REWARD BLUEPRINTS

110

Published:
April 2016

PERFORMANCE MANAGMENT 1:

GAP INC. ENCOURAGES EMPLOYEES TO GROW, PERFORM AND SUCCEED – WITHOUT RATINGS

- In 2014, global fashion business Gap Inc. launched a new performance management process for its headquarters' employees worldwide.
- It's now in the process of developing a slightly modified version for its retail store and distribution centre staff.
- Gone are the formal reviews and performance ratings of the past – instead, managers and employees are encouraged to have 12 informal, undocumented conversations about performance over the course of the year.

REWARD BLUEPRINTS

An annual subscription gives you a collection of case studies, surveys and toolkits.

- **Frequency**: monthly, 10 issues a year.
- **Subscriptions:** annual subscription – £295 + VAT (singe-user); £495 + VAT (multiple-user*).
- **Format:** next 10 issues emailed to you as PDF files plus free to access digital archive.

* Multiple-user subscriptions are based on users working in the same organisation, regardless of location.

Published by E-reward.co.uk Limited.

These Reports are provided for general information only. They are not intended to amount to specialist advice on which you should rely. You must obtain professional or specialist advice before taking, or refraining from, any action on the basis of the Reports.

E-REWARD.CO.UK LIMITED

33 Denby Lane
Heaton Chapel
Stockport
Cheshire SK4 2RA
United Kingdom

Tel: + 44 (0)161 432 2584

Email: paul@e-reward.co.uk

Web: www.e-reward.co.uk

Registered name: E-reward.co.uk Limited
Company number: 4281768
Registered in England and Wales
Registered office as above

EDITORIAL AND SUBSCRIPTION ENQUIRIES

Editor: Paul Thompson
Researcher: Graham Brown
Production: Patrick Armstrong www.pabps.co.uk
Contact: Paul Thompson on tel: +44 (0)161 432 2584 or email: paul@e-reward.co.uk

To download previous issues of *Reward Blueprints* please visit www.e-reward.co.uk/research

E-REWARD.CO.UK

E-reward.co.uk is a leading provider of reward management information through its web site, research, conferences, training and executive remuneration database.
Since 1999, our industry expertise has been delivering the latest thinking, research and education in reward management through:

- Web site, e-newsletter and reward magazine, bringing you news, comment and advice on the reward issues of the day – the definitive resource on all matters of interest to the reward specialist.
- **Conferences and exhibitions** showcasing good practice in employee reward.
- An alliance with WorldatWork to offer its internationally-recognised (GRP) **reward qualification** in the UK.
- An **executive remuneration database** providing comprehensive and accurate information on this evolving area of reward.
- Original **research** designed to advance the theory and practice of reward management.

Our high-quality, relevant information and education helps reward professionals strengthen their skills and understanding, and form intelligent views and opinions.

COPYRIGHT

Copyright 2016 E-reward.co.uk Limited.
All rights reserved.
You may not do or permit or authorise the doing of any of the following acts in relation to the Reports: use in a way that is unlawful; forward to, send to (or use in any manner in which permits access by) any other person or (if you have a multiple-user licence) any person not covered by your licence; copy, sell, rent, lend, lease, license, sub-license or in any other manner transfer or grant any rights to third parties.

PERMISSIONS TO REPRODUCE THIS REPORT

If you wish to distribute additional copies within your organisation, you must request extra copies from E-reward.co.uk Ltd at discounted rates. To avoid misunderstandings as to the scope of your rights to use and distribute the Reports, please contact E-reward.co.uk Ltd by emailing paul@e-reward.co.uk
You may order either a single-user licence or a multiple-user licence to access the Reports. Single-user licences are restricted to the individual person making the order. Multiple-user licences are restricted to the agreed number of users working in the same organisation, regardless of location. To be clear, Multiple-user licences do not cover affiliate companies, subsidiaries, holding companies or any person in any legal entity outside the licensed organisation.

CONTENTS

Researched and written by E-reward.co.uk

Organisation profile 3
Who E-reward interviewed 3
The previous process 3
Five objectives for the new scheme 4
Setting objectives for the new process 4
A year-long journey 4
Branding the new scheme 5
The new GPS scheme 5
A new performance standard 5
A more personal goal-setting process 5
Monthly “touch base” meetings 6
Changes to reward 6
No more ratings 7
A pre-calibration discussion 7
Launching the new process 7
Providing training and support 8
A positive response from HR 8
. . . and from employees 8
An opportunity for HR 8
Lessons learnt 9
Possible future tweaks 9

This is the first part of a major E-reward project on “new” approaches to performance management. It comprises a batch of in-depth case studies designed to highlight how a wide range of disparate organisations are rethinking their approach to performance management.

