areas for improvement significantly.

Keep Going: it can be elaborated through a survey or during a dedicated meeting. It is an easy and intuitive feedback collection tool that consists of a survey of the person concerned. It will be managed directly by their manager/community manager to collect feedback, anonymously, from the team and peers with a view to continuous improvement. In addition to collecting the contribution to the achievement of team objectives, the main strengths and suggestions for improvement, each manager may decide to collect feedback on areas in which he/she considers it appropriate to collect feedback (e.g., communication, teamwork, accountability, etc.).

Feedback for a person: The suggestion is to use it when building a development path or at the Performance Talk. The suggestion is that managers discuss this with their HR Business Partner for the first launch. It is a google form that is always open and available on this site to recognize a job well done by a colleague and an incentive to continue. The use is when the person wants to leave feedback to a colleague who has worked or worked daily. For example, the person can use it to leave a suggestion, thank them for their work together, and recognize a merit/skill. The feedback collected will not be anonymous and will be shared directly with the relevant colleague by the business partner.

Conclusions

A well-structured performance management system can increase the performance and effectiveness of an organization. However, people and even companies themselves often lack the know-how to structure an effective process of performance management. The absence of clarity on how to implement the process, lack of understanding of the need to change, or scarcity of knowledge of the evaluation criteria are significant problems that jeopardize the effectiveness of the process.Performance management, like many other business aspects, is evolving rapidly, requiring much effort to revisit and change it.

This paper aims to familiarize the reader with how a performance management model is composed. The element of interest to the reader is undoubtedly the type of company treated, namely a tech company implementing an Agile configuration. The Agile methodology represents one of the most implemented models for effectively responding to change and meeting market challenges. Many companies, particularly in a fast-moving environment, choose Agile for its flexibility and adaptability. The model has terminology, and ways of working that differ from the traditional ones and take time to assimilate.

The description of company A performance management has not been detailed for privacy reasons, but there are all the main topics to provide the reader with a comprehensive overview.

Compared to a traditional company, the PM process in company A involves the HR department (the business partners, in particular), the managers and the people evaluated more deeply. Greater involvement leads the actors involved (in particular, the assessed persons) to feel part of the process and understand it better. Clarity and sharing were two main elements that drove Company A to the transition to a new model. The various stages of the transition process of Company A to a new model is an argument of interest regardless of performance management. Whichever type of internal process one wishes to include within the company, it is recommended to follow the steps described: internal and external research, pilot project, test, survey, and corrections.

Other elements of interest are the explanation and use of tools to support the performance management process. Tools such as stop-start-continue or 360-degree feedback are used in every company, and it is essential to know how to implement them. These instruments are helpful to apply also outside the performance management framework in other processes or self-assessment (especially stop-start continue). Remembering that every company should put people at the center is meaningful. The happiness of the internal client and the idea of helping them achieve their full potential is one of the purposes of performance management and must be one of every company's primary goals.

This paper's hope and purpose are to help clarify this often underestimated but fundamental process in business life. Unlike other business processes, the evaluation and development of people can never be (fully) automated and computerized. The correct application of performance management will always depend on the understanding and capabilities of the people who apply it. This is why a company's performance management should continuously develop and improve.

References:

- Aghina, W., Ahlback, K., Smet, A. D., Lackey, G., Lurie, M., Murarka, M., & Handscomb, C. (2021) "*The five trademarks of Agile Organizations*." McKinsey & Company https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/the-five-trademarks-of-agile-organizations

- Alqudah, M., & Razali, R. (2016) "*A review of scaling agile methods in large software development*". International Journal on Advanced Science, Engineering and Information Technology, " https://www.researchgate.net/publication/311916796_A_Review_of_Scaling_Agile_Methods_in_Large_Software_Development

- Alsever, J. (2008) "*What is forced ranking?* " CBS News https://www.cbsnews.com/news/what-is-forced-ranking/

- Andrade, H., & Du, Y. (2007) "*Student responses to criteria-referenced self-assessment*". Assessment & Evaluation in Higher Education" https://ssrlsite.files.wordpress.com/2018/02/andrade-du-2007-student-responses-to-criteria-refd.pdf

- Armstrong, M. (2008). "*Performance management: Key strategies and practical guidelines"*. Kogan Page. http://www.untasmd.ac.id/files/Perpustakaan_Digital_2/PERFORMANCE%20MANAGEMENT%20Performance%20Management%20-%20Key%20Strategies%20and%20Practical%20Guidelines,%202nd%20Edit.pdf

- Azhfar, A. (2022) "*Workshop: Definition, Benefits, and Its Purpose for Individuals"* Business Tech by Hashmicro https://www.hashmicro.com/blog/understanding-workshop/

- Baker, G., Gibbons, R., & Murphy, K. J. (1994) "*Subjective performance measures in optimal incentive contracts*". The Quarterly Journal of Economics. https://www.kellogg.northwestern.edu/faculty/baliga/htm/papers/bakergibbonsmurphy1.

- Baroda, S., Sharma, C. and Bhatt, J. K. (2012). "*360 Degree Feedback Appraisals- An innovative approach of Performance Management System",* International Journal Management & Information Technology. https://rajpub.com/index.php/ijmit/article/view/1447

- Barron, A. B., Hebets, E. A., Cleland, T. A., Fitzpatrick, C. L., Hauber, M. E., & Stevens, J. R. (2015) *"Embracing multiple definitions of learning."* Trends in Neurosciences https://decisionslab.unl.edu/pubs/barron_etal_2015.pdf

- BetterWorks. (2015) *"Getting started with Objective & Key Results (OKRs)"*Palo Alto: Better Works. http://www.innercomm.net/wp-content/uploads/2015/07/OKR-Basics-Article-BetterWorks-InnerComm-Group.pdf

- Blake S. (2020) *"Why large enterprises need Scaled Agile Framework (SAFe), not team-level Agile"*. Easy Agile. https://www.easyagile.com/blog/scaled-agile-framework/

