



Expertise
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Developing the Performance Appraisal Process as part of Customer Centric Employee Development and Performance Management

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<p>The purpose of the thesis is to develop the performance appraisal process of the case company in order to improve and make the process adaptation for the case organization. The case company of this Thesis is a large-sized software company operating globally and located in Nordics, India, Baltic, Central Europe, and China. The company employs around 24 000 experts globally. The company serves thousands of enterprises and public sector customers in more than 90 countries. It is a leading digital services and software enterprise with the mission to create a digital advantage for businesses and societies.</p> <p>The Thesis is implemented for the business unit in Finland with approximately 700 employees that focuses on software maintenance, development, and consulting services across all industries, such as public, manufacturing, healthcare, telecommunications, and others.</p> <p>The research approach selected for the Thesis is applied action research based on using qualitative research methods. Applied action research is based on observation, action and measurement, and the researcher is a participants in them. The data is gathered and analyzed using qualitative data collection methods. The results are aimed at introducing change to the better in a real-life business setting.</p> <p>The theoretical framework of the thesis consists of the topics such as performance management and building and improving the appraisal process by introducing clearly articulated steps, roles and responsibilities, process timelines, and process actors. The theoretical framework also includes the topics related to the appraisal process enablement, such as service and project managers' soft skills, as well as organizational shift forward self-directed culture.</p> <p>The thesis outcome is the improved appraisal performance process that is adapted to the needs of the case organization. It will serve the case company on a practical level as a tool and documented guidance for conducting development discussions, but it can also contribute in a wider sense, by developing the professional practice in this business field, especially for resolving challenges faced by similar organizations in similar contexts.</p>	
Keywords	Performance appraisal, self-direction, soft skills, employee performance

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1 Introduction

The performance appraisal process makes a continuous subject of discussion among the top management. Motivated, happy, qualified employees are one of the most critical factors for business success, and many industrial and business giants experiment by finding the best way to achieve it. As Heaver (2018) states, "By showing employees they are appreciated through some form of reward or recognition, their confidence will take a boost which will motivate them to make a big difference in the workplace".

The employee performance appraisal process has a long history and changed over time, mainly impacted by the timeframe, business conditions and the generation change, ranging from very traditional ranking based performance to a more growth-driven, empathic and talent development factory-like setup. As a result, it is unusual among global companies to hear such a statement as would be normal back in the 80's: "Reward top performers, accommodate who's in the middle, and rid of those in the bottom" (Welch, 1980).

Presently, employee development is becoming more focused on enhancing skills and talents and less on finding weaknesses. Nowadays, employees have more chances than ever before to find a suitable place for their unique set of talents. Modern managers believe that the only way forward is to consider generation change and motivation factors as flexibility, including the purpose of the work and other soft values. It has led to a significant change in the types of performance appraisal frameworks adopted worldwide. Baker (2013) stated: "The traditional performance review system originated from the military, and whilst it may have served its purpose, it is now time to throw it out and find a better alternative."

Baker (2013) researched 1200 managers and HR professionals across all industries and clearly demonstrated the need for change. "Appraisals are a costly exercise. Appraisals can be destructive. Appraisals are often a monologue rather than a dialogue. The formality of the appraisal stifles discussion. Appraisals are too infrequent. Appraisals are an exercise in form-filling. Appraisals are rarely followed up. Most people find appraisals stressful." (Baker 2013, p.28)

This Thesis focuses on the organizational performance appraisal change and the adaptation of the growth type of performance development and evaluation framework for the case company. This framework is based on coaching, personal development and wellbeing review. It is tightly linked with the customer value, actual work goals and concrete customer demands. The Thesis concentrates on the part of a process transfer that shifts the organizational performance appraisal system from the traditional line-based process to a more dynamic delivery-based approach. Another important part of the approach is empowering the front-line leaders to impact their teams' motivation, growth and wellbeing and business success. The Thesis aims to help the case company and other companies considering the change in that direction.

1.1 Business Context

The case company of this Thesis is a large-sized software company operating globally and located in Nordics, India, Baltic, Central Europe, and China. The company employs around 24 000 experts globally. The company serves thousands of enterprises and public sector customers in more than 90 countries. It is a leading digital services and software company. The company mission is to create a digital advantage for businesses and societies: "Our Nordic values and heritage steer our success" (Case company's website).

The Thesis is implemented for the business unit in Finland with approximately 700 employees, focusing on software maintenance, development, and consulting services across all industries, such as public, manufacturing, healthcare, telecommunications, and others.

1.2 Business Challenge, Objective and Outcome

Employee motivation, performance development, and evaluation are critical factors impacting a company business as its success depends on the workforce and, for now, it is a human being. Due to a generation change, outdated practices, organizational structure, and ways of working, the old performance evaluation process no longer serves the purpose in the case company.

In the year 2021, a new performance appraisal process, "MyGrowth" was introduced to the case company. This process was planned to replace the old ranking-based process

and focus more on the honest conversation between the employee and the supervisor with a pre-agreed set of topics. The new method also should enable the front-line leaders, such as project managers and service managers, to take over the process from the direct line. The case company expects that such change will support more customer-centric employee development with closer cooperation with customers regarding the latest demands and better follow industry and technology trends. Employees are also expected to be much more active in their career development and take much more ownership than was expected before the new process launch.

For successful implementation, the new performance appraisal process requires adaptation and adjustment to reach the intended case company's objectives. Presently, although the process outline is clear, its implementation lags. Transitioning from the line organization to the project organization takes time; not all leaders know how to take such a responsibility, and employees are still adjusting. The new process also requires different skills, and some operational managers must transition to fully accept and adopt the approach. Finally, the process needs improvements: detailing expectations, using correct toolsets, rethinking frequency, and other aspects.

Thus, although the company's direction is clear, the new process needs adaptation and adjustment to better serve its employees and customers and reach the business outcomes.

Accordingly, the thesis Objective is *to adjust and launch a well-working "MyGrowth" discussion process in the target company organization.*

The expected outcome of the Thesis is an adjusted and well-working "MyGrowth" discussion process launched in the target company organization.

1.3 Thesis Outline

The Thesis is limited to the IT project delivery organization, with a Finnish unit of appx. 700 employees and 50 delivery managers, focusing on software maintenance, development, and consulting services. The study is conducted via face-to-face interviews with the supervisors, project managers, human resource department, and the employees selected explicitly from the different industry and technology groups and the cities across Finland. The target is to be as inclusive as possible when choosing the

target groups for the study and the interviews. Also, a questionnaire is delivered to all employees and human resource, talent development and acquisition teams.

2 Method and Material

This Section describes the research approach, research design, and data collection and analysis methods used in this Thesis.

2.1 Research Approach

The research family selected for the Thesis is applied research based on qualitative research methods. Applied research is based on observation, action and measurement, and the researcher participants in them. The data is gathered and analyzed using qualitative data collection methods. The results are aimed at introducing change to the real-life business setting.

This research family typically uses action research and case studies as a research strategy. The action research approach is suitable for analyzing and improving operational excellence. Typically used when people reflect on their work and self-consciously try to enhance practice and performance. Action research concerns change and improvement, and action researchers actively work to make that happen. An action researcher is active in improving and adjusting the practices in cooperation with the case company personnel. Action research is conducted via four steps: planning, acting, evaluating the effort, and planning the next steps accordingly. (Coughlan & Coughlan 2002.) Most typical action research data are divided into hard and soft data. Mixed data can come from operational statistics, financial, marketing, and surveys. On the other hand, soft data is gathered via observation, discussion, and interviews. Action research allows data collection via formal meetings, workshops and interviews, and informal ways such as simple discussion over a cup of coffee.

This study uses the Applied action research approach (in the sense of Kananen 2013) as the researcher is a participant and part of the leadership team of the target unit for the study. The aim of this study is not to change but to make improvements for the better. Also, the researcher aims to introduce this improvement to the better via one round of improvement (unlike multiple rounds in action research). She is an active member of the process. She has practical experience related to the need for operational improvements observed over the years. The study is conducted by analyzing both secondary data (e.g., internal statistical information) and the primary data collected by the researcher (an internal survey and a series of interviews). The thesis outcome is meant to improve the

operations. The researcher involves the key stakeholders to make the improvement for the better via discussions, interviews, as well as a pilot at the end of the research process.

2.2 Research Design

Figure 1 shows the research design of this Thesis.

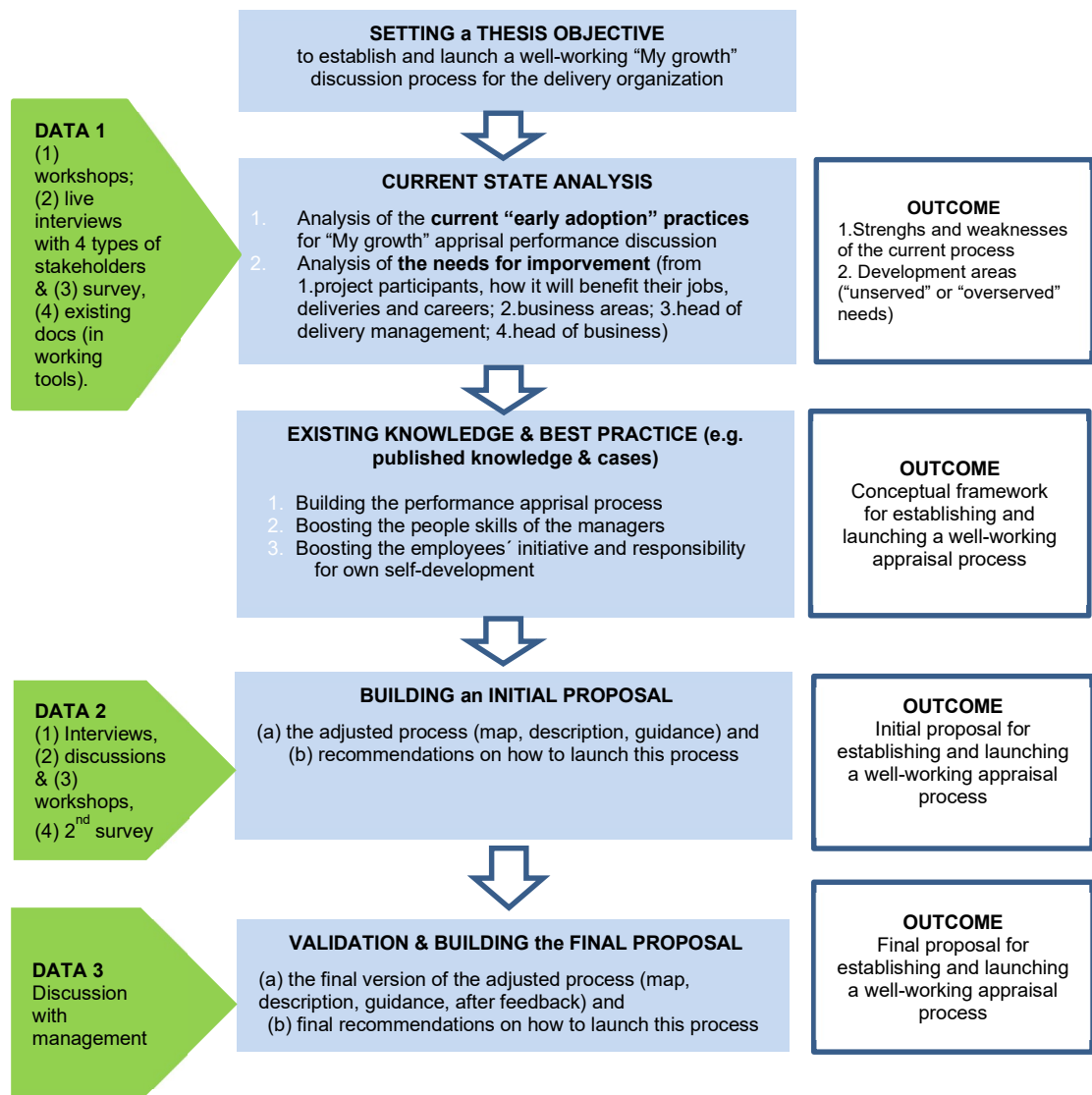


Figure 1. The research design of this Thesis.

