

CULTURAL COMPETENCE CONFERENCE

Pay for Performance and the Myth of Meritocracy

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The Challenge

Discussion Question:

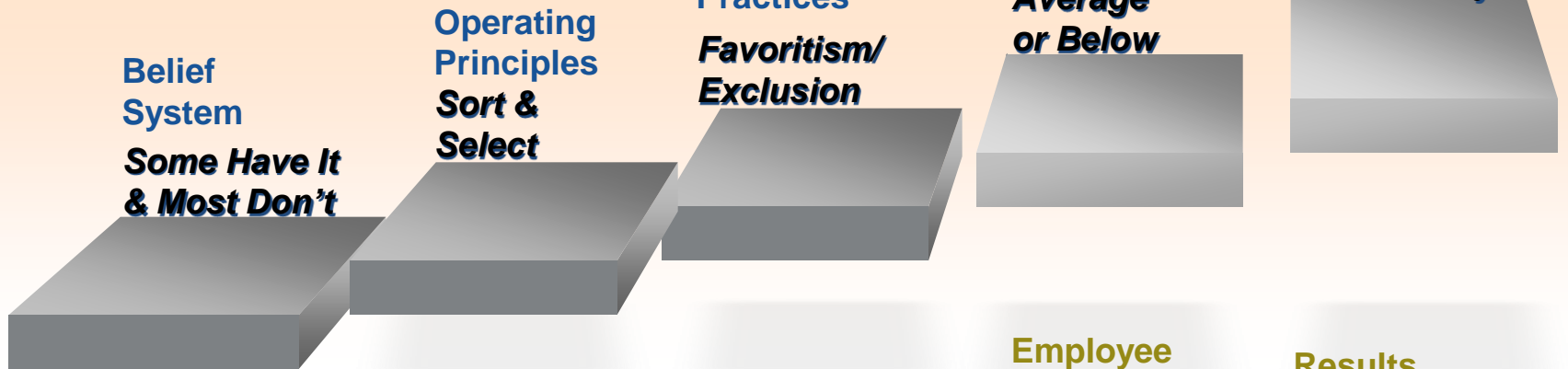
What keywords come to mind when you think about “Pay for Performance”?

- The most critical part of a manager's intention is his or her beliefs about people's learning capacities and potentials.
- There are two very different ways managers can think about learning capacity:
 - **Fixed Capacity**, or
 - **Capacity-Building**
- Our mindset is influenced by the similarities and differences we see between ourselves and others



Two Models of Development

FIXED CAPACITY MINDSET



CAPACITY BUILDING MINDSET



Meritocracy (Wikipedia):

- A system wherein appointments are made and responsibilities assigned to individuals based upon demonstrated intelligence and ability (merit).
- Meritocracy assumes:
 - Some people have extraordinary talent; some (perhaps even most) don't.
 - It is possible to make an accurate assessment of who has this talent and who doesn't.
 - The organization is best served by helping the talented few to succeed.



Go-To People

- Are enthusiastic about taking on new challenges
- Take initiative and are innovative towards solving problems
- Consistently exceed expectations with a focus on business objectives

- Those ranked at the top and those at the bottom get the attention – and forced ranking distributions only add to the problem
- Perception of 70-80% in the middle (esp. women and people of color) is that opportunities and promotions are reserved for those who play the game – special treatment
- In many organizations, the reality is that opportunities are reserved for those ranked at the top
 - What happens to the engagement of the 70-80% in the middle?
 - What patterns tend to develop around who is included in the 20% at the top?
 - In your organization, are there patterns regarding who is viewed as a go-to person?

Discussion Question:

When it comes to “Pay for Performance,” what conclusions can we draw by applying a capacity-building point of view?

