Try...Engage HR

HR practices are a major obstacle in numerous large organizations we have worked with. Only a few have succeeded in changing them. But you will never succeed changing HR practices without engaging the HR specialists in your organization.

HR specialists consider it their job to improve the situation of the employees in an organization. They do this according to what they were taught and assumptions they have. You cannot expect them to suddenly change because of "this lean thing." HR, like any other supporting function, needs to be educated in why lean affects their policies. HR should be your partner, not your enemy.

In some organizations, we have invited HR people to participate in Scrum courses and in product groups' agile-adoption workshops so that they could start to appreciate the ideas and changes. This helped them change policies to fit better to self-managing teams. One HR specialist even used Scrum principles to manage HR work.

Try...Ask HR for credible research evidence

Convincing the specialists in the global corporate HR ivory tower might turn out to be futile even when you provide them with experience reports, research, literature, and other evidence. They might have some basic assumptions that are hard to change. Therefore...ask for the evidence upon which they base their practices and assumptions.
And what kind of evidence? Stanford professors Pfeffer and Sutton are two proponents of evidence-based management, which recommends the use of evidence from academically credible empirical research as the foundation for policies and practices. They especially set their sights on HR practices, as the currently popular practices are inconsistent with evidence.
We asked for evidence related to the HR practices at one company that emphasized individual target setting. Their reply was, "There are articles to prove anything." But they failed to provide any articles to support their policies, and successfully avoided further discussion.
However, they did ask the agile-support group to remove from the intranet the group's advice on dealing with individual target setting, because it was in conflict with HR policies. One of this company's corporate values is...Openness.

Avoid...Incentives linked to performance

Rewarding people for their performance is a common practice, but what are the assumptions behind it? It assumes that people are
- in control of their performance
- motivated by rewards, which leads to improved performance

Both assumptions are questionable. Most work, especially product development, is interdependent. Quality guru Deming frequently pointed out that everybody was part of a larger system and therefore does not have full influence on their performance. What is the effect of promising rewards for work that people cannot fully influence? De-motivation. Alfie Kohn, author of the provocative book Punished by Rewards , therefore recommends to "decouple the task from the compensation "
Assuming it was possible to create performance measurements over which people had full control, then their motivation and performance would surely increase by putting an incentive on this target.
Rewards have the side effect of decreasing the intrinsic motivation and the very performance that managers hoped to improve.
Toyota Japan does not link rewards to individual performance. The only bonus they pay is based on the performance of the whole company.

Try...De-emphasize incentives

Managers love to play with the incentives tool. "*Tinkering with pay appears to be easier than fixing organizational culture and leadership capabilities*". But emphasizing incentives creates a fascinating organizational dynamic.
Pfeffer states in his Harvard Business Review article, "Six Dangerous Myth about Pay," "*Emphasizing pay as the primary reward encourages people to come and stay for the wrong reasons*".
By emphasizing incentives, managers increase their importance. Potential motivation is short-lived and in the longer term the result is discontent with the reward system. This triggers managers to once again change and emphasize incentives, without realizing the downward spiral of incentive dissatisfaction. When you cannot remove remove the incentive system, at least de-emphasize it. Emphasize other aspects that increase intrinsic motivation, such as challenging and meaningful work, learning, achievement, and personal growth.

Avoid...Putting incentives on productivity measures

'Productivity' is a popular incentive target..."Rewarding high productivity undoubtedly improves performance" is a common assumption. Even if this were so, it implies that measuring knowledge worker productivity is even possible.

In software development, measurement dysfunction makes incentives for productivity more harmful than beneficial. They result in developers using the "secret developer toolbox" and therefore an increase of hazardous legacy code, leading to competitive problems.

Try...Team incentives instead of individual incentives

You are not convinced that incentives are harmful? Or is your situation that you can't do anything about removing them? At least, set team incentives rather than individual incentives for self-managing cross-functional Scrum teams.

Switching from individual to team-based incentives systems sounds easy, but in our experience even this change is difficult for large organizations.

Team-based incentives might also create resistance from employees. An example in a company moving to team based-incentives:

In the organizations we studied, the more people were paid for individual performance, the more they felt fairly paid and satisfied with work, even though the performance of their teams was adversely affected!

This resistance changed over time as people came to see the team-based reward system as fair: *As people work in team-based settings, they begin to adopt the logic of the new organization and perceive reward practices that are consistent with that new logic as fair. This change in viewpoint takes time.*

Try...Team-based targets without rewards

Just to make sure the earlier tips are not misunderstood, setting targets for teams is essential. Linking incentives to targets is not essential and is arguably harmful.

Avoid...Performance appraisals

One sacred-incentive-cow sacrificed. Another relates to the (semi-)annual performance review/ appraisal. Twice a year, every manager must review the performance of his subordinates, set their individual objectives, and discuss their individual learning. How do performance appraisals fit in a team environment?

What are the problems with performance appraisals? Numerous. It is not only the individual-focused aspect of appraisals that negatively influences teamwork. The whole concept of performance appraisals is rooted in command-and-control management assumptions, such as "managers are responsible for the results, targets, and personal learning of their subordinates." Or "managers can independently or effectively judge the performance of their subordinates." Or "managers need a formal process for giving feedback to their subordinates; otherwise, managers won't give feedback." Appraisals result in employees wondering why they did not receive this feedback before, or worse, disagreeing with their manager about their performance. Appraisals backfire and de-motivate.

But you might wonder, "Without performance review, how do we know the amount of pay increase?" Toyota, as pointed out earlier, pays everybody the same within a given classification. So, then there is no need for an annual performance review to determine pay increase. The increase is decided for a certain classification and determined by the cost of living and market value of certain skills.

Avoid...Scrum Masters do performance appraisals

A ScrumMaster evaluating the performance of the team or its individual members leads to a dysfunctional environment. "Creating a higher status position (evaluator) is an impediment to the team self-organizing ". It destroys the openness and transparency that are so needed in self-managing teams.

Try...Discuss with your team how to do appraisals

What do you do if it is impossible to get rid of appraisals? One alternative is to ask the team how to deal with them. Explain to them the problems with appraisals and why they need to do them anyway—HR policy.

Try...Fill in the forms

De-emphasize appraisals. Explain to your team why they are dysfunctional and harmful. Fill in the needed forms and send them to HR. Focus on doing and improving the real work instead.

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