

STEP 1:
CULTURE

STEP 2:
WORK

STEP 3:
STRUCTURE

STEP 4:
PEOPLE

STEP 5:
EVALUATION

STEP 5: EVALUATION

MEASURING PERFORMANCE AND RESULTS OF AGILE WORK ENVIRONMENTS

Agility is not a goal in itself. After an often long, exhausting, and expensive change process, it is imperative to evaluate whether the results have really been worth the pain. After all, agility is supposed to make work more efficient and effective, not just more fun and fulfilling. Therefore, STEP 5 reflects on the necessity of a different approach toward target and performance management in agile structures that gives incentives to employees and motivates them to become autonomous, innovative high performers in the company. But not only employee performance is to be evaluated. It is equally important to frequently evaluate the advantages and downsides of the agile transformation and make the necessary adjustments.

Adjusting traditional performance management to agile work and structures

The idea of traditional performance management is based on slow and stable markets and an annual target management. It puts a lot of emphasis on extrinsic incentives such as salary, bonuses, and promotion. It oftentimes neglects the actual value creation and usually rewards sticking to a fixed plan instead of thinking outside the box.

This model no longer does justice to an agile work environment, especially not in a highly dynamic communications environment. In the future, it will be important for employees to receive regular feedback throughout the year on their current tasks. Short-term goals create a framework that motivates and actively involves employees. Also, in the past, a manager's status and salary were based on the size of the projects he or she was responsible for and the number of employees on his or her team. Today, performance review will care less about the individual performance of managers or staff and more about the team as a whole.



Alternative approaches

In the future, it will be more and more difficult to rate employees' performance on the basis of their individual contributions as doing so does not include in the reckoning the increasingly cooperative, team-oriented character of work. Companies like ING are already experimenting with shifting performance measurement to the team level. ING's so-called **Quarterly Business Reviews (QBRs)** are used to evaluate the results of project teams (tribes) in a quarter, to define the most important lessons learned and to set realistic and clearly formulated goals for the next quarter. In addition, QBRs should clearly state what kind of input or cooperation is needed with other tribes. The review documents are public and accessible to everyone, which promotes transparency within and between departments.

Other companies in our sample have started to set up their target management systems according to the **Objectives and Key**

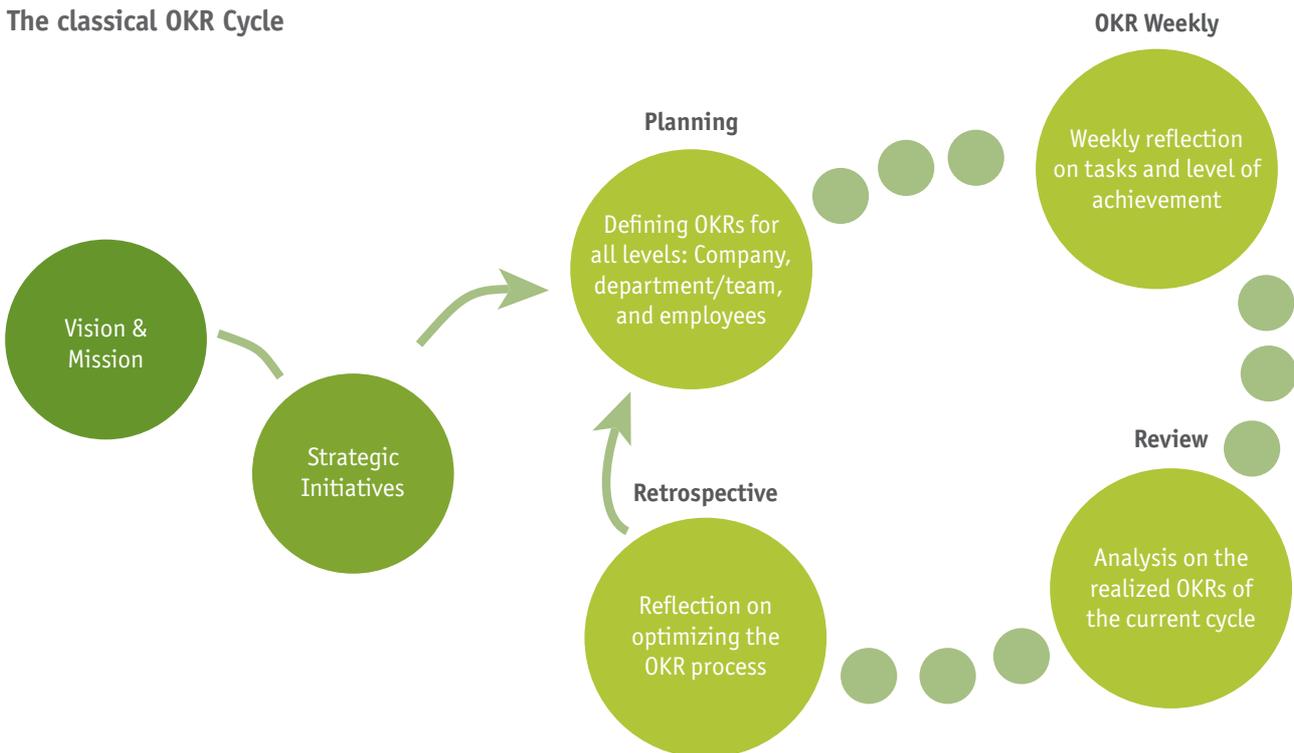
Results (OKR) method (Doerr, 2018; Niven & Lamorte, 2016). This method enables a structured target agreement process by breaking down the global targets into the individual value creation contribution of each team and employee.