- If you want to reward everyone who does good work, you have to give everyone the opportunity to do good work
- In order to justify giving everyone the opportunity to do good work, you have to believe they can develop the capacity to do good work
- In order to believe everyone can develop the capacity to do good work, you have to believe everyone can learn

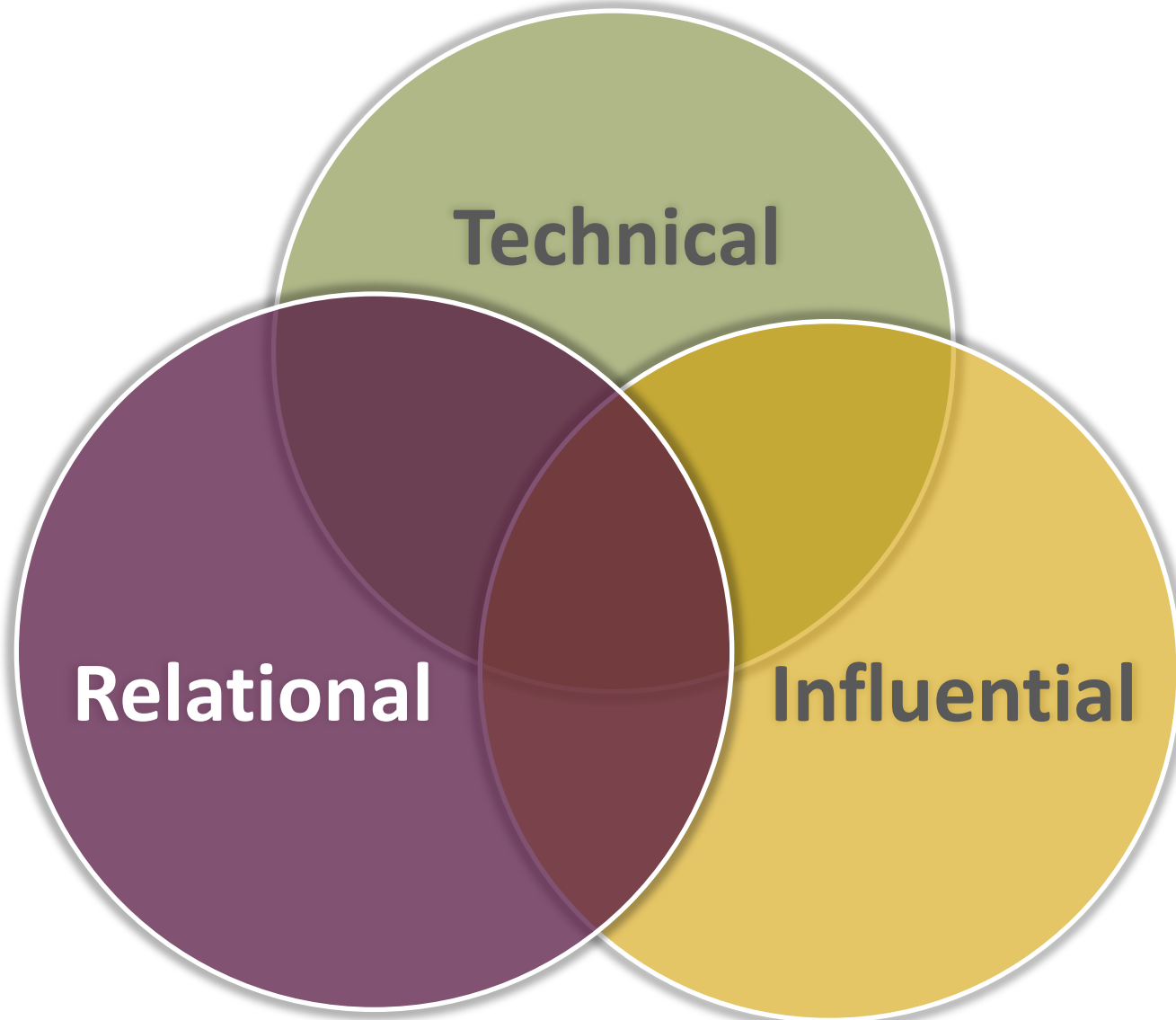


- 1. Set high standards of performance and the expectation of continuous learning for everyone.**
- 2. Provide quality assignments—and the support to accomplish them—for everyone.**
- 3. Provide a steady stream of constructive feedback for everyone.**