As seen in Figure 1, the research design contains several parts, such as setting the objective, performing the current state analysis, reviewing the literature, and best

practices, building and initiating the improvement proposal, validation, and final proposal building.

2.3 Data Collection and Analysis

This study draws from various data sources, and the data was collected in several data collection rounds. Table 1 shows details of Data collections 1-3 used in this study.

Table 1. Details of Data collections 1-3 used in this study.

	Participants / role	Data type	Topic, description	Date, length	Documented as
<i>Data 1, for the Current state analysis (Section 3 or 4)</i>					
1	Respondent 1: Unit Head	Telephone/ Lync meeting	The unit direction and process expectations	Sep 2021, 1 hour	Field notes
2	Respondent 2: HR Head	Telephone/ Lync meeting	The company direction and HR expectations	Sep 2021, 1 hour	Field notes
3	Respondent 3: Line manager	Telephone/ Lync meeting	Interview about the current process related to the respondent experiences and potential improvements	Sep 2021, 1 hour	Field notes
4	Respondent 4: Service delivery manager	Telephone/ Lync meeting	Interview about the current process related to the respondent experiences and potential improvements	Sep 2021, 1 hour	Field notes
5	Respondent 5: Employees	Telephone/ Lync meeting	Interview about the current process related to the respondent experiences and potential improvements	Sep 2021, 1 hour	Field notes
6	Respondent 6: Employees	Telephone/ Lync meeting	Interview about the current process related to the respondent experiences and potential improvements	Oct 2021, 1 hour	Field notes
7	Respondent 7: Employees	Face-to-face Interview	Interview about the current process related to the respondent experiences and potential improvements	Oct 2021, 1 hour	Field notes
8	Informal survey	Online	Interview about the current process related to the respondent experiences and potential improvements	Sep 2021, 15 min	Survey results
<i>Data 2, for Proposal building (Section 5)</i>					

8	2 Group 9	Workshop/ discussion	Proposal building	August 2022, 1 hour	Field notes
	<i>Data 3, from Validation (Section 6)</i>				
9	Interview	Online	Interview related improved process related to the respondent experiences		Field notes

As seen in Table 1, data for this Thesis was collected in three rounds. The first round, collecting Data 1, was conducted for the current state analysis. Different target groups were interviewed to explain the current process and gather the process improvement and adaptation needs. The interview participants include the Head of the unit, the Head of human resources and the employees with different roles. An informal survey has also been conducted for the target organization.

Data 2 was collected in the next round to gather suggestions from the case company/ unit for developing the Proposal. This data included unformal workshop meetings with primary stakeholders.

Data 3 was collected in the third round when validating the initial proposal (piloting/testing). Data 3 included feedback for the proposal from the case company/ unit.

In this study, interviews and surveys were the primary data collection methods. The interviews were semi-structured, phone or virtual, with questions created in advance. The discussions were documented in the field notes and, in some cases, recorded. The questions for seven interviews can be found in Appendix 1. The field note summaries of interviews can be found in Appendix 2. The Summary of the survey results can be found in Appendix 3.

Additionally, the study utilized some existing internal data. Table 2 below lists the data sources of the secondary data and internal documents used in the Thesis.

Table 2. Internal documents used in the current state analysis, Data 1. (Example from Lapin 2014)

	Name of the document	Number of pages/other content	Description
A	Case companies target unit HR statistical information related to "MyGrowth" usage	10 pages	"MyGrowth" process current usage

As seen in Table 2, this study also analyzed internal statistics related to "MyGrowth" usage. The documents were examined in Data collection 1 round, the current state analysis, to understand the maturity of the current process. The textual data was analyzed using Thematic/content analysis.

A significant part of data was collected to understand the current state of the "MyGrowth" process and establish the strengths, weaknesses and development needs via the existing state analyses. The findings from the recent state analysis are discussed in Section 3 below.

3 Current State Analysis of the Case Company's Performance Appraisal Framework and Its Early Practices

This Section discusses and analyses the current state of the case company's newly introduced performance appraisal process as of today and explores the need for improvements. This Section ends with the main findings based on the analyzed data.

3.1 Overview of the Current State Analysis Stage

In this Thesis, the goal of the current state analysis is to understand the current practices in the performance appraisal process as it is executed today and to identify any possible unserved or overserved needs and improvement areas.

The current state analysis was performed in four steps. First, an informal survey was released in the case organization. The survey was designed to understand the current satisfaction with the newly introduced performance appraisal process "MyGrowth" and identify any needs for change, as well as collect possible improvement ideas. The survey was answered by approximately 10% of the respondents.

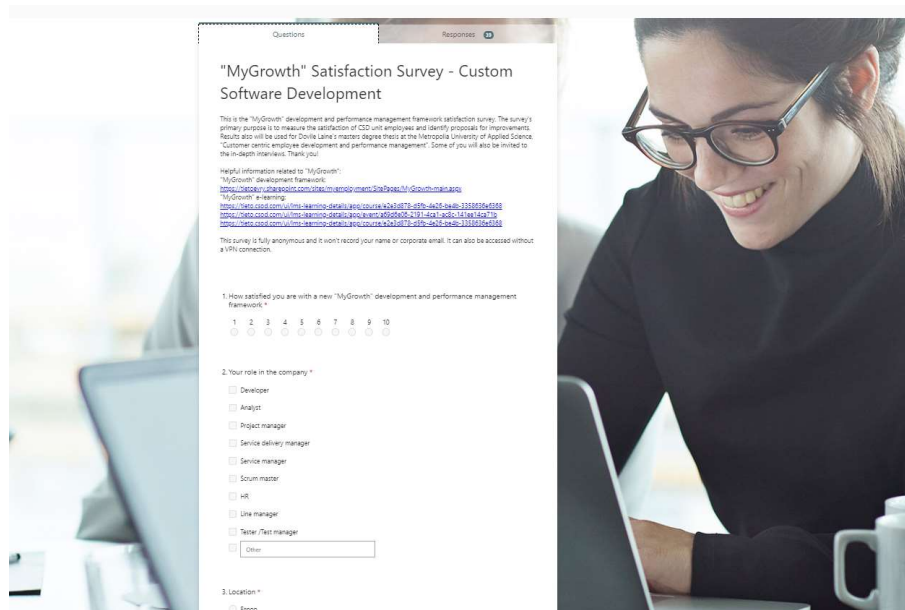


Figure 2. An employee satisfaction survey with the newly introduced performance appraisal process (released in August 2021).

Second, in addition to the survey, the data about the current usage of the new appraisal process, “MyGrowth”, was collected from the HR resource systems and analyzed. Third, in-depth interviews were conducted with the main target groups: line managers, service managers, human resources, and other personnel, to clarify the unserved or overserved needs and improvement areas in the newly introduced performance appraisal process “MyGrowth”.

Finally, based on the results, the analysis ends with the conclusions about (a) *the strengths and weaknesses* of the current practices in the newly introduced performance appraisal process “MyGrowth” and (b) pinpoints *the unserved or overserved needs and improvement areas* in it.

3.2 Description of “MyGrowth” Performance Evaluation and Development Framework and the Newly Introduced Performance Appraisal Process

MyGrowth is a case company development and performance management framework created for driving personal and professional growth of personnel by focusing on dynamic goal setting, continuous feedback, and frequent development conversations. MyGrowth, is an employee-driven growth journey complemented by support from the people manager, project manager and other relevant manager roles close to the daily work. Roles include Scrum masters, Project managers, Service managers, Delivery Executives and Customer Managers, to name a few and all processes overlooked by the people manager. Depending on the department, managers' roles can be very different and can't fit into one commonly described definition. The central common aspect of the people managers' role is direct subordinates. Role worries based on business and size of the units. As to think company CEO also is a people manager.

The following steps are part of the “MyGrowth” framework:

- Dynamic goals review, work goals quarterly reviewed with a focus on relevant targets.
- Employees defined development goals and followed up during the year.
- Continuous feedback collection.

- Frequent development dialogues (check-ins).

Dialogue is carried out every quarter (four times a year) to ensure that support and guidance from the managers are available for the employees.

The process is executed using the primary human resource tool of the case company, Workday. Workday is the tool to keep track of feedback, goals and previous development conversations. Workday is a human resource cloud-based enterprise application covering many human resource processes, including the entire employment process and recruitment, among other employee performance management. Reviews are executed by documenting check-in conversations to the tool using a self-review form. The form contains a general overview of the working situation in the areas such as wellbeing, assignments and tasks overview, roles, and responsibilities, working environment and support, satisfaction & motivation, and worklife balance. Results are visible to the supervisor, employee and human resource specialist.

Figure 3. Workday tool form used for documenting the performance appraisal discussion

In the Workday application, an employee has the flexibility to select the manager needed for that particular check-in. Check-in is the past iteration of the development discussion. Typically, the employee books a check-in discussion, which can take 15 minutes to 30 minutes. Discussion can be very formal or informal, depending on the subject discussed at a given time. The form in the human resource system could be filled out before the conversation or documented after the discussion. It provides flexibility to the employees to make them as comfortable as possible. During the conversation, different topics are discussed; if it is financial or other work-related targets, they are discussed in a more formal setting.

Next, the results of the analysis of the newly introduced performance appraisal process are discussed, based on the survey and interview results, as well as the study of the data from the HR-system.

3.3 Analysis of the Newly Introduced Performance Appraisal Process

This Section describes the results of the current state analysis of the performance appraisal process. All people interviewed were remote working at the moment of the interviews. In addition to the general structure of the interviews, various other topics were discussed in more detail depending on the person interviewed.

Based on the analysis results, the overall satisfaction with the new "MyGrowth" appraisal process on a scale from 1 to 10 fired in the middle at the score of 5, indicating that the process is not yet fully mature, and some parts of the process are unclear or not yet used or understood fully. The adaptation of the new process is still in a very early stage.

This finding was also confirmed by the data received from the HR-systems. Only 25% of the population have used the official process and have had check-in meetings with the Line or Service manager. Only 39% of the population defined their development goals, and 62% had their targeted work goals. Feedback is also essential to the "MyGrowth" process; only 18% of the population currently collects feedback into the HR-systems.

Some parts of the organization have not used the "MyGrowth" system at all yet, while some used unofficial meetings such as "One to One" for the discussion, and some were not even aware that the process had changed. Some have already used a similar process unofficially before, and this is now just a formal confirmation of the direction, supported by HR tooling.

As an essential finding from the analysis, all interview participants stated that the process used in the past was very inflexible. The Line manager was performing discussions only once a year without clearly knowing the employee's work situation; the work goals not always been defined, and feedback was treated as secondhand information. Thus, it indicated that a new, more official process adaptation is needed for the target organization.

Based on this need, a new approach was introduced that included the following changes:

3.3.1 Transfer of the Performance Appraisal Process from the Line organization to the Delivery Organization

One of the essential parts of the new appraisal process is the responsibility transfer from the Line organization to the Delivery organization. Line organization in the technology teams is responsible for competence development, offering development, sales support and other related items. The delivery organization is responsible for contract fulfilment and execution. Delivery management uses daily routines more by combining all sets of needed competencies from technology teams. The service managers and Project managers are the critical persons for the case company employees related to the daily routines and are the best persons to support and measure their performance related to the day-to-day operations and ensure the best customer deliveries and support line organization related to the needed competencies.