- Braglia, M., Carmignani, G., & Zammori, F. (2006) "*A new value stream mapping approach for complex production systems*". *International Journal of Production Research*, https://www.researchgate.net/publication/232840579_A_new_value_stream_mapping_approach_for_complex_production_systems

- Brosseau D., Ebrahim S., Handscomb C., and Thaker S. (2019) *"The journey to an agile organization"* McKinsey & Company. https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/the-journey-to-an-agile-organization

- Cánovas González, A., Fernández Millán, J., Fernández Navas, M., & Sánchez Mas, V. (2020) "*Development of the performance-potential survey for the quantitative placement of employees on the talent matrix"*. Intangible Capital, https://www.researchgate.net/publication/342854248_Development_of_the_performancepotential_survey_for_the_quantitative_placement_of_employees_on_the_talent_matrix

- Carpi R., Douglas J., and Gascon F. (2017) "*Performance management: Why keeping score is so important, and so hard"*, Mckinsey & Company https://www.mckinsey.com/business-functions/operations/our-insights/performance-management-why-keeping-score-is-so-important-and-so-hard

- Chandramohan A, Lane G., Foggiatto B, Bueno M. (2015) *"Reliability of some ore characterization tests*" Conference: 6th International Autogenous and Semi-Autogenous Grinding TechnologyAt: Vancouver https://www.researchgate.net/publication/323218453_Reliability_of_some_ore_characterization_tests

- Chubb C., Reilly P., Brown D. (2011) "*Performance Management: Literature Review*" IES HR network, Institute for employment studies. https://www.employment-studies.co.uk/system/files/resources/files/mp90.pdf

- *"Competency matrix and definitions library"*. (2020). Competency matrix and definitions library - Open Government https://open.alberta.ca/publications/competency-matrix-and-definitions-library

- Darino, L., Sieberer, M., Vos, A., & Williams, O. (2021)"*Performance Management in agile organizations"*. McKinsey & Company. https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/performance-management-in-agile-organizations

- Davies, C. (2017) "*Simplicity - the least understood agile principle*." Medium. https://chrisdaviescoach.medium.com/simplicity-the-least-understood-agile-principle-ad1406a85248

- Doz, Y., Kosonen M. (2010) "*Embedding Strategic Agility A Leadership Agenda for Accelerating Business Model Renewal*" Elsevier, Long Range Planning http://www.bmcommunity.sitew.com/fs/Root/8oeyi-Doz.pdf

- Dubois, A. (2022) "*More agile decision-making to improve competitiveness*". Reddal. https://www.reddal.com/insights/increasing-agility-in-decision-making-to-improve-competitiveness/

- Emory University (2014). "*Competency Definitions, Example Behaviors & Rating Scales For Performance Management*". Emory University https://www.hr.emory.edu/eu/_includes/documents/sections/performance-management/performance-guide.pdf

- Eshun, F. K. D. & C. (2015). "*Rewards as a motivation tool for employee performance*". DIVA. https://www.diva-portal.org/smash/get/diva2:832968/FULLTEXT01.pdf

- Grote D. (2005) "*Forced Ranking: Making Performance Management Work* " Harvard Business School, Business Research for Business Leaders https://hbswk.hbs.edu/archive/forced-ranking-making-performance-management-work
- Groysberg B., Lee J., Price J., Cheng Yo-Jud J. (2018) "*The Leader's Guide to Corporate Culture*" Harvard Business Review https://hbr.org/2018/01/the-leaders-guide-to-corporate-culture

- Guralnik, O., Wardi, (2003) *"Forced distribution: A controversy"* Society for Human Resource Management, White Paper August. https://www.researchgate.net/publication/289981310_An_investigation_of_the_Forced_Ranking_System_FRS

- Haas M., Mortensen M. (2016) *"The Secrets of Great Teamwork"* Harvard Business School https://hbr.org/2016/06/the-secrets-of-great-teamwork

- Hancock B., Hioe E., and Scherzinger B. (2018) "*The fairness factor in performance management*" McKinsey & Company https://www.mckinsey.com.br/~/media/McKinsey/Business%20Functions/Organization/Our%20Insights/The%20fairness%20factor%20in%20performance%20management/The-fairness-factor-in-performance-management.pdf

- Heidemeyer C. (2021) "*Put simply: What are the four levels of the scaled agile framework?*" Echometer https://echometerapp.com/en/what-are-the-levels-of-the-scaled-agile-framework/

- Helmold, M., Terry, B. (2021) *"Performance Management Cycle, KPI, and OKR. In: Operations and Supply Management 4.0"*. Future of Business and Finance. Springer, Cham https://doi.org/10.1007/978-3-030-68696-3_12

- Holbeche L. (2016) "*The Agile organization: How to build an innovative, sustainable and resilient business*" Kogan Page Ltd https://media.koganpage.com/media/project_kp/document/agile-organization-sample-1.pdf

- Hoon, A. and Oliver, E.J. and Szpakowska, K. and Newton, P. (2015) *"Use of the 'Stop, Start, Continue' method is associated with the production of constructive qualitative feedback by students in higher education.",* Assessment and evaluation in higher education. https://dro.dur.ac.uk/13818/1/13818.pdf?DDD34+jznd47+d700tmt

- Hosain, Md Sajjad *"360 Degree Feedback as a Technique of Performance Appraisal: Does it Really Work? "* Asian Business Review https://www.researchgate.net/publication/294889647_360_Degree_Feedback_as_a_Technique_of_Performance_Appraisal_Does_it_Really_Work

- Kanket W. (2019) "*Experimental research on employee performance review using knowledge management oriented OKR approach in comparison to KPI approach"* M.M. Business Innovatio Graduate School, Bangkok University http://dspace.bu.ac.th/bitstream/123456789/4066/5/wiraiwan__kank.pdf

- Kappel M. (2018) "*How To Encourage Employee Involvement In Decision Making*" Forbes. https://www.forbes.com/sites/mikekappel/2018/04/04/how-to-encourage-employee-involvement-in-decision-making/?sh=a910f9e6561c