the secrets to success

Success





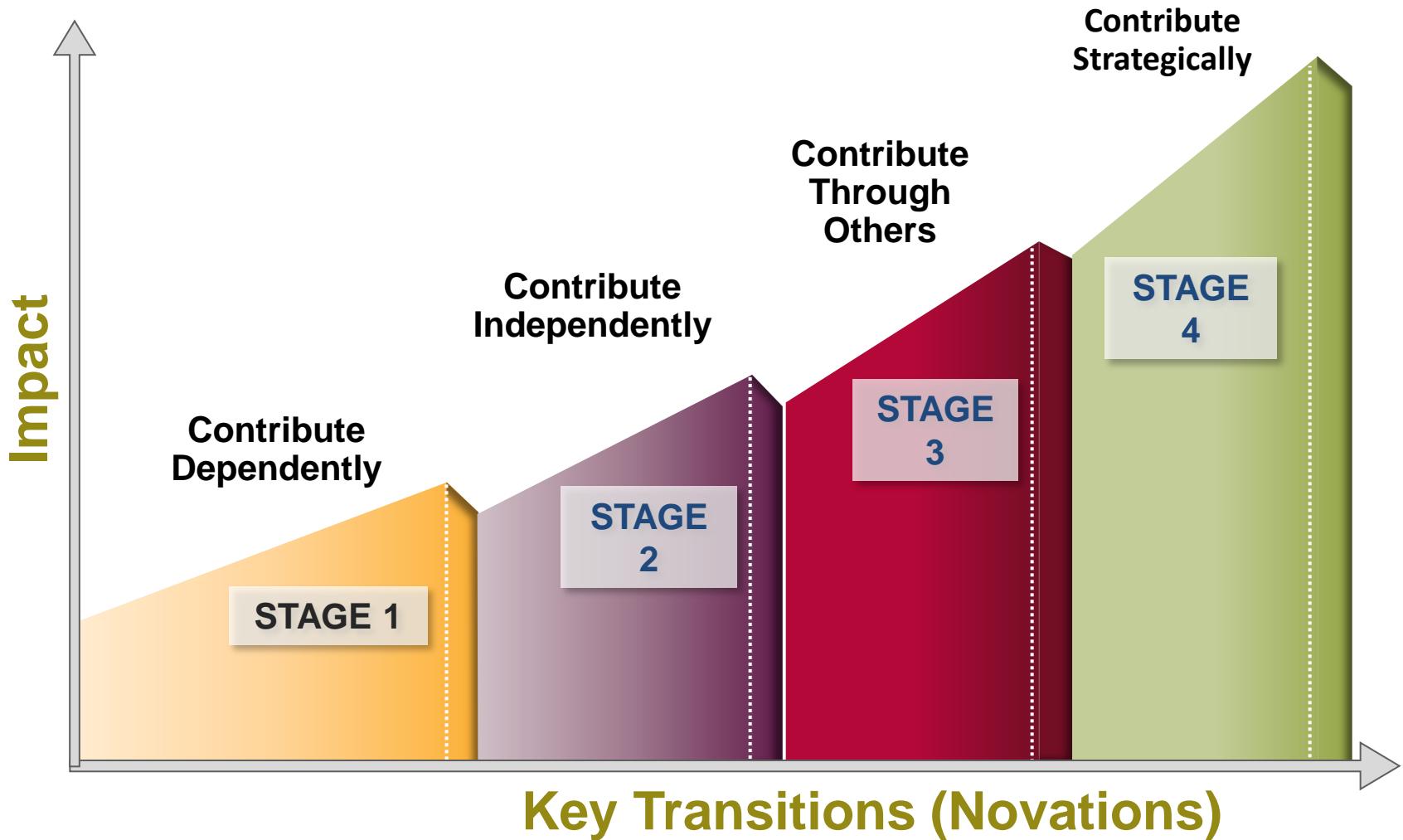
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FOUR STAGES[®] OF CONTRIBUTION