CASE STUDY 1: GAP INC. ENCOURAGES EMPLOYEES TO GROW, PERFORM AND SUCCEED – WITHOUT RATINGS

In 2014, Gap Inc. launched a new performance management process – "Grow. Perform. Succeed. (GPS)" – for its headquarters' employees worldwide. The company is now in the process of developing a slightly modified version of GPS for its retail store and distribution centre staff.

Gone are the formal reviews and performance ratings of the past – instead, managers and employees are encouraged to have 12 informal, undocumented conversations about performance over the course of the year. Gap Inc. believes that GPS has "repurposed thousands of working hours and millions of dollars from tasks that did not drive performance to discussions that do". What's more, staff surveys suggest employees feel that the new process is providing them with better feedback, offering more opportunities to learn and driving them to higher levels of performance.

BOX 1: ORGANISATION PROFILE

Name: Gap Inc.

Employees: More than 140,000 worldwide.

Business activities: A global fashion business with five brands: Gap, Banana Republic, Old Navy, Athleta and INTERMIX.

Financial results: For the fiscal year 2015, the company generated net sales of $15.8 billion and free cash flow of about $870 million.

Main locations: World headquarters in San Francisco and HQ offices in London, Shanghai, Tokyo and Toronto, with product development offices in Los Angeles and New York City. Gap Inc.'s clothes are available in over 90 countries through more than 3,700 company-operated and franchise stores and several e-commerce sites.

Web site: www.gapinc.com

BOX 2: WHO E-REWARD INTERVIEWED

Based in the company's world headquarters San Francisco, Rob Ollander-Krane is Senior Director, Organisation Performance Effectiveness at Gap Inc. He has spent all of his working life – almost 40 years – in the retail sector, first in the business and then moving to learning and development and talent management. Ollander-Krane joined Gap 12 years ago and started working on innovations in performance management in 2013.

THE PREVIOUS PROCESS

Gap Inc. used to have what Rob Ollander-Krane, Senior Director, Organisation Performance Effectiveness, refers to as a "traditional" performance management process – with goals setting at the beginning of the year, a single end-of-year review meeting and performance ratings.

"It was an annual process," he says. "At the start of the year goals were set at the business level and then loosely cascaded down to business units, teams and individuals. Most people documented their personal goals somewhere, but many didn't. And most of those who did just put them in a drawer and didn't look at them again for 12 months, when they would write a 14-page tome to try and justify a better rating at their end-of-year review."

The ratings process was directly linked to the Gap Inc. bonus scheme, with higher grades leading to bigger payouts. "The way the process was set up, I think most employees saw the end-of-year performance discussion – which sometimes captured information that was 15 months old – as something they had to suffer through in order to get to their rating and find out how much money they were going to get," says Ollander-Krane.

"All they really wanted to know was 'Did I get the A or the B grade and therefore I felt good, or did I get the C and it was just another lousy year?' Although the manager and employee discussed the content of the review, they weren't really having a conversation that drove performance – it was just what they had to do get to the conversation about the money."

And not only did the process's structure distract from actually discussing performance, it sometimes led to further difficult conversations when managers' ratings were changed to fit the company's forced distribution curve.

"We used a curve to ensure our total bonus payments stayed within the overall budget, so we would sometimes have to revise our managers' ratings down," says Ollander-Krane.

"So leaders or HR would end up having contentious conversations with managers about changing their grades, and then the managers would have contentious conversations with their employees when they had to go back and say 'I know I said you were an A, but you're really a B'."

Above all else, the process was simply not delivering results in terms of improved business performance for Gap Inc. It was complex, time-consuming and expensive. At the company's headquarters alone, it was estimated that people were spending 130,000 hours a year and significant payroll on the process. And to top it all, managers and employees disliked the process – as one employee complained in an opinion survey: "I think the annual review and rating is a waste of an employee's time . . . causes unnecessary stress . . . and is really an old way of thinking in this modern day and age."