- Kotola H. (2016) "*Managing Underperformance* " Master's Thesis International Business Management" https://www.theseus.fi/bitstream/handle/10024/121690/Kotola_Hanna.pdf?sequence=

- Levinson, H. (2003) "*Management by whose objectives?"* Harvard Business Review, Performance Indicators https://hbr.org/2003/01/management-by-whose-objectives

- London M, Beatty R (1993) "*360-degree feedback as a competitive advantage* " , Human resources management https://doi.org/10.1002/hrm.3930320211

- Macleod L. (2013) "*Making SMART goals smarter"*, Physician Executive https://www.researchgate.net/publication/256098067_Making_SMART_goals_smarter

- Manikutty S. (2005) "*Manager as a Trainer, a Coach, and a Mentor*". INTERFACES. https://journals.sagepub.com/doi/pdf/10.1177/0256090920050205

- Marthouret E., Sigvardsson S. (2016) "*The effect of quick feedback on employee motivation and performance: A qualitative study on how to formulate effective feedback*" Linköping University, Atlantis Program. https://www.diva-portal.org/smash/get/diva2:1034884/FULLTEXT01.pdf

- McCarthy A. M., Garavan T.N. (2001) "*360° feedback process: performance, improvement and employee career development*" Journal of European Industrial

Training
https://www.emerald.com/insight/content/doi/10.1108/03090590110380614/full/pdf?title=3600-feedback-process-performance-improvement-and-employee-career-development

- McMahon G. (2013) "*Performance Management: Chapter 7 in Human Resource Management"* Palgrave MacMillan
https://arrow.tudublin.ie/cgi/viewcontent.cgi?article=1018&context=buschmanbk

- Memon S. B., Bashir U. (2011) "*An investigation of the Forced Ranking System (FRS)"* Australian Journal of Basic and Applied Sciences
https://www.researchgate.net/publication/289981310_An_investigation_of_the_Forced_Ranking_System_FRS

- Milenko R. (2017) "*OKR System as the reference for personal and organizational objectives* ", the University of Belgrade
http://esmsj.upit.ro/ESMSJ%20vol%207(2)%20pentru%20Denis%20pe%20site/PAPER%206.pdf

- Mittelsdorf B. (2016) "*Dealing with projects in Vuca world"*, SPMI Regional Conference
https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwi7sPCy0-n3AhVEhv0HHbACB3kQFnoECAkQAQ&url=https%3A%2F%2Fpmi.org.sg%2Findex.php%2Fcomponent%2Frsfiles%2Fdownload-file%2Ffiles%3Fpath%3DSymposium%25202016%2FPresentationDeck%2FBobMittelsdorf.pdf&usg=AOvVaw0FoN_nHOSZRDAcWhjCFunm

- Nae I., Severin I. (2018) *"Performance management model for third party logistics companies"* UPB Scientific Bulletin
https://www.researchgate.net/publication/330191517_Performance_management_model_for_third_party_logistics_companies

- Nicholds J. (2020) "*9 Reasons Why Employees Underperform at Work*", IFP
https://www.insightsforprofessionals.com/management/leadership/reasons-why-employees-underperform

- Nicholson N. (2003) "*How to Motivate Your Problem People*", Employee Engagement, Harvard Business review
https://hbr.org/2003/01/how-to-motivate-your-problem-people

- Nine-box matrix
https://achieve.lausd.net/cms/lib/CA01000043/Centricity/Domain/595/Tool2-9-BoxTool.pdf

- Nugraha F N, Aisha A N, and Widyastuti Suwarsono L. (2019) "*360-Degree Feedback Practices: Pure Blood or Wanna Be? A Review"*, Proceedings of the International Conference of Business, Economy, Entrepreneurship and Management
https://www.scitepress.org/Papers/2019/99592/99592.pdf

- Osmani F., Ramolli G. (2012) *"Performance Management, Its Assessment and Importance"* Procedia - Social and Behavioral Sciences, https://www.researchgate.net/publication/257715768_Performance_Management_Its_Assessment_and_Importance

- Ozoliņš P. (2018) *"Preparation and Facilitation of Retrospective Meeting in Scrum process"* Information Technology and Management Science. https://www.researchgate.net/publication/329657550_Preparation_and_Facilitation_of_Retrospective_Meeting_in_Scrum_process

- Peterson D. B. (2006) *"People Are Complex and the World Is Messy: A Behavior-Based Approach to Executive Coaching"* Hoboken https://static1.squarespace.com/static/59d008f3a9db094fd50abf86/t/59e81d521f318dbc83837c72/1508384083987/__Peterson+2006+-+complex%2C+messy%2C+Behavioral+coaching.pdf

- Pindek S. (2020) "*Failing Is Derailing: The Underperformance as a Stressor Model"* Organizational psychology https://doi.org/10.3389/fpsyg.2020.01617

- Piroska B., Faragó Párkány B. (2018) *"Athlete and Successful Career in the Competence Matrix Athlete and Successful Career in the Competence Matrix"* , IRI Conference Párkány https://www.academia.edu/45606960/Athlete_and_Successful_Career_in_the_Competence_Matrix

- Plutora (2022) *"What is Value Stream Mapping (VSM), Benefits, Process and Value* https://www.plutora.com/blog/value-stream-mapping

- Pulakos D. E., (2004) *"Performance Management: A roadmap for developing, implementing and evaluating performance management systems"* SHRM Foundation https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/documents/performance-management.pdf

- Purihita P. I., Secokusumo D. T. (2019) *"Strategy Map Cascading Method for Performance Management Implementation"* Advances in Social Science, Education and Humanities Research. https://www.atlantis-press.com/proceedings/aprish-18/125918966

- Ramanda Nasution R (2021) *"Do Performance Ranking Increase Employee Performance?"* IPB University https://www.researchgate.net/publication/353014182_Do_Performance_Ranking_Increase_Employee_Performance