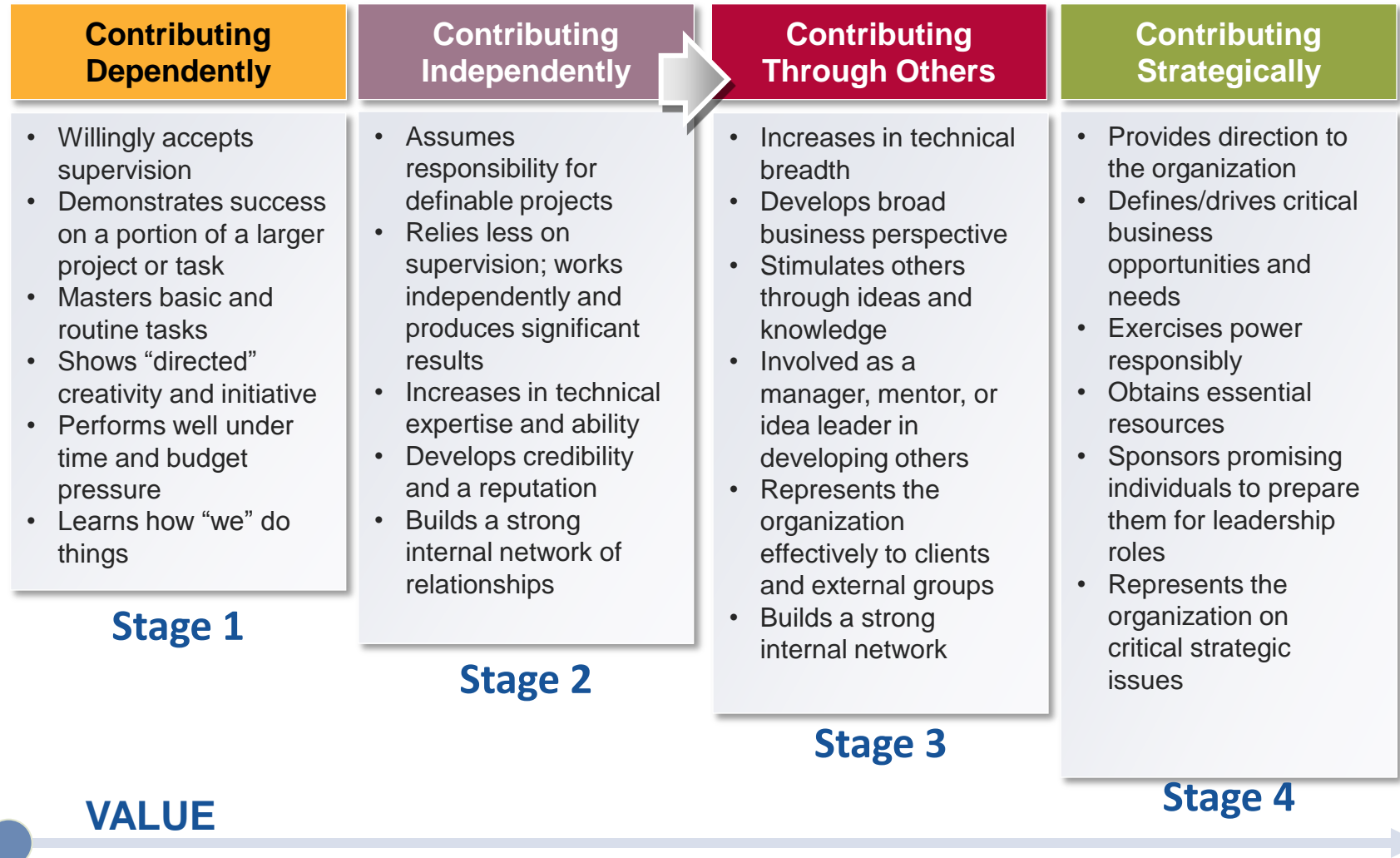
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