All of this, combined with a growing consensus among thought leaders in the HR and performance field that "traditional" performance management had had its day, led Gap Inc. to decide the time had come to radically overhaul its approach.

BOX 3: FIVE OBJECTIVES FOR THE NEW SCHEME

To start the process of figuring out what to build, Ollander-Krane interviewed Gap Inc.'s senior leaders on the behaviours that they were looking for to be more competitive in the marketplace. Through those discussions, Ollander-Krane created the following five objectives for the new performance management process:

- Raise the bar of performance.
- Provide meaningful reward for exceeding plan and consequences for missing.
- Ensure managers take accountability for assessing, developing and rewarding performance.
- Support a shift in culture from nice to nice *and* honest.
- Be simple.

SETTING OBJECTIVES FOR THE NEW PROCESS

Once the decision to make a change had been made in January 2013, senior leaders got together to set some objectives for the new scheme (see box 3). "All of their objectives made a lot of sense," says Ollander-Krane.

"Our previous scheme rewarded fairly average performance, so there was a need to raise the bar. And as half an employee's bonus was paid out even if the company was not performing, there was limited consequence for individuals if business was poor. Traditional performance management effectively handcuffs managers by telling them they can only talk to their employees once a year, while ratings force them to put employees into a fixed number of categories – we wanted managers to be more accountable for regularly assessing performance. We also wanted people to not be afraid to tell the truth and have 'real' conversations. And finally, we just wanted to make it as simple as possible – performance management doesn't have to be complicated."

A YEAR-LONG JOURNEY

It took Ollander-Krane and his colleagues the whole of 2013 to develop the new performance management framework. The first four months were spent doing nothing but fact gathering and carrying out research.

"I read books, went to conferences and spoke to other companies that had reinvented the way they managed performance. I talked with thought leaders about their theories on how best to drive and motivate performance. I asked our employees what issues they had with the existing performance management process. And I met with our senior leaders to ask what additional behaviours they wanted to see from our employees in order to be competitive. It was incredibly eye-opening – it made me realise we'd been addressing performance management in all the wrong ways."

"I don't think the traditional performance management process is an incredibly engaging one. It's designed to try and take the bias out of the assessment of performance, so that you can allocate reward in a way that's fair and equitable – and if that's what you're doing it for then I guess it works."
– Rob Ollander-Krane

In particular, Ollander-Krane says he was influenced by the work of world-renowned Stanford University psychologist Dr Carol Dweck and her concept of "growth mindset". "She believes that someone's intelligence is not innate or fixed at birth but that it can be developed – it's something that you can change and grow," he explains.

"Having a growth mindset encourages people to embrace challenges, persist in the face of setbacks, see effort as the path to mastery, learn from feedback and find inspiration in others' success. And we used this as the philosophy for everything we did when designing the new approach."

Following the research stage, a team of people from all of the sub functions within HR was assembled – including communications, employee relations, learning and development, talent management, legal, the goal-setting team and HR operations – to design and develop the new approach.

"We met for an hour once a week for a few months, working out what the new process could look like," Ollander-Krane recalls. "Then later on we had a two-day brainstorming session led by an external company to help us lay out our final plans and brand the new process."

"We also invited one or two directors from each of the business units to form a senior advisory group that we could talk to about our philosophies and the programme elements we were creating and get their feedback – we even asked them to pilot some of our ideas with their employees," continues Ollander-Krane.

"So we did a lot of work in the middle of the year getting people on board with what we were doing and making sure

each of the business units was willing to go down this road with us – and 'course correcting' when necessary. Then as we got towards the end of the year we scheduled two important meetings to announce our final plans to senior leaders: one with our group of VPs and above in November, and then one with our directors and above in December."

BRANDING THE NEW SCHEME

As well as getting the content and processes of the new scheme right, Ollander-Krane was also keen to ensure it had a name and brand that would engage employees.

"The previous scheme was called 'Focal', which is a compensation term that meant nothing to our employees. With the new scheme we wanted something that would resonate in our culture."

The team settled on the name "Grow. Perform. Succeed. (GPS)". As Ollander-Krane told E-reward: "The name captures what we are trying to achieve – we want our employees to grow and for the focus to be on performance rather than management. But the initials – GPS – also match our stock name, so the name of our internal measure of performance now matches our external measure of performance."