- Rotundo, M., Sackett, P. R. (2002) *"The relative importance of task, citizenship, and counterproductive performance to global ratings of job performance: a policy-capturing approach." J. Appl. Psychol.* https://psycnet.apa.org/record/2002-00102-006

- Sammut Bonnici T. (2017) "*Hypercompetition"* Wiley Encyclopedia of Management Publisher https://www.researchgate.net/publication/272353055_Hypercompetition

- SAFe (2021) "*Agile Release Train"*, Provided by Scaled Agile
  https://www.scaledagileframework.com/agile-release-train

- *"Scaled Agile Framework (SAFe)"* Airfocus
  https://airfocus.com/glossary/what-is-the-scaled-agile-framework/

- Schwaber K., Sutherland J. (2020) *"La Guida Definitiva a Scrum: Le Regole del Gioco*
  https://scrumguides.org/docs/scrumguide/v2020/2020-Scrum-Guide-Italian.pdf

- SHRM (2017) *"Understanding and Developing Organizational Culture"*. Society for Human Resource Management (SHRM).
  https://www.shrm.org/resourcesandtools/tools-and samples/toolkits/pages/understandinganddevelopingorganizationalculture.aspx

- Smet, A. D. (2021). *The Agile manager*. McKinsey & Company. Retrieved June 4, 2022
  https://www.mckinsey.com/business-functions/people-and-organizational-performance/our-insights/the-agile-manager

- Smither J. W., London M. (2009) "*Performance Management: Putting Research into Action"* Society for Industrial and Organizational Psychology
  http://www.untag-smd.ac.id/files/Perpustakaan_Digital_2/PERFORMANCE%20MANAGEMENT%20Performance%20management%20%20putting%20research%20into%20action.pdf"

- Sreenivasan S., Kothandaraman K. (2019) *"Improving processes by aligning Capability Maturity Model Integration and the Scaled Agile Framework"* Wiley
  https://www.researchgate.net/publication/334943723_Improving_processes_by_aligning_Capability_Maturity_Model_Integration_and_the_Scaled_Agile_FrameworkR

- Stray V., Moe N. B., Sjøberg Dag I.K., (2018) *"Daily Stand-Up Meetings:Start Breaking the Rules*
  https://arxiv.org/pdf/1808.07650.pdf

- Sverrisdottira H. F., Ingasonb T. H., Jonassonc H. I. (2014*) "The role of the product owner in scrum- comparison between theory and practices"* 27th IPMA World Congress, Procedia - Social and Behavioral Sciences 119
  https://www.researchgate.net/publication/270638021_The_Role_of_the_Product_Owner_in_Scrum-comparison_between_Theory_and_Practices_

- Thompson J. (2019) "*Advantages & Disadvantages of Employee Ranking Tools*". Chron, Newsletter
  https://smallbusiness.chron.com/advantages-disadvantages-employee-ranking-tools-22523.html

- UK Essays (2018) "*Concerns of Performance Management*."
  https://www.ukessays.com/essays/management/concerns-and-characteristics-of-performance-management-management-essay.php?vref=1

- Van Vulpin E. (2021) "*The 9 Box Grid: A Practitioner's Guide", Academy to innovate HR*
https://www.aihr.com/blog/9-box-grid/

- Ward A., Building M. (2005) "*Whither performance management*?" IES, Institute of Employment Studies,
https://www.employmentstudies.co.uk/system/files/resources/files/mp52.pdf

- Wayne W. Eckerson, (2009) "*Performance management strategies: How to Create and Deploy Effective Metrics*" Business Intelligence Journal
https://mindsight.com.br/wp-content/uploads/2020/08/How-to-Create-and-Deploy-Effective-Metrics-by-Weyne-Eckerson.pdf

- Williscroft P, Uddeen H. (2021) "*Agile Performance Management: How Smart Managers Implement It*", Totara
https://www.totaralearning.com/blog/agile-performance-management

- Yustina, A. I., & Gudono, G. (2017) "*Halo effect in subjective performance evaluation bias*". Journal of Economics, Business & Accountancy Ventura.
https://www.researchgate.net/publication/314510243_Halo_Effect_in_Subjective_Performance_Evaluation_Bias

- Zhou H., Yu-Ling H. (2018) "*Comparative Study of OKR and KPI*" International Conference on E-commerce and Contemporary Economic Development.
http://u.camdemy.com/sysdata/doc/4/4a6b816a1fb5cebb/pdf.pdf

Performance Management Model in an Agile Organization Summary

Chapter One: Performance Management and Agile Organization

1.1 Performance Management

Performance management is the set of methodologies and procedures developed to measure the achievement of objectives and a person's appropriateness for a role. The appraisal process aligns behavior with the company's strategic objectives to promote professional development, establish the best way to work together and sustain the business growth. An efficient methodology is achieved by implementing, understanding, and managing the performance of the individual/team according to precise criteria to align it with the company's macro-objectives. The performance management process is executed continuously over the long term to build a winning corporate culture (Groysberg B et al., 2018).
Performance management focuses on planning and improving future performance rather than retrospectively evaluating performance. The process is not a simple judgement and rating regarding past and completed actions but an opportunity to understand areas of improvement and obtain suggestions for the future. A performance management model is effective when people fully understand and support it. The relationship between the manager and the appraisers is not bottom-up but one of cooperation but works with a continuous exchange of ideas/feedback and a common endpoint. The cornerstones of the process are consensus and cooperation instead of control and coercion (UK Essays, 2018).
Performance management is a planned process that maintains a clear order of steps; although it may change from company to company, the various phases are always (Armstrong M., 2006):
1) Planning
2) Monitoring
3) Review
4) Evaluation
5) Reward
During the various stages of performance management, the manager plays a prominent role. The manager is not only a supervisor but also a mentor, guide, and coach (Manikutty S., 2005). To be a good manager, individuals must master their management skills. Technical skills alone are not enough to be a good manager; several soft skills are required, which for some people may be innate but for others require development. Companies must invest heavily in training and development plans to train managers and aspirants (Pulakos E. D., 2004).

