

HR Practice Differentiation Drives Organizational Capability

Line Manager's Responsibility: Compensation

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

HR Practice Differentiation Drives Organizational Capability

Line Manager's Responsibility: Performance

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

HR Practice Differentiation Drives Organizational Capability

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

HR Practice Differentiation Drives Organizational Capability

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