"But what I really love about the name GPS is that it's an analogy for what we want our managers to do. A GPS system in your car lets you set your destination, and then if you make a wrong turn as you're driving it recalculates in real time and gets you back on the right path. If a GPS in your car waited until you got to your destination to tell you you'd made a wrong turn, you'd never get there. But that's what traditional performance management does: it waits until you get to the destination – the end of the year – before telling you you made a mistake. We wanted managers to be like a real GPS, course correcting their employees performance throughout the year."

THE NEW GPS SCHEME

The GPS scheme has four main components:

1. A Performance Standard

2. Goals

3. Touch bases

4. Rewards

1. A NEW PERFORMANCE STANDARD

The scheme revolves around a newly developed performance standard, which sets out the behaviours to which all Gap Inc.'s managers and employees should aspire and against which they will be evaluated.

It states:

> *"We set tough objectives and work hard to exceed our goals. We do what it takes to win in the marketplace with integrity. We live the values of our company. If we fall short of hitting our goals we quickly learn from our experience and strive to win. Managers inspire and drive performance of their teams through regular coaching and feedback."*

"The performance standard essentially replaced our ratings scale, instead giving a broad overview of the behaviours we expect to see," says Ollander-Krane. "And it embodies every aspect of our new approach – having a growth mindset, delivering and learning from feedback, and just having regular, open and honest conversations."

Significantly, it puts the focus as much on the "how" you have achieved your goals as on the "what" you have done.

2. A MORE PERSONAL GOAL-SETTING PROCESS

With the GPS approach, the company modified its previous goal-setting process. First, employees are only allowed a maximum of eight goals. "We were very clear that we wanted fewer goals under the new process," says Ollander-Krane.

"Under the old process employees would end up with a long laundry list of tasks. Many had 20 or 30 things they were supposed to accomplish each year – it was like a job description. The new scheme allows them to focus on a much smaller number of important objectives."

Second, these goals should be outcomes rather than tasks. "Driving performance is not about ticking off all the things you have on your 'to do' list – it's about thinking about how the world will be different if you achieve them all," says Ollander-Krane.

"My work on this project is a perfect example. If you look at what I'm being held accountable for, it's 'raising the bar on performance' for the company. That's an outcome. How I'm getting there is by designing a new performance management process, developing a communications plan, building a web site and creating a learning programme. But individually those aren't goals, those are tasks. The company doesn't just want me to check off a box saying that I've built a new web site – it wants me to improve performance. That's the difference – and that's what we want all our employees to think about when they set their goals. We want them to ask: 'What is the *result* of all the things I'm doing that is going to make us more effective in the marketplace?'."

Ollander-Krane and his team created a 20-minute training module to help people understand this distinction between task-based goals and outcome-based goals, complete with examples of each. For example, a task-based goal might be: "Send 200 emails per customer this year". But this offers no clarity on the business outcome the employee is trying to achieve – and if sending 200 emails does not result in a business outcome, you cannot say the employee has been successful.

In contrast, an outcome-based goal – for example, "Increase online initiated Gap sales revenue this year by x amount" – offers a clear outcome against which performance can be evaluated. But more importantly, it allows the employee to determine the best way to accomplish the outcome – it does not lock them into one approach that might not be successful. Instead, they can try multiple approaches to achieve the goal.

"Third, we cascaded three enterprise-wide goals that were established by the senior leadership team. If an employee's work happens to align with one of these three goals then

> *"We really wanted to drive performance and engage our employees and I don't think that a once a year, mostly administrative process that's tied to a fixed distribution curve actually does that."*
> *– Rob Ollander-Krane*

that's great. We try wherever possible to make these connections, but it's not always possible," says Ollander-Krane.

"What's more important to us is that the employee and manager agree on the employee's goals. How they get there is up to them – we're expecting that the manager knows the three enterprise-wide goals and what their business unit goals are and that they help the employee make sure their goals align with those. But ultimately, as long as there is agreement between the employee and manager, that is the most important part."

And goals are no longer wedded to an annual timeframe. Because the old process had an annual cycle of setting and evaluating goals, most employees set goals that were based on a 12-month cycle.

"But we can be much more flexible under the new process," says Ollander-Krane. "My goals are three years long, for example, because that's how long we think it will take to make the behavioural changes we're seeking through the new performance management process. Others have goals that are just two or three months in length."