The tricky situation related to line managers performing development discussions without understanding people's actual work has been discussed many times. Employees mentioned that only operational managers could evaluate actual conditions related to work performance. It's also been clear that process changes are very much needed to achieve customer objectives and coach the Team forward correct goals. One of the questions in the survey pointed out concretely to this subject. Respondents answers concerning the responsibility transfer have been positive and beneficial. The respondents especially stressed the improvement concerning their work goals:

"Work goals are better considered when discussed with the Service manager ". (Respondent 12)

At the same time, the respondents also see possibilities for improvements:

"Line managers should train Service managers some people leading skills, and Service managers don't have the needed soft skills to support subordinates." (Respondent 10)

Some parts of the organization have already implemented the responsibility transfer, and some are lagging. The process is not entirely in use, and some line managers are currently trying to cover service management roles.

Responded also nicely complemented that customer-centricity is a critical part of employee dialogue. We should never also forget employee wellbeing. We need to make sure that managers performing discussions are also trained to have people managers skills:

"The service manager only talks about issues related to the service...no staff matters." (Respondent 13)

Overall, the responsibility transfer from the Line organization to the Delivery organization has been highly supported by Human resources, Line managers, Service managers, and employees as, according to the interviews, development and work goals get closer to the customer and the daily work, information comes to the employee directly from the person they are working with every day and cooperating closely with customers, as compared with the previous process.

3.3.2 Number-based ranking removed

The number based (OPE) removal was a critical aspect of the new process for both the employees and the managers. It had no positive impact on the person's development and growth. Mostly evaluation in numbers has been seen as a negative aspect. Based on an in-depth interview with Respondent 1:

"Once a year, the ranking based process focused backwards, and most of the population ended up having the average <ranking numbers, i.e.> performed as expected. In most cases, it caused more dissatisfaction than satisfaction." (Respondent 14)

The employees never saw value in numeric evaluation, so the change has been seen very positively:

"This is ok, and it was never really working. You may have thought that the year was 5, but then the line manager may think it's 3 without any precise info about how much you have done or how successful your work has been. This turned out very frustrating lately since it didn't matter what you thought because the line manager always put it as 3. So, interest was lost, why this is even considered. No bonuses or

rewards in 8 years anyway, so this didn't seem to matter, regardless how high the Team or customer may have valued your work."
(Respondent 15)

Receiving the average number was rather demotivating since there was no visible connection to the actual work results, and there was no chance to negotiate different evaluations. A similar comment from another respondent:

"Have not noticed this scale / given number would affect anything. Also, sometimes I felt unjustified when I received a lower rate than what I had suggested." (Respondent 16)

Most survey respondents and the overall organization population received number removal as a positive process change. Number ranking gave all more negative feelings than served the primary purpose of improvement.

3.3.3 The shift in mindset towards taking care of own development

One of the most significant changes in the newly introduced performance appraisal process is the shift in perspective. The employees are expected to take ownership of "MyGrowth" discussions and be in the lead position of their career development.

Based on the survey results, the employees are not yet fully ready to lead the development of their career by themselves, even though they see it as the correct direction:

"Line manager should be more active in describing what competencies are needed now and, in the future, what trainings are available etc."
(Respondent 17)

Responses indicate that employees are still mentally stuck in the old performance appraisal process. Process training and adaptation require time and improvements.

3.3.4 Employee's checking in to the meetings with the manager

Based on the results from the HR-system, there is currently only a small number of employees (25%) who took care of checking in to the meeting with the manager in the "MyGrowth" system. It's indicated that the process is currently not fully functioning and needs correction actions and improvements.

3.3.5 Employees taking care of their own development goals

Based on the results from the HR-system, there is currently only a small number of employees (39%) who took care of defining the work goals in the "MyGrowth" system.

"It's good to discuss what are the expectations and goals in the daily day project work. It's good to recognize the long-term development areas and discuss them." (Respondent 11)

Although the general attitude discussing the work goals is very positive, the employees lag in using the "MyGrowth" system.

3.3.6 Employees taking care of giving feedback

Based on the results from the HR-system, there is currently only a small number of employees (18%) who took care of sharing feedback in the "MyGrowth" system. In the past, feedback has been an essential part of the number ranking for the employee. It's disappeared, and employees are not so keen on requesting feedback. Feedback is an integral part of personal growth. Hopefully, the process will kick start as overall adaption will mature enough.

3.3.7 Change in skills of Service managers: Service managers need soft skills for conducting the appraisal process

In-depth interviews and the completed survey indicated that service managers are more focused on business objectives than line managers. Employee performance and general work may be overlooked, fueling attrition or stress-related issues:

"The service manager only talks about issues related to the service...no staff matters." (Respondent 13)

Moving forward with and building the Proposal, Service manager soft skills development needs to be considered. Overall, managers directly or indirectly taking care of employee performance management must be trained to manage more delicate parts. In the larger picture, wellbeing could be a critical sustainability KPI for managerial roles. We often forget we are in the people business and its most important asset, and we need to take good care. The selection process for managerial positions should also be based on technical and soft skills.

3.4 Key Findings from the Current State Analysis: Weaknesses and Strengths

Based on the current state analysis results, the following key findings and areas for development were identified. As the areas for action:

3.4.1 Process steps are unclear, and guidance missing

After analyzing the interviews and the survey results, it became evident that the process is currently unclear, and mixed methods are used. The respondents pointed out that using the process more willingly and freely would require more training for Service managers and employees and more clearly defined "rules" (established practices).

3.4.2 Appraisal principles unclear

Removing the outdated number-based ranking was beneficial based on the interviews and the survey results. At the same time, it was unclear how the bonus system would function without an explicit rating for most employees.

3.4.3 Lack of initiative in taking responsibility for own development

Based on the analysis results, most employees were not yet ready for the change, which was visible in the low number of employees actively participating in the “MyGrowth” system. Based on the results, more training, information sharing, and practice sharing are required to raise responsibility for own development at work.

3.4.4 Generally positive about change

Based on the current state analyses, the new appraisal process was generally seen as a positive and timely change. The employees expressed that the process was getting closer to the actual work and the customers, and they felt comfortable in their performance appraisal discussions. The frequency of the discussions increased, and Service managers had more responsibilities forward the staff in such areas as wellbeing, setting up the goals and following them up, and providing timely feedback:

"The target for the process is good, but something is missing in the implementation, e.g. no expected outcome". (Respondent 2)

However, the process was not yet fully implanted into daily routines and understood. Significant support in the process of adaptation is needed. But generally, it was evaluated as a positive change and supported by most of the target population.

3.4.5 Selected Focus Areas

Based on the results from the current state analysis, the following focus areas as the areas making the largest impact were selected for improvement in this Thesis:

1. Process steps are unclear, and the process guidance is missing
2. There is a need to boost the service managers' soft (people) skills
3. There is also a need to enable the employee's self-direction

Next, Section 4 will discuss available knowledge and best practice concerning the performance appraisal process, primarily focusing on finding improvement and

development ideas concerning the three selected focus areas. The identified suggestions and best practices will be used later during the Proposal building in Section 5.

4 Existing Knowledge and Best Practice on Building a Performance Approval Process

This Section discusses existing knowledge related to selected focus areas of the Thesis, such as (1) the process steps and process improvement related actions, (2) people skills of service and project managers, (3) well as employee motivation and self-direction factors based on well-known and acknowledged literature sources. This Section will review available knowledge and best practice to enrich the understanding of process development, employee motivation, and soft skills needed for project and service managers.

4.1 Building the Performance Appraisal Process

According to Kline (2009), “Performance appraisal is a topic that is of both theoretical interest and practical importance. As such, it is one of the most researched topics in industrial and organizational psychology. Several measurement issues are central to performance appraisal, including: (a) *how performance has been measured*, (b) *how to improve performance appraisal ratings*, (c) *what is meant by performance*, and (d) *how the quality of ratings has been defined*.” (Kline 2009, page 198)

Various authors define performance appraisal differently, and the definition varies. According to Aayat (2022), a *performance appraisal* is a regular performance review of an employee's job and overall contribution to a company. Performance evaluation forms and ways may vary based on the industry, company size and implemented process maturity. Other authors define it differently; for example, according to Gomej-Mejia (2007), “Performance Appraisal involves the identification, measurement and management of human performance in organization.” Slabbert and Swanepoel (2010) believe that “Performance appraisal is a formal and systematic process by means of which the relevant strengths and weaknesses of the employees are identified, measured, recorded and developed.” According to Beach (2004), “Performance appraisal evaluates the performance of an individual with regard to his or her performance on the job and his potential for development systematically.”

According to Whatishumanresource (n.d.), the traditional appraisal process, in most cases, is built of five main steps: (1) *establishing performance standards*, (2) *communicating the standards*, (3) *measuring the actual performance*, comparing actual

performance with expected performance, (4) discussing the results, giving feedback, and (5) taking corrective actions if needed.

The first step is *Establishing performance standards*, or in some sources, referred to as *employee goals*. It defines how an employee will be evaluated in the timeframe and thus clarifies how his/her contribution to the organization, unit, or Team (successful or unsuccessful) will be established. Business practitioners stress that these performance standards should be clear and easy to measure. Measurable key performance indicators are essential for an objective and transparent employee evaluation. (Whatishumanresource, n.d.)

The second step is to *Clearly communicate the standards*. This step is as much important as defining the performance standards. Employees also should have their say, and goals should be a joint agreement between employees and evaluators. Suppose goals or performance indicators are common for all organizations. In that case, they should be clearly explained, and employees should understand their contributing factors. (Whatishumanresource, n.d.)

The third and fourth step is *Measuring and comparing performance with actual results*. It requires careful selection of the appropriate measurement techniques, ensuring that personal bias does not affect the outcome of the process. It is providing support and not interfering with the actual work. (Whatishumanresource, n.d.)

The five-step includes *Discussing the results and giving feedback*. The results should be carefully evaluated, and the feedback should be given to the employee, preferably in a one-on-one setting. It is vital to ensure that positive feedback is given first and followed by constructive one or one that requires improvement. Feedback should always be delivered calmly, constructively, and not judgmental. The main goal of the feedback is to support employees and find how to improve moving forward. Feedback's primary purpose is to motivate employees to perform better, so feedback could be the central element of the process and the skill to give constructive feedback and motivate employees is a must for every manager. (Whatishumanresource, n.d.)

According to PMBOK (2017), it is not only essential to have a performance appraisal process in the company, but it is critical to have it implemented in the project/service organization. Developing people is a process of developing team competencies and an

overall team working environment and is only one way to achieve better team performance. By managing the Team correctly, we may expect improved teamwork, enhanced competencies, motivated employees, reduced attrition, and improved overall project performance. In a project-based organization, a performance review should be implemented into the project/service and used during all lifecycles (PMBOK 2017, Chapter 9, Project Resource Management).

Pettersson (n.d.) also confirms that the evaluation of the project also includes performance appraisal of the staff. It is not a separable part of project success as well as project team members' career growth. According to the author's project, performance appraisal takes place during all project phases. Pettersson (n.d.) stresses that project managers must carry out such duties. It also confirms that it is evidence that project performance appraisal is not that successful in many organizations. Sometimes performance process it's confusing, but it's also other reasons, such as:

1. "The performance evaluation is left only to the Project Manager who lacks skills in evaluation,
2. The evaluation may be carried out by the team member's direct supervisor, who had nothing to do with the project,
3. Projects are only measured on scope, costs, times and deliverables, and there is no focus on the Team's performance." (Pettersson n.d.)

Pettersson (n.d) describes that individual performance is essential and directs us forward to the project team performance reviews. However, all team performance is evaluated, not necessarily by the project manager but by a human resource professional. During Team performance, overall teams project goals and the contribution of individual team members are discussed to better understand the overall situation. (Pettersson n.d., chapter 9, page 279.)

