Using Beyond Budgeting and Sociocracy for agile-friendly performance appraisals

Jutta Eckstein | @juttaeckstein
John Buck | @johnabuck

http://agilebossanova.org
@AgileBossaNova | #agilebossanova

Company-wide Agility with BOSSA nova
http://tinyurl.com/AgileBossaNova
Mark / Note the statements that reflect a common behavior / attitude in your company

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Leadership makes information open for self-regulation, innovation, learning and control.</td>
</tr>
<tr>
<td>2</td>
<td>Management processes set goals that are fixed and cascaded goals.</td>
</tr>
<tr>
<td>3</td>
<td>Everyone’s work is connected with customer needs.</td>
</tr>
<tr>
<td>4</td>
<td>Management processes are aligned to the calendar year.</td>
</tr>
<tr>
<td>5</td>
<td>Leadership restricts and controls information.</td>
</tr>
<tr>
<td>6</td>
<td>Performance is evaluated holistically and with peer feedback for learning and development.</td>
</tr>
<tr>
<td>7</td>
<td>There are often conflicts of interest between the customer needs and other company interests such as shareholder value or increasing sales to the customer.</td>
</tr>
<tr>
<td>8</td>
<td>Management sets directional, ambitious and relative goals.</td>
</tr>
<tr>
<td>9</td>
<td>Management processes are organized dynamically around business rhythms and events.</td>
</tr>
<tr>
<td>10</td>
<td>Performance evaluation is based on measurements only and for rewards only.</td>
</tr>
</tbody>
</table>

Source: https://bbrt.org/the-beyond-budgeting-principles/
Your Experience with Performance Appraisals

- Mark on the following sheet the common behavior / attitude in your company

- In pairs / triples discuss and take notes:
  - How does this behavior / attitude affect the performance appraisals?
  - What are the top challenges you see and what are your key insights?
Can peer decision-making about promotion support alignment?

■ **Background:**
  – Even at very egalitarian companies like Valve and Red Hat there are hierarchies and these require a promotion system.

■ **Hypothesis:**
  – If we use peer decision making to make decisions about promotions, we can separate performance review from decisions such as promotion that have an element of competition.

■ **Experiment:**
  – Groups at different levels of the hierarchy in the company use:
    • Sociocratic election to determine who is appointed for a promotion.
    • Consent decision making on the person being promoted from a pool of applicants.
    • Consent decision making for aligning individual and team objectives.
    • Consent decision making for deciding on bonuses.
 Probe: Will aligned individual growth happen without motivation by a bonus?

- **Background:**
  - Often individual objectives are not revisited and if the market changes, the objectives might become out of date.

- **Hypothesis:**
  - If we separate bonus/incentive payments from the learning process, individual growth will happen in alignment with the company’s strategy.

- **Experiment:**
  - If you have changing conditions, increase the frequency of performance evaluations weekly, monthly, quarterly.
  - Use qualitative Objectives and quantitative Key Results (OKR).
    - The OKRs are defined bottom up rather and are always a contribution to the company’s overall goal.
Transparency
Create transparency for all involved in two directions by providing information and lowering the barriers to those seeking information.

Self-organization
Use accountable cross-functional teams that select themselves and follow their passion with responsibility.

Continuous Learning
Always learn and contribute to others’ learning, get feedback and adapt.

Constant Customer Focus
“Focus wide” on every aspect of the company: product & process, structure and strategy, and individual contributions and people.
Self-Organization

- **Accenture:**
  - Frequent conversations (“check-ins”)
  - Realign goals to respond to change
  - Conversations focus on both reflection and future. The latter is stressed more

- **Equinor (former Statoil):**
  - Individual performance goals can be changed by the teams but
    - They have to coordinate the change with other teams &
    - Big approvals require approval one level up
Transparency

Endenburg Electrotechniek (Electrical Engineering)

- 360 degree review in person

  • Not anonymous comments collected by a manager
  • In a circle: your supervisor, a peer to you, a couple of people reporting to you
  • Like a retrospective,
    - each person (starting with you) offers things you’re doing well (& the system is doing well)
    - each person (starting with you) offers improvements
  • Everyone consents to your development plan (and changes needed in the system)
  • The plan is approved by full circle
Constant Customer Focus

- Connect everyone’s work with customer needs; *avoid* conflicts of interest
  - “The purpose of business is to create a customer...” (Peter Drucker, 2006)
  - Everything done in an organization should add value for the customer, thus:
    - How does the performance support creating customer value?
    - Does the performance inspire others to create customer value?
  - As a team create a value stream and discuss:
    - How effectively are we creating customer value?
    - Where do we see conflicts of interests in our work e.g. selling to the customer instead of serving the customer’s needs?
Continuous Learning

■ Cox Automotive
  – Framing goals to promote cross-functional collaborative teamwork
  – Learning and adapting goals throughout the year
  – Getting feedback on goals and development
  – A manager’s role in your Enterprise Agile ecosystem

■ Equinor (former Statoil)- Analogy of 100 meter sprinter
  – How you ran is different than the time you got.
  – The outcome is different from your process.

■ Link appraisal conversations to team retrospectives (Source: Agile People)
  – Invite team members to evaluate their contribution to the sprint
**Transparency**

Create transparency for all involved in two directions by providing information and lowering the barriers to those seeking information.

**Self-organization**

Use accountable cross-functional teams that select themselves and follow their passion with responsibility.

**Continuous Learning**

Always learn and contribute to others’ learning, get feedback and adapt.

**Constant Customer Focus**

“Focus wide” on every aspect of the company: product & process, structure and strategy, and individual contributions and people.
Application To Your Challenge

- In small groups discuss & note:
  - How can you use the BOSSA nova values & approach (probing) to address your top challenges?
  - Develop possible probes and experiments for one of your top challenges.
Lessons Learned

- Personal conversations
- More than 1-on-1s (e.g. bring an “official” and a peer)
- Regular feedback (not only e.g. once per year)
- No long-term (fixed) objectives - have relative objectives
- Separate growth / development from bonus
- Focus more on future than on past
- Align goals to customer value
Beyond Budgeting

Bossa

Sociocracy

Open Space

Agile
Reflection Time

- In pairs: What will you do on Monday?
Many Thanks and... Stay in Touch:

Jutta Eckstein | @juttaeckstein
John Buck | @johnabuck

http://agilebossanova.org
@AgileBossaNova | #agilebossanova

Company-wide Agility with BOSSA nova
http://tinyurl.com/AgileBossaNova