Finally, goals are the only thing that is documented in GPS. "We ask employees to write down their goals and keep them updated throughout the year," says Ollander-Krane. "But we don't ask them to keep any record of their progress or to collect any evidence of whether they have achieved their goals. And they are supposed to be dynamic and change throughout the year, to ensure they are still relevant."

The only exception is for employees whose poor level of performance requires corrective action – this process is highly documented. Detailed records are kept of all conversations and agreed actions.

3. MONTHLY "TOUCH BASE" MEETINGS

Perhaps the biggest departure from the previous performance management process is the introduction of 12 "touch base" sessions to replace the single year-end review meeting. These are intended to be informal discussions between managers and employees that can take place anywhere and at any time. None of these conversations are recorded.

"In the long term what we'd really love is for these conversations to take place any time they are needed. We don't really want to put a number on it or to say that they have to take place at certain times during the year – if an employee or a manager wants to talk about performance at any time, they should be able to do it," says Ollander-Krane.

"But we didn't want it to be completely freeform, at least in the first couple of years. So we have said employees should talk to their managers once a month. But where those meetings happen is up to them – it could be over lunch, by the vending machine or even just while walking between meetings. And they can last anywhere from a few minutes to over an hour. But eventually we want to get to a point where these 'touch bases' just happen as and when they are needed."

The meetings may be used to discuss any aspect of performance, although ideally employees should revisit their goals to make sure they are still relevant and to see if there are any new objectives that need to be added or current goals that need to be taken away. They should discuss their performance against the new performance standard. Are they learning from the successes and failures? Are they demonstrating the values of the company?

"They might also talk about their key working relationships and their career aspirations," says Ollander-Krane. "The idea is to focus on these larger topics, rather than the day-to-day aspects of work."

To help managers make the most of these discussions, Ollander-Krane developed a three-hour training module on how to give effective feedback during these conversations. It helps managers understand why giving and getting feedback can feel threatening and it teaches a model that already existed within Gap Inc. that encourages managers to ask employees three questions when giving feedback:

- What went well?
- Where did you get stuck?
- What would you do differently next time?

"Using this simple model every time you talk to employees helps create more certainty for them – they know what to expect," says Ollander-Krane. "But it also helps build their autonomy and helps them feel part of the team – and it facilitates a real two-way conversation rather than just forcing the employee to listen to what the manager has to say."

4. CHANGES TO REWARD

The relationship between performance and reward has been revolutionised under GPS. With no ratings – and no forced distribution curve – managers have been forced to rethink how they allocate merit and bonus payments to their employees, while the composition of the bonus itself has been changed to place more of a focus on company performance.

The rewards conversation has also been completely separated from the performance conversation.

The bonus scheme at Gap Inc. accounts for a significant part of take-home pay. Under the old process, 50% of an employee's bonus payout was based on company performance and 50% was based on individual performance. "This meant that if your manager gave you an A, B or C in a year when the company didn't hit its financial targets, you would still get some money," says Ollander-Krane.

If you were awarded a B grade, your target payout would be 1.5 times the C payout. And if you got the A grade, it would be two times the C payout.

"So it added a lot of weight to the managers' decisions about employee ratings and it created quite a competitive environment around the year-end review – employees would really push their managers hard to try and get a higher rating."

Under GPS, however, the structure of the bonus scheme has changed. "We didn't think the 50/50 split was needed any more," says Ollander-Krane.

"It was introduced in different times, when the company was going through a tough period and we wanted to hold on to our talent while we turned the ship around. And it was a generous programme – more generous than our competition. So we wanted to tie the whole programme much more closely to business performance."

"There was even some discussion with the senior leadership team about whether to move to a scheme that was based 100% on company performance, with no individual element at all," he continues.

"But in the end they decided to move to a 75/25 set up – with 75% of the payout determined by the business's financial results and the remaining 25% based on individual performance. Although even here, the size of the individual payout is now dictated by business performance – if certain targets aren't hit, even a high performing employee may not receive a bonus or it will be considerably smaller, which makes sense. But it doesn't mean employees can't make the same or even more money than before – if the business in on fire and you are on fire, you'll make more money. But the overall idea is that if the business makes money, you'll make money."

Ollander-Krane adds: "Forget anything else we did with performance management – this change alone was probably the most significant in terms of changing employee thinking. They knew something was different – that they had to work harder and the business had to perform better if they wanted more money in their pockets."