Pettersson (n.d) also summarizes, "Although there are many approaches to performance reviews, the important things to remember are to involve the person in the process from setting goals before the project begins, monitoring the team member's success frequently throughout the project, and ask the team members for input on their perspective of the success of the project. This all leads to higher satisfaction, shows support and care for the team members, and establishes rewards for a project well done" (Pettersson n.d., chapter 9, page 279.)

According to Empxtrack (n.d.), 90% of managers believe that the performance appraisal process does not correspond to the actual work done by their Team. Success is clearly correlated with organizational structure. As in project-centric organizations, employees move from one project to the other, and employees may have several projects in parallel. Human resources tried multiple methods to address the issue, such as continuous performance management, 360 feedback review, pulse feedback, OKR, balanced scorecards, etc. (Empxtrack.com, n.d.)

Empxtrack (n.d) also suggests: “1) *Empower project manager/team leader* and leave the process very flexible and allow them to add goals and appraisal requirements independently to each project they are managing. 2)” *Implement a flexible workflow*: Let employees or the manager create the evaluation, set up the measurement parameters, and provide comments in an additive manner across the entire project lifecycle, not only for themselves but for other Team members.”3) *Setup Project/Team goals*: Assign goals at the project level and cascade selectively to team members. Track progress and achievements to recognize and reward teams that meet or exceed expectations.”4) *Encourage transparency*: Project team members are permitted to view each other’s goals and encouraged to add notes and comments for everyone, including their Team leader.”5) *Enable multiple evaluations*: Carry out periodic check-ins in a year for each project the employee works on.”6) *Capture Feedback on Project Manager*: Allow team members to give feedback on the project health and their manager and provide suggestions for improvements.”7) *Create Event based evaluations*: Automatic creation of an evaluation whenever the employee exits the project, or the project shuts down.” (Empxtrack, n.d.)

As Baker (2014) states, understanding and formulating the appraisal process correctly to fit the company culture and organization structure is as essential as performing and executing it correctly. Most companies already have one or other way to measure performance. Still, in most cases, it is not bringing the expected outcome or is outdated. (Baker 2013, p.12.)

The performance appraisal process belongs to the “business processes” group. Therefore, standard principles of business process development can also apply here, and it is worth learning from the business process development; for example, Martinson and Blomqvist (2010, p. 8) open up the structure of a typical business process as follows:

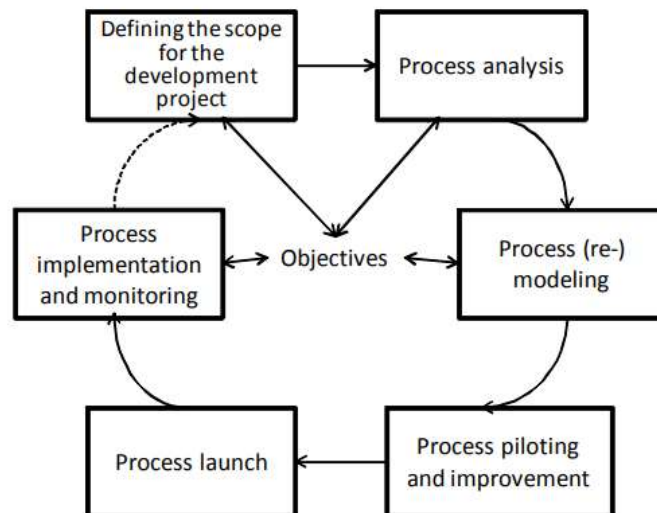


Figure 4. Title of the figure (Process modelling for improved performance, Martinson and Blomqvist, 2010, p.7).

As shown in Figure 3, a typical business process includes: the first step defining the scope of the development project and later analyzing the process, modelling the process, piloting, and launching. Continued improvement plays a vital role in the process. The method may need to be remodelled, relaunched, or entirely retired. The authors also repeatedly stressed the idea that development should include revising the basics of business process development. (Martinson and Blomqvist, 2010, p. 8) Process modelling for improved performance.

Summing up, the performance appraisal process is a process like any other. It could be understood, correctly adapted, implemented, and continuously improved. It is also essential to understand the process and remove factors that negatively affect the outcome of the process. To create or improve the process, we need to map it holistically or use process mapping by identifying value-adding activities within the process. The development could require measuring the processes and possibly be changed entirely or improved once and later measured as a continuous improvement process. Besides describing the chain of activities, process modelling and development also include the analyses and identification of primary resources and responsibilities of allocating resources to activities in the process.

4.2 Boosting the Service/Project Manager's Soft (People) Skills

“The soft stuff is always harder than the hard stuff,” says Roger Enrico, former Chairman and CEO of PepsiCo (Roger Enrico Quotes, n.d.). Lewis (2012) states that the most successful teams master interpersonal skills, which are essential for managing projects and people. In most cases, learning soft skills makes the most significant difference in retaining and growing business, keeping talents, and successfully delivering projects. Soft skills are primarily described as behavioural competencies. In some sources, they also might be named as interpersonal or people skills. Soft skill includes such abilities: as communication, conflict resolution and negotiations, personal effectiveness, problem-solving, strategic thinking, team building, and influencing skills, just to name a few. (Lewis, 2012.)

Lewis (2012) also describes, “as Soft skills are sometimes associated with the idea of emotional intelligence quotient (EQ), or the ability to identify, assess, and control the emotions of oneself, of others, and of groups” (Emotional Intelligence, n.d.). Evidence soft skills are not that easy to identify. Anyhow, all of us can feel that project managers with high EQ are highly valued by stakeholders once someone is mastering soft skills”. (Lewis, 2012.)

According to PMBOK (2017), the central components and tools or technics are general management skills that are prerequisites for developing the Team, essentially containing so-called “*Soft skills*”. Project managers should master such soft skills as empathy, influence, creativity, facilitation, training, and team performance management. (PMBOK, 2017, p.213.)

Developing a team is one of the critical concepts in PMBOK (2004) Chapter 9, „Project Human Resource Management “. Project managers have a responsibility and duty to take care of project team competencies and overall team performance to deliver the project successfully, and one of the key performance indicators of a successful project is team satisfaction (PMBOK 2017, p.212)

According to PMBOK (2017), a motivated team plays a central role in successful service and project delivery, but how do we achieve it. Let us start by defining that people and equipment are all named as resources in project management books. Still, managing such resources and people is a significant difference. “*Manage team*” vs “*Control*

Resources” it is two very different processes, although both deal with the term “*Resources*”. To manage the Team and have successful project deliveries, the project manager must master a different skill set, including “*Soft skills*”. Also, the project manager's skill is the ability to lead the forward team success by developing the Team and improving team performance during all project lifecycle (PMBOK 2017, p.2001).

PMBOK (2004) precisely lists essential interpersonal skills for project managers. It includes the following: 1) *Leadership*, 2) *Team Building*, 3) *Motivation*,4) *Influencing*, 5) *Communication*,6) *Decision Making*,7) *Political and Cultural Awareness*, 8) *Negotiation*,9) *Trust building*,10) *Conflict management*,11) *Coaching*. (PMBOK 2017)

Fichtner (n.d.) opens each soft skill nicely in the article “*The Project Manager’s Essential Interpersonal Skills.*”

1) *Leadership* is one of the most essential skills a good project manager must possess. Project leadership is leading the project team in the correct direction forward to a joint project objective. (Fichtner n.d.)

2) *Team building* is another essential skill for a good project manager. Naturally, the project involves a group from various parts of the organization. In most cases, at the beginning of the project, people did not have the opportunity to work together. If the project manager cannot build the Team and turn these individuals into a team focused on the same goal, the project may not reach its objectives. Therefore, project managers must have the skill and finesse to apply them appropriately. (Fichtner n.d.)

3) *Motivation* is another “*Soft skill*” to ensure the project's success. The project manager should work on developing motivation skills. These skills will help team members stay interested in the project and work toward the common goal and objectives. (Fichtner n.d.)

4) *Communication* skills are fundamental as communication takes 90% of the time for a leader. It may even be considered a primary task for most managers. “Excellent communication skills are vital to improving the relationships among all project team members, establishing trust, and keeping everyone motivated and on schedule. Another essential part of developing good communication skills is learning what information needs to be communicated and who needs to receive the information. Providing too much information or not enough to the interested parties can hamper the project from fulfilling its potential”. (Projectmanagement.com n.d.)

“The role of a project manager is to bring together people from various departments and get everyone to work together toward a common goal. Sometimes it can be challenging to get all these different people to understand and agree on the details of reaching that goal. A good project manager will use her skills to 5) *influence* people and help them reach an agreement”. (Fichtner n.d.)

“There are many skills that a successful project manager must develop and among them is good 6) *decision-making* abilities. There are four basic styles used to reach a decision. Project managers should be familiar with all four because, at some point, decisions will have to be made from each style. The styles are *consultation*, *consensus*, *command*, and *random styles*. Since so many people involved in the project manager may disagree on a decision, having a process to follow can be very helpful in gaining consensus with the group”. (Fichtner n.d.)

“In today’s world, project managers operate in a more globally focused environment than in the past. This makes cultural diversity another essential component of successfully navigating the corporate environment as a project manager. A good project manager must have the skills necessary to recognize and understand 7) *Political and Cultural Awareness* differences as well as the ability to factor them into the project plan. Cultural differences can influence the decision-making process or the speed at which the work is completed. It can also cause members to act without proper planning. Not recognizing cultural differences can result in Conflict and stress within the project, further delaying it. (Fichtner n.d.)

“The nature of the role of a project manager makes it essential for them to have good 8) *Negotiation skills*. There are usually many stakeholders involved in the project, and most projects have team members from different departments. This usually results in several other points of view, which can sometimes make it challenging to keep the project on track and within the original scope. Negotiation skills help a project manager reach an agreement or a compromise on the issue that may be causing a problem or delay. There are many negotiation skills that project managers should be able to use related to negotiation. These include analyzing each situation, being an active listener and clearly communicating throughout the discussion. Identifying the differences between the wants and needs of those involved can be helpful too. Another critical focus is to realize the

difference between people's positions vs the interests and issues directly related to the project". (Fichtner n.d.)

9) "*Trust* is a precious thing to have when you are working on a project. An atmosphere of trust allows for good relationships and communication among team members and stakeholders. A project manager wants to promote a climate of mutual trust. This helps to keep morale up, conflict low and everyone working well together. As a project manager, there are many ways to build trust. The project must be an excellent and open communicator to minimize" misunderstandings and foster among team members. Often, the project manager "may have to set aside" their self-interests for the Team's good. The project manager must model and demonstrate the behaviour it expects of others. (Fichtner n.d.)

10) "*Conflict* is almost inevitable on a project. Project team members and stakeholders may have different opinions, areas of expertise, interests, personalities, work styles, and so on. Add other elements often a given on a project, such as tight deadlines, resource constraints, and communication issues. Conflict is likely to occur. The key is preventing Conflict or its escalation. If you cannot circumvent it, you must know how to control or minimize it when it arises. There are many styles or behaviours that a project manager can choose to adopt when managing conflict: assertive, accommodating, avoiding, or compromising. Some styles work better than others in certain situations." (Fichtner n.d.)

Coaching is one of the most critical skills in project management. 11) "" *Coach*" in the Merriam-Webster dictionary lists: to teach and train (an athlete or performer), to teach, train, and direct (a sports team). Coaching may involve teaching and training or providing them with a way to gain or increase their skills. This might be formal or informal training. You may have to find ways to develop their confidence and motivation. It may require you to increase team building and collaboration." (Fichtner n.d.)