1.2 Agile Organization

The environment in which companies find themselves today is increasingly complex, competitive, and unpredictable (Mittelsdorf B., 2016). The Agile methodology is one of the most implemented models for responding effectively to change and market challenges. Many companies, especially in today's fast-changing environment, choose Agile for its flexibility, adaptability, and dynamism while maintaining stability (Brosseau D. et al., 2019). They emerge from a network of teams within a people-centered culture, characterized by rapid learning and fast decision cycles enabled by technology and driven by a solid common goal of co-creating value for all stakeholders.
The complete transition from a traditional hierarchical model to an agile structure takes time and involves the company in all aspects. It profoundly changes positions within the company,

creating new roles and responsibilities and modifying working methods. It is a clear objective to reduce vertical and top-down processes of decision and goal allocation (Brosseau D. et al., 2019).
Some of its key elements are:
1) *Governance:* the aspiration to streamline decision-making makes all strategies more linear at the right point. Agile models aim to reduce the inefficient use of time, thus making the various procedures more manageable and permitting a rapid answer to emerging turbulence and changes in the business environment.
2) *Simplicity:* the model aims not to over-complicate and over-structure the various processes but to make everything as simple as possible. Continuous feedback promotes alignment between managers and employees (Davis C., 2017).
3) *Test and fail fast*: in highly future-oriented companies, planning and decision-making follow an approach of rapid experimentation and learning. The key is to design experiments to test hypotheses quickly, balancing the desire to consider a strategy comprehensively with the desire to minimize investments (Darino et al., 2019).
4) *Leadership:* the leader must strive to make the company sustainable and manage ongoing change. The manager/leader must lead with intention and think about how to best prepare the various teams to meet the new challenges. All decisions must maintain a solid customer-focused mindset but at the same time does not lose sight of the needs of internal customers.
5) *Talent management:* it is another crucial aspect, both internal and external. The company needs to retain the best and most talented employees; to do so, it must invest resources to train them, invest in their development and guide and support them on their career path (Darino L. et al., 2019).
6) *Organizational culture*: it is not fixed and immutable but evolves in line with the company's development. Although values and mindsets are part of the company and define it, others change as the market evolves.
7) *Technology:* it plays a significant role, is also a key pillar for agile companies, and enables efficient working conditions for employees (Aghina W. et al., 2018). In the Agile model, technology is not only of business importance (especially if we are talking about IT companies) but also logistical reasons; the ability to work remotely and wherever one wants is a crucial point in Agile models and it has to be supported by an appropriate IT system.

Various reasons drive the company that wants to start this conversation. There is an aspiration component and a desire to scale, improve and not fall below the market. Most transformations start with building the aspirations of the top teams, understanding the model, and recognizing the added value of Agile. Top management's ambition and determination are the fundamental basis of the process, which could be long and require significant work. The success of the process requires a fundamental belief and commitment regarding the importance of this transition for the company's future (Aghina W. et al., 2018).
Following the decision-making phase, it comes the practical part. The first phase is the internal and external study, aimed at identifying benchmarks, established by other companies, for the implementation of the Agile model. In the second phase, the model is created, which does not just mean creating a new organizational chart, but it rather entails with a full understanding of the added value of the new organizational features. In creating the model, new roles are assigned to people, divided into teams/cells based on the mission, and supported by people (internal or external) who are already familiar with the Agile model (Brosseau et al., 2019). When the company defines the main activities, the final blueprinting stage is to outline the implementation roadmap. It should contain the transformation's primary purpose, general element, and task list (or 'backlog'). Once the model has been implemented, the decision-making center becomes more and more decentralized and flexible. The

organization's objectives must be set, aligned, reviewed, and represent flexibly. Compared to a traditional organization, the aim is for people in the organization to feel a significant investment in them and be at the center of the processes.

1.3 Performance management in Agile organization

An effective performance management process works well in a company that applies the Agile Methodology. In agile organizations, teams of people work based on established strategic directions and priorities, rather than on detailed instructions from above. It results in greater freedom and makes the assessment made by performance management more significant (Williscroft & Uddeen H., 2021). Greater freedom allows for a more precise evaluation of the effort and solutions decided upon by the individual (although not always easy). More independence directs to a happy and satisfied workforce. The greater dynamism of the Agile organization means that many performance management processes are accelerated. The Review meetings are frequent and fast; more feedback from employees to managers and the opinions exchange is more effective in helping improve the PM process's usefulness (Wouter A. et al., 2018).

Chapter Two: Process of Performance Management

The phases of performance management are Plan, Monitor, Review and Reward. These four phases are a continuous yearly cycle and form the basis for employee development and growth.

2.1 Planning phase:

Managers and employees decide on expectations and performance targets for teams and individuals, setting objectives that generally cover a period ranging from three to six months. They must meet the SMART criteria (Macleod L., 2013), an acronym for Specific, Measurable, Achievable, Realistic and Time-bound goals. The nature and number of objectives vary from company to company, but usually, the standard number is between three and six. The nature may be related to outcome expectations or behavioral expectations.
The division of the goals is between:
Behavioral expectations are the behavioral standards that describe employees' expectations in crucial competence areas.
Role Expectations: are the quantitative performance objectives the person must achieve to contribute to the company's business targets.
Both types of objectives must be calibrated according to the person's Role. One of the first steps in planning is identifying the Role Profile. It defines the Role according to the expected outcomes, i.e., an understanding of the role holder's requirements based on the necessary knowledge and technical skills (Armstrong M., 2006). The Goal needs to possess some essential characteristics. Behavioral and Role objectives must be measurable, achievable, and correlated with the company's macro objectives. After the definition of the goals, it comes the goal-setting phase. It is a two-way process that arises from the union of intentions between what management considers essential to achieve and how employees think they can contribute to achieving these goals. Managers, in the planning phase, use many tools to get support; some of the most important are listed below.

2.2 Monitor Phase

The characteristics of the monitoring phase are the frequent feedback that accompanies the employee during the performance. In addition to the regular evaluation of employees, organizations must periodically assess the effectiveness of the appraisal system. Managers in this phase should always be open to requests for support and clarification from the person.