NO MORE RATINGS

With the removal of ratings, employees are no longer awarded a grade at the end of the year. But managers are required to differentiate employee performance in some way. "They are not giving an A, B or C, but they still need to rank their employees," says Ollander-Krane.

"They still need to say here's my number one employee, here's my number two, here's my number three – and to allocate their merit and bonus pot accordingly. But they are not trying to force people into categories. It's a much simpler exercise – and much more similar to the way we expect our managers to manage our products. When a product sells well, you reinvest in it – and the concept here is the same: you give more money to the person who is delivering the best results. It feels like a much more intuitive process."

A PRE-CALIBRATION DISCUSSION

In addition to trying to make a stronger connection between business performance and rewards, Gap Inc. also wanted to get rid of the pain associated with the calibration discussions that sometimes ended with a manager having to change the rating they had assigned to the employee's performance.

"To do so, we moved the process of calibration forward from after the performance discussion to before," says Ollander-Krane.

"We now have a pre-calibration discussion to set each manager's bonus budget ahead of their end-of-year reward conversations with employees – so they know exactly how much money they have to allocate across their team. And we also give managers a description of what our senior leaders think 'amazing' performance looked like that year. Once they have these two things, they should know exactly how much to award each member of their team."

Finally, in a move that symbolises the company's new approach to performance management, the reward discussion now takes place separately to any discussion of performance.

"Instead of having one lengthy conversation at the end of the year that tried to cover performance and reward, we now have 12 performance conversations throughout the year and one brief rewards conversation at the end of the year," says Ollander-Krane.

"Basically, all the manager needs to say is 'here's how the company did, here's how our business unit did, here's a reminder of a couple of things you did really well and a couple of places where you are still developing – now here's your money.' And if managers have done their job, regularly discussing performance during the year, there should be no surprises or lack of alignment. Compared to the lengthy and sometimes contentious conversations they used to have, it should be a breeze."

"In the first year we did have to remind our managers not to say what the employee's rating would have been under the old process," he adds. "And some employees wanted that data and the perception of certainty it gave them, so we had to encourage them not to fall back on it. But in the second year we think everyone will be confident enough to discuss reward without even thinking about the old ratings process."

LAUNCHING THE NEW PROCESS

The company launched GPS for all its headquarters and "upper field" – regional directors and district managers – employees in January 2014, although the specifics of how the scheme was launched differed in each business unit.

"We identified implementation teams in each business unit who I handed the change plan, communications and programme materials to and gave them the goal of achieving the behaviour changes in three years," says Ollander-Krane.

"But we left it up to them how they wanted to do it. Some

wanted to start with the philosophy, and they took a deep dive into the concept of growth mindset with their employees and waited to talk about the specifics of the new process. Others jumped right in to all the tactics and the programmatic elements. Eventually they had to cover both sides, but we gave them the flexibility to drive it into their business unit in the way they thought would most resonate with their people."

BOX 4: PROVIDING TRAINING AND SUPPORT

The team rolled out several learning modules at various times during the year to provide help and support with different aspects of the new process. In May 2014, it launched a module for managers on how to conduct more effective feedback conversations to coincide with the first "touch base" sessions.

Then towards the end of the year it launched a class for managers on how to have an effective reward conversation and how to allocate bonuses using the new process, while everyone in HR received training in how to conduct a pre-calibration discussion with managers.

A POSITIVE RESPONSE FROM HR . . .

The new process has had a clear and positive impact on the amount of administration HR has to carry out each year. "At year end, under the old process, our compensation team would get a constant barrage of calls, asking them to solve problems and change ratings. It was really high pressure for them and they came to hate the end of the year," says Ollander-Krane.

"Even our senior vice president of HR would get 40 to 50 calls from senior leaders in the company who were disgruntled with their own outcomes – something in their review that they didn't agree with, for example, or that they didn't like where they had landed on the forced distribution curve."

The first year of GPS could not have been more of a contrast: "At the end of the first year under the new process, the comp team said it was a non-event. The phones weren't ringing and the SVP of HR got one call instead of 50."

GPS has also saved managers and employees a lot of time. "Employees used to write pages to try and justify a high grade in their end-of-year review and managers would also spend days preparing for these discussions," says Ollander-Krane. "Now the end-of-year discussion takes no preparation for employees and limited preparation for managers. And it lasts just ten minutes."