Based on information from PersonalitiesLab(n.d.), improving service/project management people's soft skills would follow the general skills improvement process. The process is described slightly different in different literature sources. Still, the main principle is to identify a person's weaknesses, what's good and what's lacks behind. After *gap identification*, it is essential to *define improvement areas, select proper trainings, seek feedback, and continuously improve*. (PersonalitiesLab n.d.).

Summarizing for successful performance appraisal process implementation needed all soft skills described in (PMBOK, 2017). However, a smart selection of skills can be made.

4.3 Boosting Self-directed employee learning

There is no defined common interpretation of what self-direction exactly means, but on a general understanding, it goes as follows; a person's ability to perform without external guidance & control (Martela and Jarenko, 2017). As believed by Cassidy (2015): "At a reasonable level... self-directed learning gives employees a personal stake in the workplace. The ability to choose their goals and work toward them is a powerful motivator. Think about how motivated we are by hobbies because they interest us and are a task of our choosing." (Cassidy, 2015.)

Boosting an employee's *self-direction*, or, in other words, self-directed learning, is a process that enables the individual employee to take the initiative related to their own learning path. Making correct choices related to learning tasks that fit their needs and goals. (Bigthink, n.d.)

What would be the reasons for moving the organization to self-directed learning culture? The article "3 Reasons Your Organization Needs Self-Directed Learning" (bigthink.com, n.d) describes the main reasons for self-directed learning as 1) *to avoid wasting training time on redundant lessons*, 2) *to allow employees to reinforce their strengths as learners without extensive learner profiling*, 3) *learners can set their own pace* and each path is different. (Bigthink, n.d.)

It is important also to identify the main enablers of self-directed learning culture and how to reach such an objective. According to Murphy (2018), it is five ways to enable employee self-motivation in the organization, such as 1) *rethink motivation*, 2) *set focused goals*, 3) *reward and recognize the progress*, 4) *Create an experience worth returning to*, 5) *Keep the bigger picture in mind*. Murphy (2018), in her article, also describes each enabler in detail.

1) *Rethink motivation*. As we talk about inspiration, we always think about the monetary reward system, and there are other ways to reach the same objective. In the TED Talk "The puzzle of motivation", it is described that instead of building monetary reward

mechanism, we should think about building learning systems and networks that target these motivators and enables employee self-directed learning based on employee actual needs. (Murphy 2018.)

2) *Set focused goals.* Employees need space to think and understand the needs of their competencies and development, and it's not a separatable part of setting the objectives and goals." Setting goals is standard procedure, but it doesn't always encourage us into a self-directed learning habit. Suppose we want people to act on their goals. In that case, we not only need to motivate them to do so but also constantly 'nudge' them into performing the actions they need to to achieve those goals." (Murphy 2018.)

3) *Reward and recognize progress.* Even a reward system should not be only one motivation system. We should not forget it. The reward itself could support people on a self-directed learning journey. "For example, Fitocracy is an app that provides a reward system for anyone struggling to motivate themselves to get fit". "Many other apps have tapped into giving people badges or points to motivate users. It's about making learners *want* to learn and taking ownership of their own progress by making that progress feel satisfying." (Murphy 2018.)

4) *Create an experience worth returning to.* We must provide correct tool sets and support employee self-learning disciplines to engage people in self-learning. "Consistently returning to self-directed learning at a specific time each day, or within a specific context, will encourage people to form a healthy learning habit. Behavioural triggers like mobile notifications and nudges encourage people to keep returning to learning." (Murphy 2018.)

5) *Keep the bigger picture in mind.* "Overall, we need to start seeing the bigger picture of change within people's working lives, offering them the space for meaningful opportunities to learn independently. The learning has to be worth returning to or must be at the moment of need so that we can all form our own personal learning rituals and habits. If you want to step up to this challenge, you can follow some of the methods outlined in this blog. Let's stop designing only one type of learning intervention. Instead, direct yourself towards learning how to champion a self-directed learning culture". (Murphy 2018.)

Employees must be motivated and rewarded to enable a self-learning culture in the organization. Correct tool sets should be in place, and people must be encouraged to set and follow goals. All learning journeys should also be reflected in a larger picture.

Summarizing self-directed learning is a relatively new concept, but were already clearly proved that bringing many benefits to the adopted organizations.

4.4 Conceptual Framework of This Thesis

Based on the available literature and identified best practices, the successful performance appraisal process improvement is grounded in the mastering of “Soft skills” by project and service managers, the employee self-motivation, and the clear structure of the appraisal process steps, which make the key elements and thus create the conceptual framework of the Thesis. Having a straightforward process focused on customer needs and project and service managers with solid people management skills should be coupled with the employees’ self-motivation and self-direction. This combination makes a *customer-centric employee development framework*. This combination leads to a successful appraisal, lower employee attrition rates, a more skilled workforce, more successful projects, and happier customers and employees.

Figure 5 below shows the conceptual framework elements, which also serve as the primary guidance for developing a more successful appraisal process (in Section 5, following).

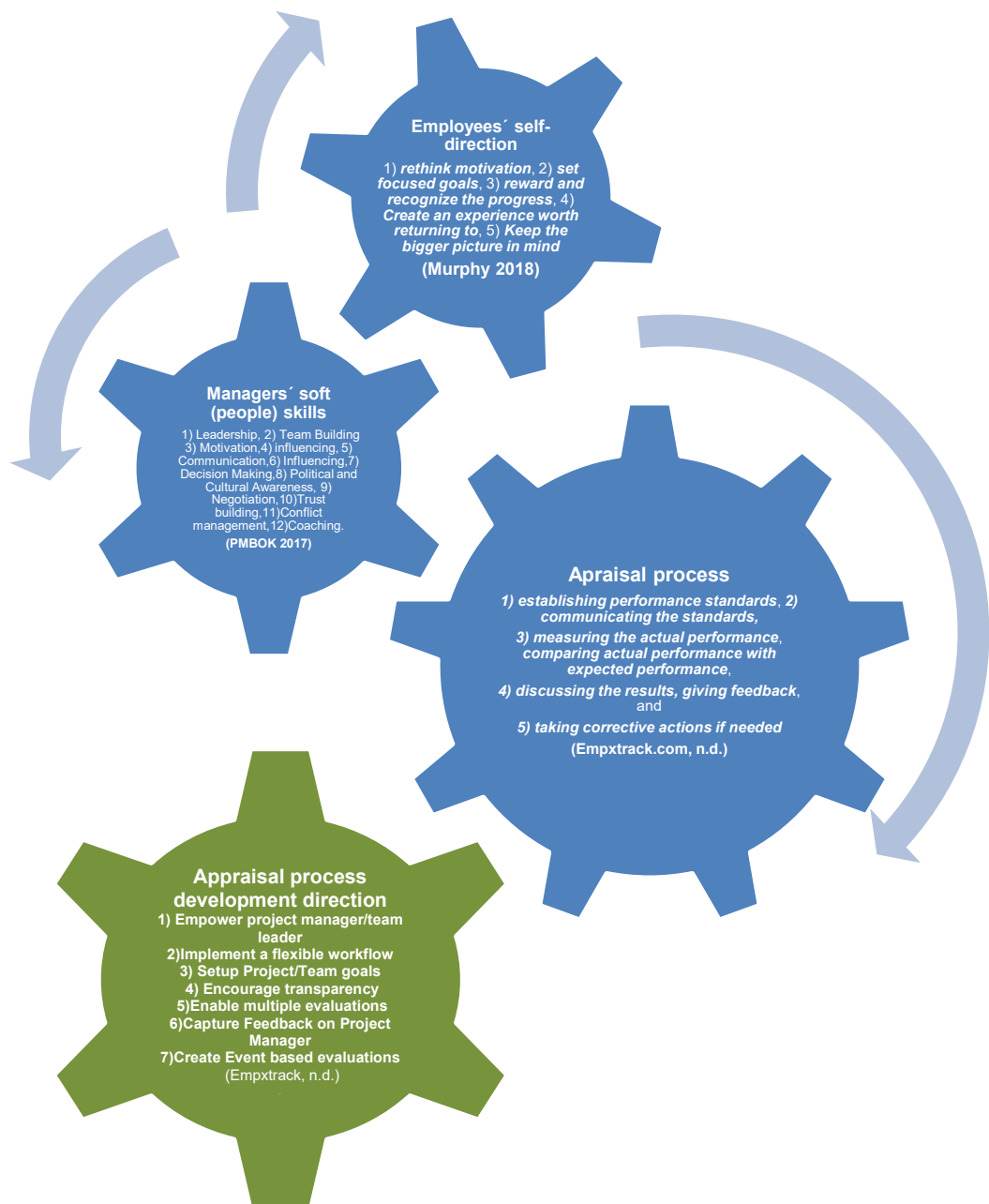


Figure 5. Conceptual framework of this Thesis.

Figure 5 describes the conceptual framework of this thesis that consists of the following key elements: 1) *employee self-directed learning*, 2) *the soft skills of the managers*, 3) *the appraisal process*, and 4) *the appraisal process development direction*. All four parts work closely together and are dependent on each other.

First, the employees' *self-directed learning* is one of the keys to successful appraisal process implementation. The fourth wheel presents the main steps to achieve such an objective 1) rethink motivation, 2) set focused goals, 3) reward and recognize the progress, 4) Create an experience worth returning to, and 5) Keep the bigger picture in mind. (Murphy, 2018.)

Second, the "*Soft skills*" to execute the process are central to all skills needed for successful implementation. Still, some are more important for the appraisal process. 1) Leadership, 2) Team Building, 3) Motivation, 4) influencing, 5) Communication, 6) Influencing, 7) Decision Making, 8) Political and Cultural Awareness, 9) Negotiation, 10) Trust building, 11) Conflict management, and 12) Coaching. (PMBOK, 2017)

Third, the appraisal process has a structure like any business process. There are also several other elements which are central to the performance appraisal process, including *(a) how performance has been measured, (b) how to improve performance appraisal ratings, (c) what is meant by performance, and (d) how the quality of ratings has been defined.*" (Kline 2009, page 198)

Finally, the appraisal process should have a clear development direction. The *Appraisal process development direction* wheel describes the future and development vision for the performance appraisal. As the process maturity level increases, the process must move even more to the customer-centric approach, with the main steps how to achieve such as 1) Empowering the project manager/team leader, 2) Implementing a flexible workflow, 3) Setup Project/Team goals, 4) Encourage transparency, 5) Enable multiple evaluations, 6) Capture Feedback on Project Manager, 7) Create Event based evaluations. (Empxtrack, n.d.)

The conceptual framework consists of four main elements for a successful appraisal process, as concluded based on available literature and identified best practices.

Next, the proposed solutions and findings are described in more detail in Section 5, as the thesis researcher sees them applied in the context of the case organization.

5 Building Proposal for Improved Performance Appraisal Process for the Case Company

This section merges the results of the current state analysis and the conceptual framework for building the Proposal using Data 2.

5.1 Overview of the Proposal Building Stage

The Proposal for the study was built by performing the current state analysis, understanding weaknesses, analyzing what literature has about the subject, and collecting data from sources. Best practices were found in the literature and from interviews and discussions. Suggestions based on experiences came from the interviewees and the author's personal reflections.

First, the stakeholders revised the CSA results in a workshop. Second, they revised suggestions from the literature in the same workshop. Third, they conducted the development discussion in the workshop and separately several interviews with the key stakeholders. Finally, the Proposal (4 elements) were pulled together based on co-creation with the stakeholders.

5.2 Data 2 Collection (key inputs from the stakeholders for every key element)

This Section describes the findings after the workshop and multiply discussions with the target organization. Also, it will form the Proposal on how to move forward with an improved performance appraisal process.