During the weeks/months for the employee, recognizing the achievements and receiving a positive indication is also critical. The awarding of credit or any feedback if something is not going well, if possible, is best accomplished in person. The manager and individual will then review progress in periodic milestone meetings, check achievements, agree on lessons learnt and decide on actions to be taken in the form of changes to the way the task should develop.

2.3 Review Phase

Right from the assignment of the target sheet in the planning phase, The manager set a date for the review meeting. This meeting may occur every three months, six months or a year, depending on the time horizon.

The meeting is a dialogue between two interested and involved parties, both seeking a successful conclusion. Success is easier if it is clearly and precisely structured and sufficient time is allocated to the meeting to deal with all topics. The meeting is based solely on the analysis of facts and actions, never focusing too much on individual events or individual perceptions as this would lead to a high risk of distortions and errors. The evaluation must be faithfully based on what the manager and employees have said to each other during the preceding weeks/months.

If the previous monitoring phase was adequate, there should be no surprises; the final meeting only serves to take stock of the situation. The meeting is usually short if feedback is continuous during the monitoring phase, but it remains crucial to ensure alignment between employee performance and company standards and practices.

The Stop-Start Continue model is a quick and easy way of encouraging review and analysis of individual or team actions before deciding which aspects should be changed (Hoon, A. et al., 2014).

This model has three main stages:

Start - Identifying actions that should be started and missed so far.

Stop - Identifying things that have gone wrong up to a certain point. People who discover these behaviours, routines or habits need to stop immediately.

Continue - What things have benefited the team/customer so far? These should remain core activities during future projects/objectives.

360-degree feedback is a system based on anonymous feedback. The people of a company and colleagues evaluate members of an organization according to the persons they have worked with (London M, 1993). The range of feedback may also include other stakeholders who interact with the subject - external customers, clients, or suppliers (this is sometimes known as 360degree feedback). A self-assessment process may also be incorporated using the same criteria as other feedback generators for comparison.

2.4 Evaluation

The appraisal stage is the last stage of the appraisal process and the first stage of the next phase. The appraisal uses quantitative data and accurate measurements, and the result will reflect organizational goals such as productivity, profitability, and sales growth. At this stage, there is also a judgement component based on the manager's or colleagues' impressions; this part is not quantified, such as innovation, creativity, loyalty, ability to work together, knowledge sharing, leadership or communication skills (Baker et al., 1994). In the evaluation stage, the manager checks if the employee met behavioral and performance expectations. The critical aspects of performance are the key competencies and responsibilities of the job, so all previous assessments made on the role profile and under review should be as fair and objective as possible. The evaluation methodology must present a standard method and, at the same time, be specific. If the criteria are not specific enough, the instrument is not helpful for the employee's development. For this reason, the appraisal method adopted must possess two characteristics to be considered valid: Reliability refers to the consistency of the same measurement tool within the organization or job position. Acceptability: refers to the extent to which members of the organization, managers and employees evaluate the performance instrument as a valid performance measure (Chandramohan R., 2015).

The 9-box Matrix: is a simple and straightforward tool that provides the basis for constructive discussion to identify and share strengths and areas for improvement with clarity and transparency (Van Vulpin E., 2021).
The evaluation follows specific parameters that measure behavior and performance through the assignment of scores summarized with the positioning in the Matrix within the quadrants, thus making the evaluation fair and objective.
This management tool must be able to differentiate the competencies of each employee. It is a double-entry table in which employees are organized and distributed according to their performance and potential (Cánovas A G et al., 2018). There are three levels for each element (Bashir U, 2011):
- Potential: low, medium, and high.
- Performance: under targets, meets, or exceeds targets.

Usually, the final distribution is:
A 10/15% of low performers, who usually do not receive bonuses or salary increases and may be placed on performance improvement plans, managed out of the organization, or dismissed.
A 65%/75% medium performers are safe and steady workers who show up and do a good job, but not enough to be future leaders.
10/15% high performers: most successful employees are the stars who will lead the company in future years. The company rewards them with raises, promotions, and training.

2.5 Reward and Managing Underperformance

The Reward phase is very delicate. It has a significant impact on employees' motivation. It increases their commitment to the cause as, at the same time, unattractive or poorly designed rewards may make them feel unappreciated or seek another job (Eshun C. & Duah K., 2011).
Both parties decide on the reward in the planning phase and whether expectations have been met or exceeded. It is essential to consider the internal balance and budget to keep agreements. Failure to reward can progressively spoil the relationship of trust between managers and supervisors, putting the process at risk in subsequent years. Therefore, managers in the planning phase must be careful not to make promises they cannot maintain.
Managers must also pay attention to underperformance. They must be able to handle underperformance appropriately and sensitively. There are two types of Under Performance:
1) Acute/episodic underperformance. Acute/episodic underperformance is limited in time, e.g., an error or accident, typically the way to perform a specific task.
2) Chronic underperformance: is the failure to meet required effectiveness standards in terms of quality or quantity of output over time (Rotundo & Sackett, 2002). It requires increased attention.