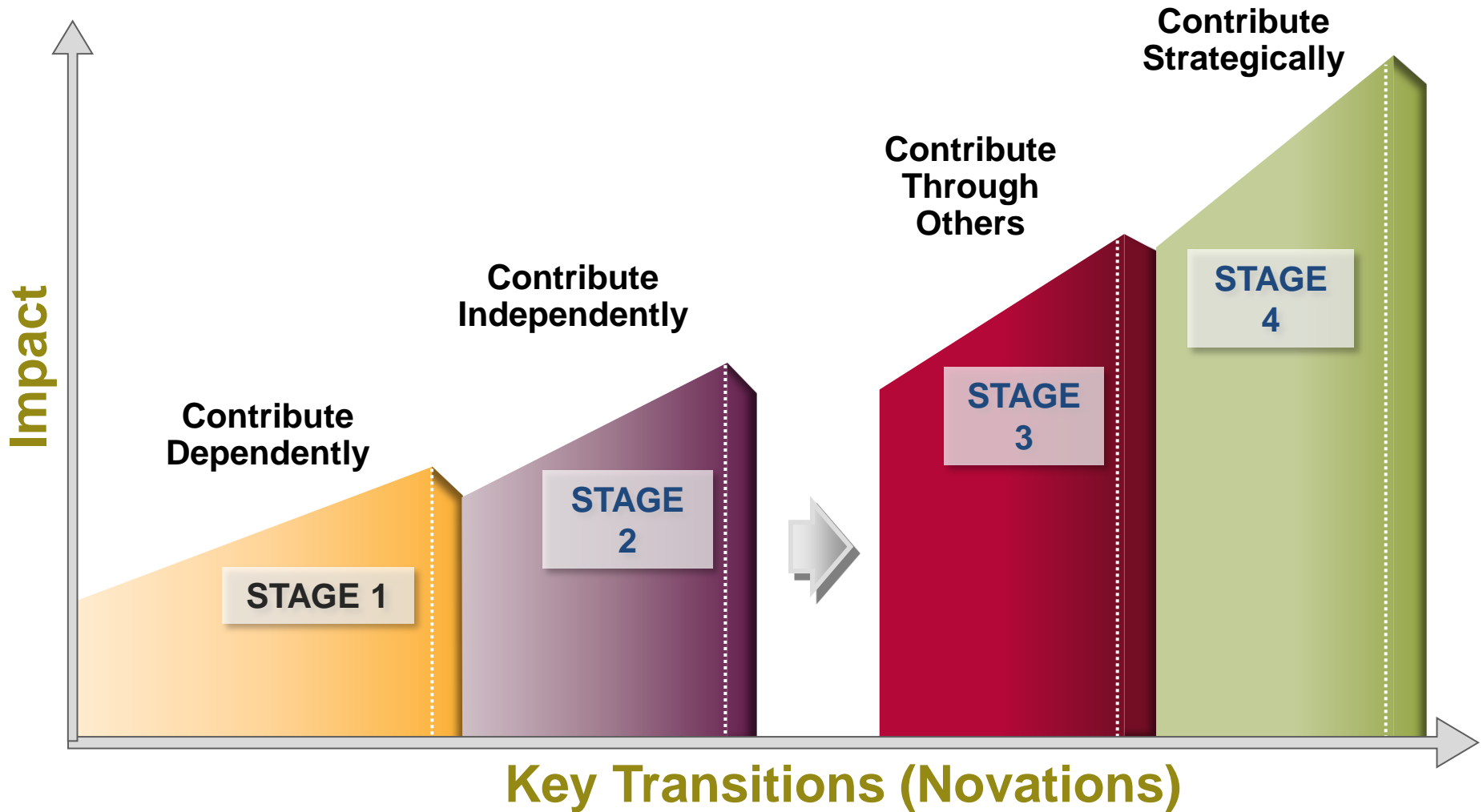