As identified from the CSA results (Data 1), the case company is currently using the "MyGrowth" performance appraisal process. The main components of the Performance appraisal process are 1) *goal setting for the employees*, 2) *quarterly check-in meetings to review the objectives* as well as 3) the inbuilt *feedback-giving function*.

1. *Setting goals*: in the process are two types of goals *work goals* and *development goals*. They are in one form, and it's unclear who should set work goals and who is responsible for development goals. The person currently setting up their own goals without clear guidance to whom to consult. It's only defined closes

manager, and it could be a line manager, project manager or even a colleague. The process is still very flexible. It's not working as personnel is confused.

2. *Quarterly check-in meetings:* during the meeting employee and closes manager (project manager, line manager, else) review employee wellbeing items, discuss the overall employee situation, check the goals, and review feedback. This process is currently very flexible, and it's unclear who is responsible and with whom to have the check-in meetings. It's also the main reason why check-ins are not happening or happening very rarely. A person can have to check once again with the closest manager, which is unclear who he is. Sometimes project manager does not feel he is the immediate manager and discusses development goals or employee wellbeing as it may not be seen as part of the project manager's responsibilities.
3. *Feedback function:* Feedback can be given by an employee or requested by the employee. This process is essential for employee overall evaluation and self-development. The feedback process works well and can be project feedback or general yearly review feedback reviewed by the employee, project manager and the manager.
4. *Yearly overall evaluation:* Employee evaluation it's carried on by the closest manager; it is also unclear who is responsible. Based on an employee survey in October 2021, it is unclear who will evaluate employees and who will be accountable for making the decision, monetary reward, promotion, and other fundamental aspects.

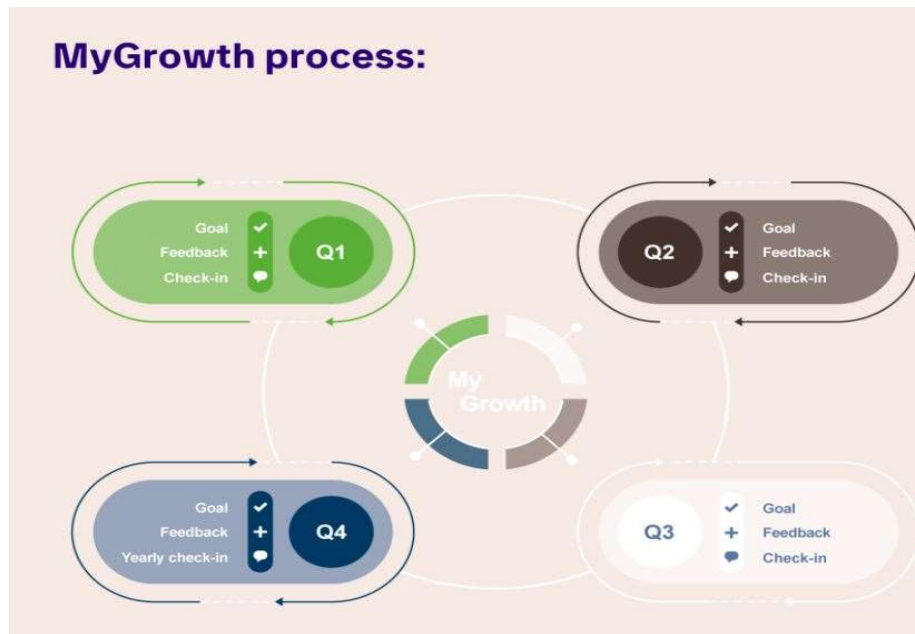


Figure 5. “MyGrowth” process 2022, August.

The current performance appraisal process follows these primary principals when conducting the process and as instruction to the whole company:

Dynamic goals – Review and update your work goals quarterly to focus on relevant targets. Give yourself development goals and follow your progress at least at the end of the year.

Continuous feedback – Collect feedback quarterly to fuel learning & development and celebrate success.

Frequent development dialogues (check-ins) – Have a development dialogue every quarter (4 times a year) to ensure that you get support and guidance from the manager(s) closest to your daily work.

Workday as your tool – Use Workday to keep track of your feedback, goals and previous development conversations

In summary, based on these results from the CSA and combined with the development suggestions how to improve it (Data 2), it was decided with the key stakeholders that enhancing the Performance appraisal process can be done through a shift to a process-

oriented approach, implementation of a new single strategy, radical reengineering of existing processes, or implementing improvements of varying scales into current processes.

Table 3 below summarises the key stakeholders' input on how the current performance appraisal process can be improved.

Table 3. Key stakeholders' suggestions (findings of Data 2) for Proposal building concerning results from the CSA (Data 1) and the Conceptual framework.

	<i>Key focus area from CSA (from Data 1)</i>	<i>Input from literature (CF)</i>	<i>Suggestions from stakeholders for the Proposal, Summary (from Data 2)</i>	<i>Description of their suggestion (in detail)</i>
1	Improve the Performance Appraisal process	As the main objective is to empower project managers/service managers to be involved in the performance appraisal process, it is selected as the <i>main improvement area</i> . The literature sources describe the performance appraisal process differently. However, it's suggested to follow such steps for the project/service type of performance appraisal, and it is built on the following steps: Appraisal process: 1) Empower project manager/team leader, 2) Implement a flexible workflow, 3) Setup Project/Team goals, 4) Encourage transparency, 5) Enable multiple evaluations, 6) Capture Feedback on the Project Manager, 7) Create Event based evaluations (empxtrack n.d.)	a) Review the current process and clarify the steps, timelines, and responsibilities. <i>Example:</i> Clarifying project managers' duties, line managers' and employee responsibilities. b) Clearly define process timelines.	The Head of the unit and other interview participants suggested reviewing the process and providing clear instructions on the responsibilities and timelines for each role involved. 1) <i>Clarify goal-setting timeline for service and project type of deliveries</i> 2) <i>Clarify the objective of the project/service appraisal process</i> 3) <i>Clarify employee role in the performance appraisal process</i> 4) <i>Clarify the line manager's role in the performance appraisal process</i> <i>Mainly focus on the performance appraisal process transfer from line organization to project/service organization</i>
2	Boosting the soft (people) skills	Based on PMBOK, the primary soft skills required to project/service managers to perform at their best are as follows: Managers' soft (people) skills:1) Leadership, 2) Team Building, 3) Motivation,4) influencing, 5) Communication,6) Influencing,7) Decision Making,8) Political and Cultural Awareness, 9) Negotiation,10) Trust building,11) Conflict management,12) Coaching. (PMBOK 2017)	a) Revise available current competences of service managers and project managers, provide needed training to improve the skills	As discussed during the interview, the main suggestion is to equip managers with leadership skills. As well as clarify the objectives behind the performance appraisal process in service and project organization. <i>Example:</i> Leadership foundation training, video, or classroom material on performance appraisal in practice.

3	Boosting the self-direction	Based on literature analyses, employee self-direction empowerment builds on the following steps: 1) <i>rethink motivation</i> , 2) <i>set focused goals</i> , 3) <i>reward and recognize the progress</i> , 4) <i>Create an experience worth returning to</i> , and 5) <i>Keep the bigger picture in mind</i> . (Murphy 2018)	<p>a) Creating a learning culture in the organization where each manager would set the learning example.</p> <p>b) Clarify and communicate all available self-learning tools in the organization.</p> <p>c) Reward and recognize the learning achievements of the Team and individuals</p>	<p>The survey and workshop participants stressed the importance of self-directed learning culture. Employees best know the customers' needs and the competencies they need to obtain. The company must provide tools and time and create the best learning experience for the employees.</p> <p><i>Example:</i></p> <ol style="list-style-type: none"> 1) Clearly communicate available self-learning platforms 2) Provide enough time for learning 3) Reward and recognize 4) Motivate employees forward through self-directed learning
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Table 3 above summarizes the input from the key stakeholders on how the current performance appraisal process can be improved. As can be seen from the summary of the stakeholders' inputs:

Based on the key stakeholders' views, the current scenario requires not radical reengineering but implementing improvements extensive and more minor into the current process. The main issues with the current process are that it is left way too flexible, and personnel gets confused. Even though they have formal check-ins as human resource department advice, it does not serve the purpose. People are wondering what they should discuss in these meetings. Frequency is way too often and not required for very stable service type of deliveries. Tools have limitations, such as managers being unable to initiate check-in in the tool, long forms to fill in corresponding values repeated each time and other irrelevant information. The role of the project/service manager in the process is very unclear, and no suitable training to obtain needed skills is provided. Every organization adopts an approach very differently or a process not in use at all. The stakeholders also think that process is set on *how* to be done, but it is not explained *why* it should be done. Missing explanation of the purpose and objective. The organization's population can't see the value in the current process.

The main suggestions by the key stakeholders for the case organization include: Review the current process and clarify the steps, timelines, and responsibilities. Clearly define process timelines. Revise available existing competencies of service and project managers, and provide needed training to improve the skills. Create a learning culture in the organization where each manager would set the learning example. Clarify and communicate all available self-learning tools in the organization. Reward and recognize the learning achievements of the Team and individuals. Support person executing improvement program.

The following Section will describe the Proposal that was formulated based on these inputs in order to improve the current process and boost service/project managers' soft skills to carry on their responsibilities. As stressed by the key stakeholders, the process requires a lot of employee self-direction. Therefore, a proposal on how to move forward in self-directed learning organization is also proposed. Based on the stakeholders' suggestions, the Proposal is pulled together as follows.

5.3 Element 1: Proposal for the Performance Appraisal Process

The main improvement effort is to clarify the key process elements, namely:

- 1) Clarify *Roles and Responsibilities* related to the prominent roles involved in the process of *employees, project manager/service and line managers*.
- 2) Clarify *the timelines* for *goals settings, quarterly check-ins, yearly check-ins, and Feedback process*.
- 3) Clarify the overall *project/service* performance appraisal process as part of the current “MyGrowth” performance appraisal process.

Below, each part of this improvement effort is further detailed.

First, Table 4 describes the roles and responsibilities of the primary process actors involved in the performance appraisal process.

Table 4. Roles and responsibilities of the primary process actors involved in the Performance appraisal process.

<i>Organizational role</i>	<i>Proposed responsibilities</i>
<i>Project/Service manager</i>	<ol style="list-style-type: none"> 1) responsible for setting up work goals as the project starts or every year for service type of deliveries, following work goals during all project/service lifecycle 2) responsible for check-in meetings, discussing project and service objectives 3) responsible for setting up development goals related long term customer deliveries 4) reliable that the development of the project team taken into consideration during all project duration 5) accountable for ensuring team motivation and wellbeing during all project/service lifecycles.

	<ol style="list-style-type: none"> 6) Cooperating with line managers related to common objectives of employee wellbeing and development. 7) Clearly communicating employee development needs based on customer demands forward, the practice leaders secure needed competence development budgets
Employee	<ol style="list-style-type: none"> 1) responsible for setting up own development goals by consulting with the project/service manager and line manager 2) Collecting timely feedback 3) Setting up check-in meetings in case of need
Line manager	<ol style="list-style-type: none"> 1) Responsible for a yearly review check-in meeting 2) Making sure development goals and objectives available for the employee 3) Following employee wellbeing and appraisal process as overall 4) Cooperating with project/service managers to make the process successful 5) Providing training to employees related performance appraisal process and clarifying the roles involved

Second, Figure 5 clarifies *the timelines for setting goals, quarterly check-ins, yearly check-ins, and feedback*. The proposed timeline for the Process performance appraisal timelines looks like this:

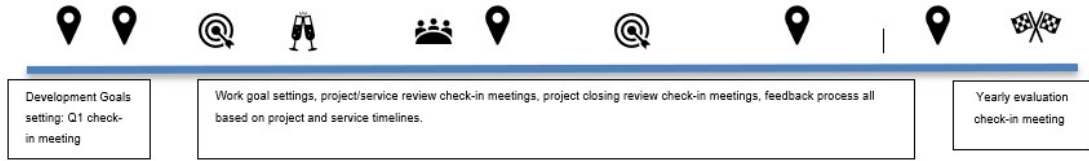


Figure 5. Performance appraisal timeline. Starting in January and ending by December with the final Yearly appraisal discussion.