Chapter Three: Company A PM Model

The Company Scaled Agile Structure

The company under analysis, which will call Company A for privacy reasons, operates in the technology and IT sector and has grown rapidly and continuously since its creation. The company has fully implemented the Agile methodology, more specifically a Scaled Agile.
At the top is the Lean portfolio management, a set of teams that aim to coordinate the trains and align their strategy, budget, and investments. Then there are the three trains representing the company's three main core businesses. Each Train has profit, customer satisfaction, cost reduction objectives and others.
The Train, one of the fundamental concepts of agility, is a virtual organization (typically between 50 and 120/130 people) that plans, commits, and develops. They aim to create solutions that benefit the end-user; the Agile Release Trains are cross-functional, independent and have all the capabilities (i.e., software, hardware, firmware, and others) needed to define, implement, test, deploy, release, and manage solutions. Inside the various trains, there is a division into Sub Value Streams concerning the multiple stages of the customer's life, for example, in a service company: Attract, Offer, Buy and Deliver. The Sub value streams involve various teams according to the moment's needs. Several Domains support the Trains; these are teams with the same competencies whose primary mission is to support the work of the Trains. Each domain has its domain leader.
Domains are divided into component teams (i.e., teams united by the same competence) with a component leader. Examples of domains could be human resources, technology, finance, and marketing. Possible component teams are recruitment, remuneration, and business partners in the human resources department.
Each Train has two fundamental roles that work closely together: the product owner and the Scrum Master (Schwaber K. & Sutherland J., 2020).
The product owner represents the interests of the company's stakeholders, directs the Train's priorities towards the customers' priorities and is a bond between the development team and the customers. On the other hand, the scrum master is the facilitator who works to ensure that the scrum team has an environment favoring to the completion of product development. They are responsible for Scrum, a specific process framework used within Agile model to develop complex products, manage product development, and other knowledge work (Schwaber K. & Sutherland J., 2020).
Three significant figures support the work of the three trains: the release train leader, the solution architect, and the product manager. These are three 'extended' figures whose functions often vary depending on the company in which they are used. But in brief, the main characteristics of each are (Alqudah M. & Rozilawati Razali, 2016):
1)The solution architect is responsible for the technical and technological vision inside the Train
2)The release train leader aims to improve the quality of work within the Train and is the head of all scrum masters
3) The product manager defines the product strategy and plans for achieving profit and customer satisfaction and is the head of all product owners.
Company A, like almost all Agile companies, works via Sprints. They consist of periods ranging from one week to one month, during which the product owner, the scrum master and the scrum team complete a specific addition to the product.

3.2 Creation of New Model

The old performance management system was on an annual target, with an objective sheet in January or July, depending on the person. The duration meant that all the various supporting tools and procedures were annual. The previous process showed many weaknesses; in particular, the employees did not understand the methods/metrics and demanded more precise

indicators or considered the tools in use obsolete and non-functional. The lack of transparency and objectivity made the managers' assessments more subjective and distorted. The one-year time horizon did not follow changes in roles and priorities. These factors increased the perception of a PM process not aligned with corporate values and culture. In addition to the difficulties of the process, the corporate and external situation had changed rapidly for the Agile model, increasing competitivity and the global pandemic situation and the partial or complete switch to Smart Working. The company changed the performance management process with the desire and ambition for continuous improvement. The three main characteristics of the new model tried to achieve were Agile, Flexible, and Integrated. The division of the process was into 3 phases:
1) Analysis and Research phase (internal and external)
2) Launch Pilot Project
3) Phase of Test and Review tools

Internal research: The company decided to organize workshops and launch various surveys to understand people's opinions and obtain feedback. The consensus was to review the performance management process and understand the new requirements.
The company divided the feedback into two categories: i., which actions to keep/improve and ii., which steps to start.
Among the actions to keep, employees believed in the importance of keeping the goal card, continuing behavioral goals, and proceeding with mapping and 360-degree feedback. The employees considered all these elements functional but needed to be updated to make them more transparent, specific, and informative.
Among the processes to start, people mainly asked for: i., a better alignment of objectives and priorities between the various roles of the different job families by assigning goals according to seniority, responsibility, and position; ii., switch from an annual frequency to a quarterly or half-yearly frequency; iii., shortening the duration to make the process more rational, simpler and easier to understand; iv., developing a strategy focused on feedback to enable managers to support their employees in their work and development, despite belonging to different teams. In addition, employees called for creating a repository (to find information regarding colleagues), the design of precise growth paths within the company and new tools for a more effective exchange of feedback.

External research: The objective was to analyze the performance management of the most successful companies on the international scene. The external analysis revealed that all greatest technology and digital companies start from the same principles but apply them differently. In particular, the three core concepts for all analyzed companies were using OKRs, target allocation and the competence framework.
At this stage, the company's HR department mainly conducted the external research by creating a team dedicated to this process, primarily consisting of BPs. During starting the model, company A also organized several workshops. They were beneficial to increasing competence and ideas on how to guide the transition. The possibility of having hours dedicated to this topic for discussion and brainstorming helped speed up the process. Finally, the four values of behavior are:
1) Balanced planning and time management
2) Listening and communication
3) Learning ability
4) Team spirit.
And Behavioral Roles are:
1) Knowledge & Reference,

2) Execution & Autonomy
3) Responsibility
4) Proactivity & Openness to change.

The pilot project's idea followed one of Company A's fundamental principles, Test and Learn. The team constructed target sheets with a group of 8 managers and 8 team members. The process involved different company areas, both on and off trains; the goal was to obtain a more comprehensive view of the model's effectiveness. For this reason, the people involved ranged from developers and scrum masters to portfolio analysts.
The community manager also contributed directly and indirectly to the process through regular alignment and co-construction of the boards.
In addition to testing, the company invested heavily in training, setting up a training programmed that involved more than 40 managers. Company A used graphical tools (e.g., matrices) and practical examples to support the evaluation. Sharing best practices and tips for managers made their work much more manageable and allowed them to cover a broader range of areas. After the testing and training period, the HR department sent two surveys by their business partners to collect the opinions of the people involved in the process. In the first one, the managers responded positively to questions regarding the completeness and accuracy of the new method compared to the previous one. In the second survey, the HR department sent a 15-question survey to collect information for implementing and improving the new model. The feedback was again positive, although it was clear that the mapping process needed improvement. Similarly, to the creation phase, the company organizes other workshops to enhance the current model's completeness and objectivity compared to the previous one.