. . . AND FROM EMPLOYEES

Ollander-Krane ran several employee surveys throughout the first year of GPS, and these revealed a similarly positive response from employees. "We don't ever want to be seen as the 'police' or to be monitoring people. But in the first year we did want to track whether or not the 'touch base' conversations were actually happening," he recalls.

A simple online survey was developed that went to every employee in the headquarters. It asked four questions. First up: "Have you had at least one touch base per month for the last quarter – yes or no?" As many as 90% said "yes".

Ollander-Krane says: "That was amazing – we went from people not really talking all year long to almost everyone talking three times a quarter. And we also asked about the effectiveness of those conversations."

The second survey question asked: "Are these conversations helping to increase your level of performance?". Employees had to rate the conversations on a scale of 1 to 5, with 5 being the highest.

The average score turned out at 4.1. "Again, that was really impressive," says Ollander-Krane.

The third question was: "Is your manager helping you to learn from your successes and failures and to apply that learning to the future?". The average score was 4.2.

The final question was: "Does the way in which your manager gives you feedback make you want to get more feedback?" And again, it scored 4.2.

Ollander-Krane says: "So we walked away from that survey feeling like we had a success on our hands."

Importantly, he adds, the team did not share these results with senior leadership or the rest of the business: "We didn't do the survey for any disciplinary reasons or to say to senior leaders 'look at who is doing well and who isn't doing well.' We only gave feedback to the managers themselves. It wasn't intended to be a formal assessment – it was meant to be a learning tool for us and for our managers, which fits really beautifully in a growth mindset."

AN OPPORTUNITY FOR HR

Performance management has traditionally been owned by HR, and under the old process at Gap Inc. it was no different. Making wholesale changes and putting more onus on managers and employees to "own" the process could have caused some consternation among the HR team, but Ollander-Krane says they have actually welcomed the new opportunities that GPS has opened up for them.

"We knew going into this that it would represent a big change curve for HR, as this is a place where HR has traditionally played a significant role. But we also knew it would be an exciting change for them – they would be going from policing the process, and just making sure people were following the rules, to acting as proper consultants."

So members of the HR team are still intimately involved in the process, but they are now spending their energy in a way that adds much more value.

Ollander-Krane explains: "Instead of just being there to ensure that the process is happening, they can actually coach managers in the best way to give feedback to their employees all year long. They can figure out the managers who are doing well and congratulate them and identify the ones who are struggling and help them improve. And they still play an important role in the calibration discussion with senior leadership – the only difference is that this now takes place

"There's a gap between what science knows and what business actually does around performance management – Rob Ollander-Krane.

ahead of the end-of-year reward meetings, rather than afterwards."

LESSONS LEARNT

While Ollander-Krane is very happy with the impact of GPS and the way it was implemented, he admits it may have been better to separate the changes to performance management and changes to the bonus.

What went well?

"It was a hugely positive change for us. When we told the directors we were scrapping ratings I remember hearing cheers! Nobody had a problem with getting rid of the year-end process or the ratings that went along with them. And I think everyone understood the conceptual changes we made."

Where did you get stuck?

"The only place I think people got stuck was with the change to the bonus. Honestly, we could have introduced GPS without changing the bonus – we just decided to do them at the same time."

What would you do differently next time?

"Part of me wishes we hadn't done them at the same time, because I think we lost some attention on the performance side as people were so concerned about what was happening with the bonus. In a way, it was no different to what used to happen during the year-end conversation – people weren't hearing what we were saying about performance because they just wanted to know how much money they were getting! By combining the changes we almost created the same paradigm."

POSSIBLE FUTURE TWEAKS

Despite the success of GPS, the company may tweak the process in the future. "We've had a new CEO and CHRO since we introduced GPS, and they have questioned whether we need to have a bit more of a written record of employee performance," says Ollander-Krane.

"No decision has been made, but I think they are just looking at it and asking 'are we capturing everything we need? Do we need to tweak it to make it even more effective?' But there is an absolute commitment to the philosophies behind the new programme – no-one is saying we will go back to formal end-of-year reviews and no-one is saying we will go back to ratings."

The company is also focused on rolling out a slightly modified version of GPS to its stores. "We have our first store up and running and if that goes well then the others stores will probably follow suit," says Ollander-Krane.