Third, Figure 6 and Table 5 below clarify the overall *project/service* Performance appraisal process as part of the current “MyGrowth” performance appraisal process.

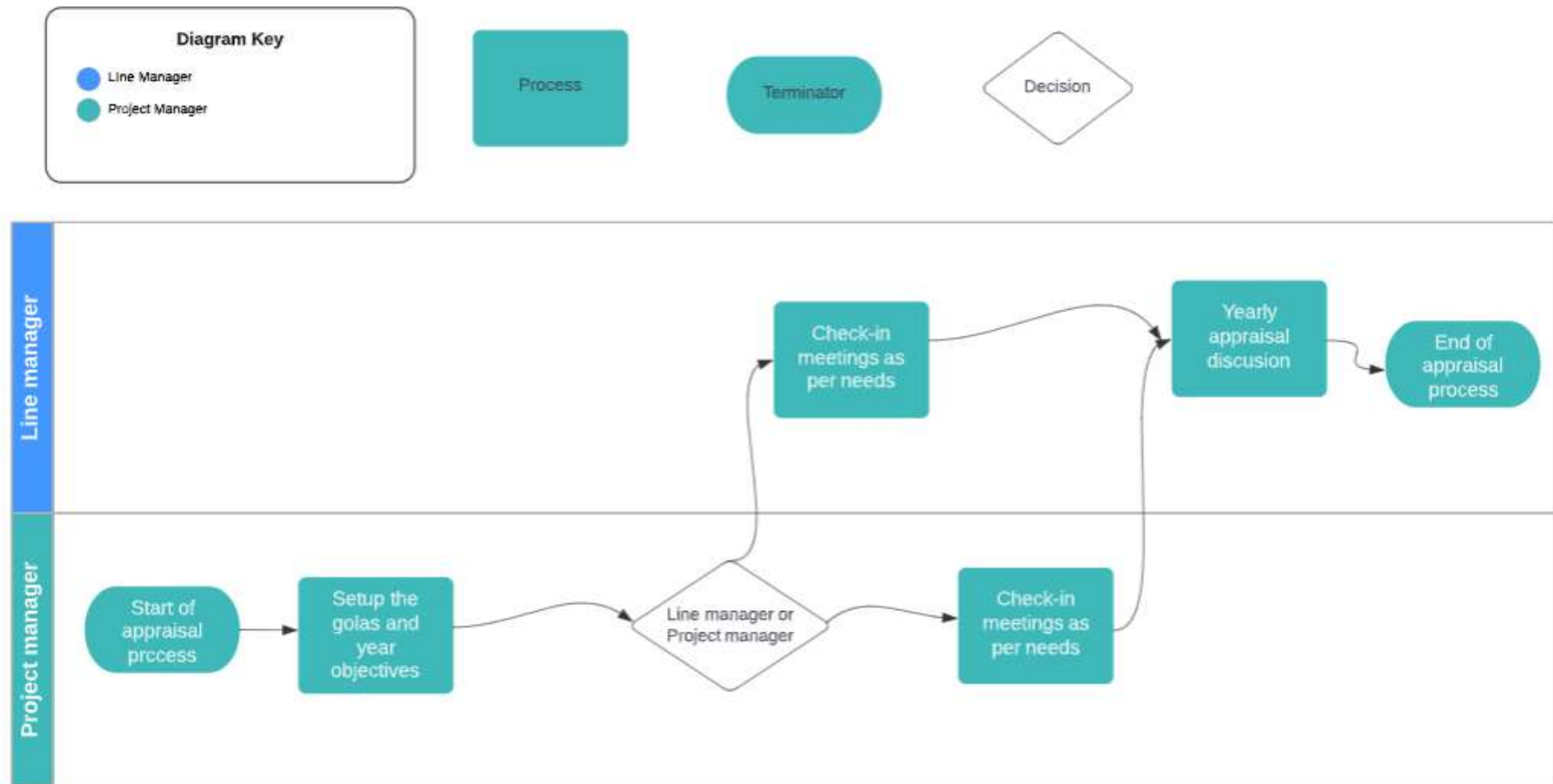


Figure 5. The improved performance appraisal process.

Table 5. Steps in the improved Performance appraisal process and best timing.

<i>Process step</i>	<i>Description</i>	<i>Timeline</i>
<p>STEP 1. Setting up Goals:</p> <p>1) <i>Work goals</i>,</p> <p>2) <i>Development goals</i></p>	<p><i>Work goals</i> - are the goals linked with the project or service organization. They can be projected service key performance indicators or, for example, financial targets and customer satisfaction.</p> <p><i>Development goals</i> – development goals focusing on employee development. Goals should be linked with the role employee perform in the target organization and reflect actual customer demand or future demand.</p>	<p>The best time to set such goals is at the <i>beginning of the year</i>. The service/manager and project manager should cooperate and set up target goals for the employee.</p>
<p>STEP 2. Quarterly check-in meeting</p>	<p>A Check-in meeting is where situation-related employee wellbeing is checked, and targets and objectives are discussed.</p>	<p>Check-in meetings should be mandatory twice a year during goal setup and yearly performance appraisal. All other check-in meetings, formal or informal, can be done based on the employee or manager's demand.</p>
<p>STEP 3. Yearly <i>check-in</i> meeting</p>	<p>A yearly check-in meeting is performed by the person's direct manager. The Check-in meeting is the most important Event of the year as it discusses employee performance, feedback, and project success. This meeting requires preparation from the direct manager as feedback, and quarterly check-in meetings should be carefully reviewed. In some cases, the author would recommend having such a review with the project/service manager.</p>	<p>Yearly performance appraisal</p> <p>It should take during December / February.</p>
<p>STEP 4. Feedback</p>	<p>Employee feedback is any information employees exchange (formally or informally) regarding their performance, skills, or ability to</p>	<p>Any time, but eat at least once a year before the yearly check meeting</p>

	work within a team. Robinson (2018)	
STEP 5. Toolset	Different tools for performance appraisal can be used, such as Workday, Success Factors and others.	As per the case company needs

Based on literature suggestions and multiplied discussions with the stakeholders, the overall recommendation is to keep the process clear and defined.

First, an optimal toolset should be selected for the appraisal process. The toolset should be as light as possible by leaving space for the main objective of the process communication and mutual understanding between employee and manager.

Second, goals play a central role in the appraisal process and should be followed. Development goals must be linked with the ongoing market situations and customer demand to achieve relevant employee development objectives. Employee development should be long time objective. Employee development investment must be planned responsibly by analyzing and understanding the ongoing market situations.

In addition, the project/service Performance appraisal is new in the target organization. It was found during the proposal building discussions (Data 3) and obtained in the survey responses that the project/service managers' "soft skills" need improvement. This is the subject of subsections 5.4.

Finally, the process should still retain flexibility, requiring self-directed employee organization. This is the subject of subsection 5.5.

5.4 Element 2: Boosting the Service/Project Manager's Soft (People) Skills

To improve the case organization managers' soft skills, extensive training in "soft skills" is recommended to perform as mandatory (according to the areas described as a complete list of project/service managers' skills that should be mastered in the project-based organization in order successfully lead the project. For the successful Performance appraisal process, all 12 skills are needed (PMBOK 2012): 1) *Leadership*,

2) *Team Building*, 3) *Motivation*, 4) *Influencing*, 5) *Communication*, 8) *Political and Cultural Awareness*, 9) *Negotiation*, 10) *Trust building*, 11) *Conflict management*, 12) *Coaching*.

Table 6 below explains the main training focus areas required for the target group to implement a successful Performance appraisal process. Selected skills make the most considerable difference and are essential for successful performance appraisal.

Table 6. Main training focus areas required for the target group to implement a successful Performance appraisal process.

<i>Training</i>	<i>Description</i>	<i>Target group</i>
AREA 1. <i>Leadership</i>	The course should cover leadership foundations and behaviour and how to set a direction and purpose for your Team. Project and service managers must be trained to develop a high-performing team.	Project managers, service managers and line managers
AREA 5. <i>Communication</i> , with a concrete focus on <i>How to conduct development discussion</i>	Basics of how to perform performance appraisal process and key concepts.	Project managers, service managers and line managers
AREA 8. <i>Political and Cultural Awareness training and Unconscious bias awareness</i>	Project/service usually has a global setup. Political and cultural awareness is one of the most essential attributes to building trust and success.	Project managers, service managers and line managers, employees
AREA 12. <i>Coaching</i>	Basics in the foundation	Project managers, service managers and line managers

5.5 Element 3: Boosting Self-directed Employee Learning

As it turned out from the interviews, surveys and discussions, the employees still require much support from the organization to define their career path. Still, to achieve customer-centric employee development culture, we need self-directed learning, as only the person knows how and what steps need to be taken to achieve the required competencies.

Table 7. Explaining main actions requires the implemented self-directed learning culture in the organization.

<i>Action</i>	<i>Description</i>	<i>Target group</i>
Creating a learning culture in the organization where each manager would set the example for learning	Communication-related self-directed learning, Success stories and real-time example	All the case company's employees
Introducing Self-learning tools such as e-learning platforms available for employees	Communicate all available e-learning platforms for employees as well as share knowledge and celebrate achievements	All the case company's employees
Rewarding and recognizing	Communicate self-directed achievements, reward and recognize	All the case company's employees

5.6 Element 4: The Performance Appraisal Process: Development Direction

As the most significant improvement, the thesis researcher and the key stakeholders see a move to a more project-centric organization and a more customer oriented performance and development management in the delivery organization.

The table below gives initial ideas for such a scenario.

Table 8. The Performance Appraisal Process: Development Direction ideas.

Action	<i>Description</i>
1) Empower the project manager/team leader	Leave the process very flexible and allow project managers to add goals and appraisal requirements independently to each project they are managing
2) Implement a flexible workflow	Let employees or the manager create the evaluation, set up the measurement parameters, and provide comments in an additive manner across the entire project lifecycle, not only for themselves but for other Team members
3) Enable multiple evaluations	Carry out periodic check-ins in a year for each project the employee works
4) Create Event based evaluations	Automatic creation of an assessment whenever the employee exits the project, or the project shuts down.

6 Validation of the Proposal

This section reports on the results of the validation stage and points to further developments in the initial Proposal. The final proposal and recommendations are presented at the end of this section.

6.1 Overview of the Validation Stage

This section validates the proposed performance appraisal process developed in Section 5. The Initial proposal was validated by piloting the process. The pilot group executed an improved process and provided feedback on the changed items.

6.2 The pilot of the improved performance appraisal process

A pilot was performed with a group of managers and employees at the delivery organization to validate the initial proposal process. The selected pilot group contained four *service managers*, five *project managers*, one *line manager* and around twenty *employees*. It was performed twelve appraisal development discussions during the pilot.

In the initial step, a workshop with selected managers was organized, and a new appraisal process was presented. During the workshop, roles and responsibilities were introduced, the process timeline was presented, and each performance appraisal process was clarified.

Later, soft skills and ‘How to run appraisal process’ were presented. Additional material for self-development is provided.

As a next step, manager check-in with selected managers is performed to setup development goals. Training such as leadership foundation was added as a development goal for future skills development.

Next, the line manager arranged training for unit employees to explain new processes, roles, and responsibilities.

After that, the project managers performed development discussions with selected employees and line managers and ran the pilot as the end of the year development discussions.