Source. Dalton, Gene W., and Thompson, Paul H. 1993. *Novations: Strategies for Career Management*





Four Stages[®] of Contribution



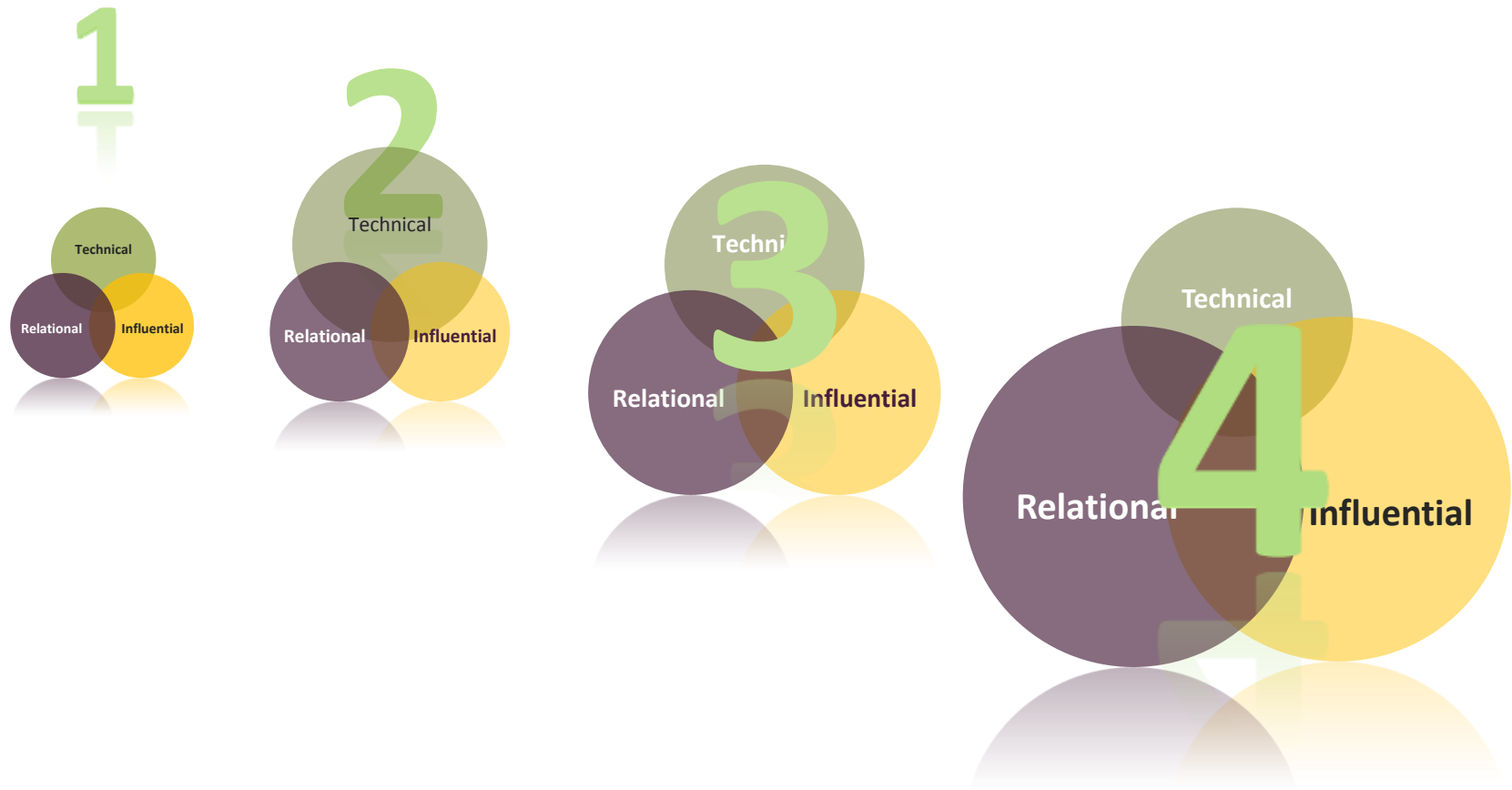


Our Process

- Data collected from 470 managers and 1313 direct reports (1783 people total), during 2007-2009
- 10 organizations participated (primarily U.S.-based) and included Financial Services, Pharmaceuticals, Insurance, and Consumer Goods