3.3 The New Model
The main elements of the new model are:

Assignment of performance and behavioral goals: settings of goals and priorities that require improvement co-construction of the goal sheet and assigning the expectations and challenges the person will face in the coming months.
Performance Talk: individual meetings (monthly, in the new methodology), in which the manager discusses the achievement of objectives with the evaluated colleague. The purpose is to maintain a continuous exchange of feedback and suggestions between manager and employee.
Evaluation: there are three levels of feedback, using the various tools, which the manager may decide to activate gradually to accompany the culture of communication and feedback: between manager and resource, between colleagues of the same team or between different teams. The main tools used are Stop-Start-Continue, 360° Feedback.
Mapping: Managers map their teams using a 9-box matrix system. The objective is to understand who the top performers are and who are underperforming. The employees and team drivers with the best performance will receive bonuses. Based on the mapping, the manager proposes an allocation with the available budget for his area (e.g., Train, domain, team). Once the mapping is complete, managers send it to the HR BP and top management for approval.
Review meeting: The HR BP meets with managers to confirm, review, and adjust decisions made at the annual review meeting. The business partners assist the managers, helping them with decisions and suggesting possible solutions for both high and low performers. The various business partners' task is to ensure that the evaluation processes within the company

are balanced and cohesive. Still, it remains crucial that the managers always make the final decisions, as they are the guarantors and guides of their teams.
Annual review: the yearly review meeting used to take place in January or July, but with the new model, the meeting takes place in a single period (i.e., January). Managers discuss performance, results, successes, and difficulties; understanding what went well and what went wrong during the review is essential. The goal sheet for the following year is shared in the second part of the meeting. Targets are mainly individual; in the customer value and claims departments, performance targets are often departmental and firmly linked to KPIs.

Performance Goals

Individual targets
These are individual performance targets expressed through quantitative evaluation metrics commonly used to compare and monitor performance. They are real numerical targets that follow some specific key metrics (minimum three), have a precise percentage (relative to the total weight of the objective) and are in the target sheet.
They link the role and the area in which the evaluated person works and are assigned every quarter (or PI) or semester.
A practical example might be the case of a developer in the technology part of the company, who's part of the individual target might look something like this:

Tasks completed per month > 100 (weight 40%)
Development speed < 2 days (weight 30%)
Number of bugs < 15 (weight 30%)

Team Goals
The team goal is a team objective that is assigned and evaluated every quarter (or IP) or every semester. It is the same for the given team and linked to Company A's strategic objectives and priorities. The manager also considers the team's objectives in the evaluation, but they are not present in the objective sheet.
For example, in the developer community, the planned objectives based on the priorities decided by the product owner may be:
A) Maintenance and bug fixing
B) Operating system control activities
C) Improvement of KOL rules.

Behavioral Goals
The new performance management model has made these objectives more measurable and less influenced by possible subjective evaluation.
Each person in Company A receives at least one role objective and one value objective in the objective sheet. At the end of the observation period, each person will be assessed on all eight dimensions of behavior (four for the role objective and four for the value objective).

Value Behavior: This annual objective brings together the company's expectations of people. The link is between the dimension of expected behavior without regard to role and seniority. The four aspects considered are Balancing Planning & Time Management, Listening & Communication, Learning Abilities and Team Spirit.
Role Behavior: it is an individual objective (annual or six-monthly) that involves either the consolidation/training of skills according to a skill framework, the acquisition of new skills, or personal challenges.

It starts with an essential skillset: the manager can either use those skills or modify them according to the job family.
The four aspects considered are Knowledge & Reference point, Execution & Autonomy, Accountability and Proactivity & Open to Change.

The three main support tools that Company A use are:
1) *Stop-Start Continue:* already explained in the second chapter
2*) Mapping*: the company follows similar modalities to those used with the 9 Box Matrix presented in the second chapter.
The distinction between the Three categories is by color:
•Red: Low Performer
•Blue: Medium Performer
•Green: High Performer
With the help of the reference manager, the third category of high performers distinguishes between talents and performers.
The difference is the talents are persons who demonstrate consistent results over time regardless of the area where they work. Instead, the performers link the success and influence on a specific area, showing less adaptation capacity in contexts outside their comfort zone.
3) *Feedback system and meetings*: One of the main revisions concerned the feedback methodology and frequency of meetings following numerous requests. Regular and recurring development meetings were introduced (as opposed to annual or biannual development meetings). The average time horizon has halved to 3 months (quarterly meetings), but for those with quarterly targets, meetings are every 30 days. In some companies, a continuous feedback mode with weekly 1:1 meeting focusing on the person's needs is also becoming established. The aim is to accompany the person as much as possible in the growth process.
The company's number of feedback tools has increased and is not limited to 360 degrees.
They have been added:
Self-Assessment: the individual self-assessed their performance over the period
Keep Going: this is an easy and intuitive feedback collection tool consisting of a survey of the person concerned utilizing a survey or a dedicated meeting. In the areas of interest, the objective is to collect the contribution to the achievement of the team's goals, the main strengths, and suggestions for improvement.
Feedback for a person: this is a google form always open and available on this site to recognize a job well done by a colleague and an incentive to continue. The use is when the person wants to leave feedback to a colleague who has worked or is working daily.

Conclusions
A well-structured performance management system can increase the performance and effectiveness of an organization. However, people and even companies often lack the know-how to structure an effective performance management process. The absence of clarity on how to implement the process, lack of understanding of the need to change, or scarcity of knowledge of the evaluation criteria are significant problems that jeopardize the effectiveness of the process. Performance management, like many other business aspects, is evolving rapidly, requiring much effort to revisit and change it. This paper aims to familiarize the reader with how a performance management model is composed. The paper also analyzes a specific performance management model in the context of Company A (the real name is not used for privacy reasons), a tech company implementing an Agile configuration. The Agile methodology represents one of the most implemented models for effectively responding to change and meeting market challenges. The PM process in company A involves the HR department (the business partners, in particular), the managers and the people evaluated more

deeply. Greater involvement leads to a better understanding of the process itself. Clarity and sharing were two main elements that drove Company A to the transition to a new model. This paper's hope and purpose are to help clarify this often underestimated but fundamental process in business life. Unlike other business processes, the evaluation and development of people can never be (fully) automated and computerized. The correct application of performance management will always depend on the understanding and capabilities of the people who apply it. This is why a company's performance management should continuously develop and improve.