Additionally, success stories related to learning were shared, and material related to e-learning was presented to enable self-directed learning. The pilot went well, and all involved parties actively participated.

In the end, the pilot group mainly commented on process parts, including line and project organization responsibilities. All other parts were confirmed as working process items.

Based on the results of the pilot, the following conclusions could be made. The pilot group commented mainly on the process and responsibilities between line managers and service/project managers. Some skills will need to be developed during this time. As one of the crucial Service delivery managers commented in relation to people competence development and well-being follow up:

*“In principle, I agree – but this might be a bit contradictory – is the project manager’s main priority the project (succeeding) or the people? I think these might sometimes collide... safer cooperating with line managers... “
(Respondent 1)*

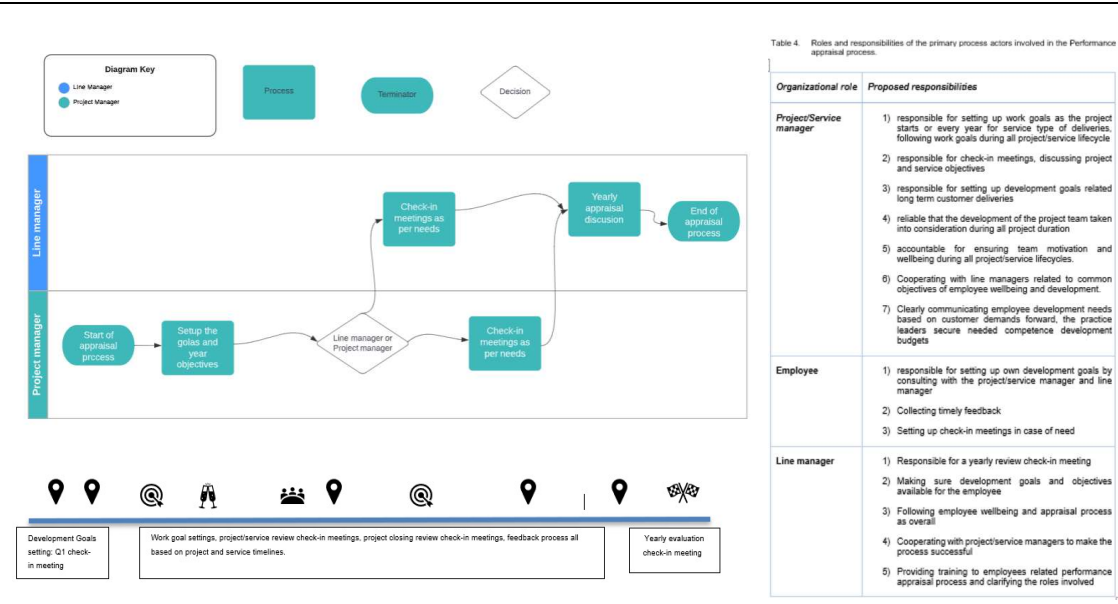
Table 8 below shows the summary of all inputs from the Validation.

Table 9. Expert suggestions for the Initial Proposal.

	<i>Element 1 of the Initial Proposal</i>	<i>Parts commented on in the Validation</i>	<i>Description of the comment/ feedback by experts (in detail)</i>	<i>Development of the Initial Proposal</i>
1	Appraisal process clarification	a) Roles and responsibilities between line manager and service/project manager	More cooperation between these roles proposed	Cooperation related competence development and personnel wellbeing.
		b) Process timeline and clarification	Confirmed.	The process is explained clearly, and all process stakeholders know their own roles and responsibilities
2	Boosting service managers soft skills	a) Leadership trainings	Confirmed	All stakeholders agreed that such training needed
		b) Appraisal process training	Confirmed	All stakeholders agreed that such training needed
3	Employee-self directed learning	a) Commented overall concept	Support from line managers and project managers still needed to clarify mainly the direction related career paths.	Self-directed learning is well supported by all stakeholders; however, managers' guidance will always be needed.

As seen from Table 8, most of the ideas were confirmed without commenting on parts not having a significant difference from the original proposal. Therefore, the Final proposal retains the structure and key elements of the Initial proposal as follows:

Element 1: The Performance Appraisal Process



Element 2: Boosting the Service/Project Manager's Soft (People) Skills

Table 6. Main training focus areas required for the target group to implement a successful Performance appraisal process.

Training	Description	Target group
AREA 1. Leadership	The course should cover leadership foundations and behaviour and how to set a direction and purpose for your Team. Project and service managers must be trained to develop a high-performing team.	Project managers, service managers and line managers
AREA 5. Communication, with a concrete focus on How to conduct development discussion	Basics of how to perform performance appraisal process and key concepts.	Project managers, service managers and line managers
AREA 8. Political and Cultural Awareness training and Unconscious bias awareness	Project/service usually has a global setup. Political and cultural awareness is one of the most essential attributes to building trust and success. Explain why you need the bias	Project managers, service managers and line managers, employees
AREA 12. Coaching	Basics in the foundation	Project managers, service managers and line managers

Element 3: Boosting Self-directed Employee Learning

Table 7. Explaining main actions requires the implemented self-directed learning culture in the organization.

Action	Description	Target group
Creating a learning culture in the organization where each manager would set the example for learning	Communication-related self-directed learning. Success stories and real-time example	All the case company's employees
Introducing Self-learning tools such as e-learning platforms available for employees	Communicate all available e-learning platforms for employees as well as share knowledge and celebrate achievements	All the case company's employees
Rewarding and recognizing	Communicate self-directed achievements, reward and recognize	All the case company's employees

Element 4: The Performance Appraisal Process: Development Direction

Table 8. The Performance Appraisal Process: Development Direction ideas.

Action	Description
1) Empower the project manager/team leader	Leave the process very flexible and allow project managers to add goals and appraisal requirements independently to each project they are managing
2) Implement a flexible workflow	Let employees or the manager create the evaluation, set up the measurement parameters, and provide comments in an additive manner across the entire project lifecycle, not only for themselves but for other Team members
3) Enable multiple evaluations	Carry out periodic check-ins in a year for each project the employee works
4) Create Event based evaluations	Automatic creation of an assessment whenever the employee exits the project, or the project shuts down.

Based on the results of the pilot and the subsequent feedback and discussions, it was recommended:

First, the main improvement idea is that cooperation between all parties involved is necessary. Project and service managers must work seamlessly to have a well-working performance appraisal process.

Second, it was recommended to further improve the overall company “My Growth” process based on these main suggestions. First, the pilot group recommended that to achieve mature process implementation, the delivery organization needs to explain the process and explain and educate the reasons behind the process appraisal needs. Second, the managers recommended initiating a change management group that would take care of improvement items and run and follow process implementation.

7 Conclusion

This section concludes the study with an executive summary, evaluation and closing words, including further development ideas for the future.

7.1 Executive Summary

The purpose of the thesis was to develop the performance appraisal process of the case company to improve and adapt this process to the needs of the case organization. The case company of this Thesis is a large-sized software company operating globally and located in Nordics, India, Baltic, Central Europe, and China. The company employs around 24 000 experts globally. The company serves thousands of enterprises and public sector customers in more than 90 countries. It is a leading digital services and software company whose mission is to create a digital advantage for businesses and societies.

The Thesis was implemented for the business unit in Finland with approximately 700 employees that focus on software maintenance, development, and consulting services across all industries, such as public, manufacturing, healthcare, telecommunications, and others.

The research approach selected for the Thesis is applied action research using qualitative research methods. Applied action research is based on observation, action and measurement, and the researcher participates in them. The data in this study was gathered and analyzed using qualitative data collection methods. The results aimed at introducing change for the better in a real-life business setting.

The theoretical framework of the thesis consisted of the topics such as performance management and building and improving the appraisal process by introducing clearly articulated steps, roles and responsibilities, process timelines, and process actors. The theoretical framework also included the topics related to the appraisal process enablement, such as service and project managers' soft skills, as well as the organizational shift toward self-directed culture.

The thesis outcome is the improved appraisal performance process adapted to the case organisation's needs. It will serve the case company practically as a tool and documented

guidance for conducting development discussions. Still, in a wider sense, it can also contribute by developing professional practice in this business field, especially for resolving challenges similar organisations face in similar contexts.

7.2 Next Steps Towards Implementation

The case company's ambition is to become the best place to work for employees in its sector worldwide. To achieve that, the company should utilize a well-performing performance appraisal process, as employees' motivation, development, and evaluation are critical factors impacting the case company's business and its success. The next steps towards the final mass scale implementation should include the following:

First, to establish a work group for the performance appraisal process monitoring and continuous improvement. These groups should calculate and evaluate the financial benefits behind the progress, get the correct funding for the implementation, and start an extensive mass scale launch program.

Second, to truly improve employee performance, it is not enough to have only general guidance for the company's employees in performance management. Change management agents should be active in all business units. Not only should the proposed performance appraisal improvement be implemented, but wider principles of performance and appraisal should be revised.

Third, the work group for the performance appraisal process should closely follow up on the intermediate results and guide further development.

Summing up, this thesis proposes how to improve the current case company's performance appraisal process. Still, a well-planned improvement and implementation program must be initiated to fully achieve the company's goals in relation to performance.

7.3 Thesis Evaluation

The study was significant for the case company's unit as it helped improve and better understand the primary tool behind employee performance appraisal. The input was also

provided to the global performance appraisal improvement group, and some ideas are already implemented.

The study's objective was *to adjust and launch a well-working "MyGrowth" discussion process in the target company organization*. The expected outcome of the Thesis is an adjusted and well-working "MyGrowth" discussion process launched in the target company organization.

As a result of this study, the process was adjusted and launched for the case company organization and fully piloted for the selected target group. The process implementation for all organizations is an ongoing process. Gaining soft skills and changing the company to a self-directed learning culture taking time and process could fully work for the target organization in only a couple of years as the cycle of complete process execution is one year.

Summing up, these efforts made a difference in many target company's managers. Understanding the performance appraisal process and the foundation for a future company with self-directed learning culture and well-functioning performance appraisal process.

7.4 Closing Words

Employee motivation, performance development, and evaluation are critical factors impacting a company business as its success depends on the workforce and, for now, it is a human being. Due to a generation change, outdated practices, organizational structure, and ways of working, the old performance evaluation process no longer serves the purpose in the case company. This study helped improve the target unit performance appraisal process. It could be a foundation to enhance the overall company appraisal process.

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Appendix 1: "MyGrowth" Satisfaction Survey - Custom Software Development

1. How satisfied are you with a new "MyGrowth" development and performance management framework?
2. Your role in the company?
3. Location?
4. Customer(s) and industry you are currently working for?
5. How big is your current project/service team?
6. How many subordinates your direct line manager has? How many subordinates do you have if you are also a line manager? How many subordinates typically have a line manager if you are an HR person?
7. How satisfied are you with the Project/Service manager/Line manager responsible for the "MyGrowth" discussion?
8. How satisfied are you with the frequency (4 times a year) of my "MyGrowth" discussions?
9. Would it be better for the Project/Service manager to book check-in discussions instead of waiting for your invitation? *
10. How do you see your line manager's role in the process? *
11. Should the Line manager be responsible for the final conversation of the year? *
12. How could the "MyGrowth" process be improved to serve your personal development and customer needs? *
13. How do you like the removal of the OPE rating (scale of 1-5)? *
14. Could you share some positive experiences from the "MyGrowth" process? *

Interview questions (main direction):

15. What is good in my current performance appraisal process?
16. What would improve and how?

Appendix 2: Pilot workshop questions

1. After the clarification, is the performance appraisal clear?
2. Is it clear roles and responsibilities?
3. Is a clear purpose for the performance appraisal process?
4. Do you understand your role in a self-directed organization?
5. Does the proposed training suitable to help you with performance appraisal discussion?
6. Open discussion.