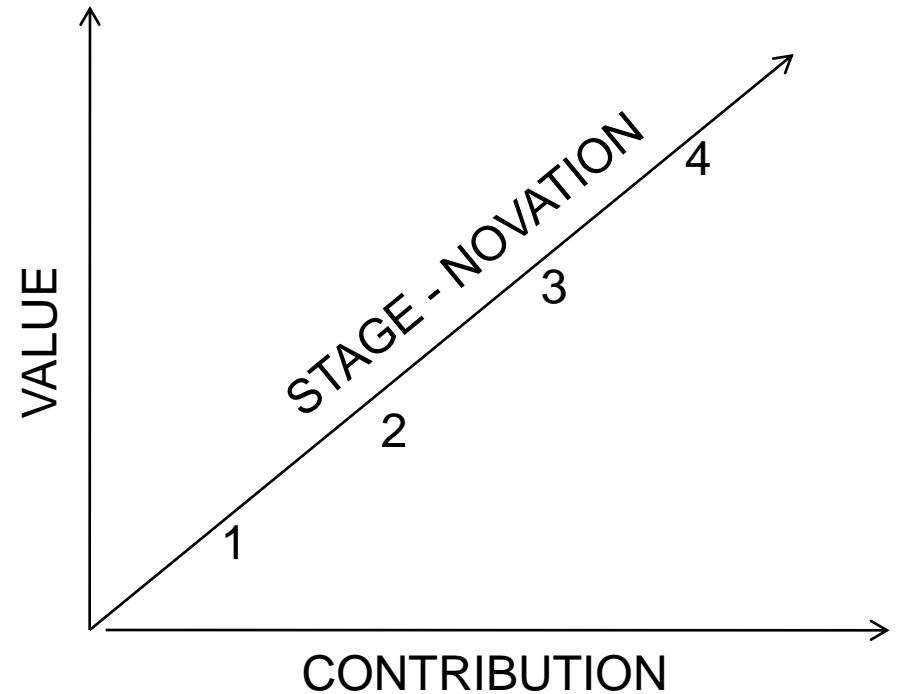
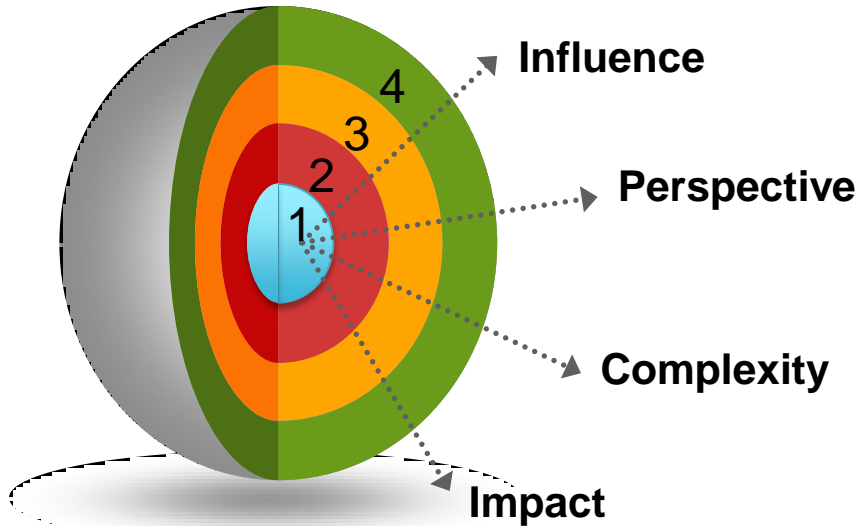


Shift the focus through the stages





Increase Influence & Impact



All employees, regardless of position, can increase their impact and contribution.

Expect *contribution* to grow over time

Recognize and reward influence – formal *and* informal contributing through others

Encourage moderate risk taking

Value improving over proving

Pay for Performance

- Pay people for their value
 - Job-specific goals and targets matter
 - Contributing through others matters, too
- Design pay structures to reinforce the following:
 - Behaviors that align with business strategy
 - The organization's desired culture
- Tie compensation to “expected” level of competency performance (Stage expectation)
 - Organizations must be willing to pay Stage 3 & 4 performers appropriately regardless of title
- Implement a consistent process across organization
 - Individual pay differences are to be expected, based on position and contribution

Developing Organizational Capacity

- Provide a transparent road map for development and advancement
- Insist on clarity of performance and development expectations
 - Regular communication
- Provide high-quality, transparent feedback as the key to continuous improvement
 - Current contribution level
 - Advancement opportunities
- Separate development and compensation discussions



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