HR Practice Differentiation Drives Organizational Capability

**Common Practice**
- Little range in incentive pay
- Pay takeaway unheard of
- Low performers get about same as average performers
- Bonus pool fixed % across firm
- Base pay strategy same/consistent across positions (e.g., market midpoint)
- Under rewards best performers

**Differentiated Workforce Practices**
- Great range in incentive pay
- Takeaway not unusual
- Low performers get nothing
- Size of bonus pool varies by strategic role of position
- Base pay strategy varies between strategic and non-strategic positions (e.g., Q3 vs. Q1)
- “A” players in “A” positions highly rewarded

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Line Manager’s Responsibility: Compensation
Common Practice
• Little variance in performance ratings
• Highly lenient ratings/few low ratings
• Performance expectations remain the same from year to year
• Little honest feedback, if any
• Ratings based on effort/competencies
• Managers not held accountable for workforce performance
• Considering forced distributions

Differentiated Workforce Practices
• Much variance in performance ratings
• Lower average ratings
• Performance expectations increase annually
• More accurate and honest feedback
• Ratings based on strategic contributions/results
• Managers held accountable for workforce performance
• Using absolute ratings

Line Manager’s Responsibility: Performance

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Line Manager’s Responsibility: Selection

Common Practice
• Little detail on performance expectations used in selection decisions
• Little attention paid to “A” players
• Little attention paid to “C” players
• Little effort to retain employees
  – Turnover only seen as administrative cost
  – Yet few leave, usually best performers
• Managers’ performance evaluations not related to strategic turnover—it’s HR problem
• Overall firm turnover metrics used

Differentiated Workforce Practices
• Much detail on performance expectations in selection decisions
• Considerable attention paid to “A” players
• Systematic focus on exiting “C” players
• Considerable effort to retain “A” players; few leave; strategic talent maximized
• Managers rewarded for retaining “A” players and exiting “C” players
• Turnover measured by strategic positions
Line Manager’s Responsibility: Development

**Common Practice**
- Peanut butter approach—a little for everyone regardless of performance or potential
- Random or ad hoc developmental assignments
- Career management owned by employees
- Competency growth models not likely
- Managers not assessed/rewarded on workforce development

**Differentiated Workforce Practices**
- Investment dollars targeted to “A” players and “B” players with “A” potential
- Focused developmental assignments, especially for “A” positions
- Career management owned by top management for “A” positions
- Competency growth models often used, especially for “A” positions
- Managers are rewarded for developing strategic talent