The OKR method takes into account new conditions in the digital world where targets or the conditions for these targets change so quickly that either the achievement of the target is unrealistic or the target itself becomes invalid. On the one hand, OKRs aim to define short-term (usually quarterly) targets, prioritizing them differently if the general conditions change. The OKR method also can help employees to better understand the purpose of their work by linking their individual goals to the overall corporate strategy.

Thus, OKR display three basic characteristics:

- ▶ short-term focus
- ▶ conscious prioritization
- ▶ orientation toward a long-term vision

The classical OKR Cycle



READING RECOMMENDATION:

WORKPATH Magazin (in German only): www.workpath.com/magazine

Agile alignment of target systems – working with OKR at Deutsche Telekom AG

The communication department of Deutsche Telekom AG started to experiment with implementing the OKR method by the end of 2018. Their former target management system had its flaws and did not seem to be flexible and dynamic enough to cope with the requirements of their agile structure and work processes (see STEP 3). The old system was mainly used for budget and resource planning, but it was not clear how the success criteria contributed to the strategic goals. Often targets did not include clear metrics, target values and target periods. Overall, the use of metrics happened rather haphazardly. There was a lack of department-wide transparency regarding goals and success criteria for the individual projects. This encouraged duplication of work and uncoordinated approaches. Thus, in 2019 the communication team of Deutsche Telekom started to manage and review their four major projects according to OKR principles.

Specific positioning targets were derived from Deutsche Telekom's corporate strategy, such as "Deutsche Telekom is positioned as a pioneer in network expansion". All members of a lead project defined four to five key results and how achievement should be measured. The key results were translated into workable projects. The degree of achievement of each key result was analyzed and evaluated in short cycles by the lead project team. Based on these results, the activities for the next cycle were adapted as necessary. The process itself was supported by an external service provider who also trained several internal employees as OKR coaches.

As the approach worked well, the communication executive team decided to roll the method out for the whole department. By the beginning of 2020 every project of the ten clusters (see p. 25)

was managed and monitored according to OKR principles. The objective of each of the ten clusters is derived from the overall communication strategy, which is itself derived from the overall corporate strategy. This alignment is necessary to ensure that the projects within each of the content clusters contribute to the overall corporate goals (see *Communication Insights* #3, p. 40).

The main departure from traditional communication-controlling systems is the review of the level of target achievement on a regular basis. Usually, the project teams meet every two weeks for a review of the current project status and assess target achievement. About once a month, the whole cluster meets to evaluate the success of the different projects. The OKR process is monitored via an 'OKR Radar' Excel sheet that is available to the whole department, so absolute transparency is given on every project at all times.

"The OKR method is designed to encourage innovative and ambitious thinking and action. We need a target system that is as flexible and dynamic as our work and the environment we communicate in. Also, the OKR method creates the transparency and legitimacy we need to cooperate as a team. Everyone should know why they are working on which project and how this aligns with the rest of the department and the company as a whole."

*Philipp Schindera, SVP Corporate Communications,
Deutsche Telekom AG*

i CAVEAT

As has been said above, agility is not a goal in itself. Thus, it is important to regularly check and reflect on whether the steps you took on your agile transformation really helped to solve your problems, whether they be problems of collaboration, superfluous and time-consuming processes, or a culture of fear and mistrust.

We learned in our research project that it was not opportune to talk negatively about the agile transformation in some companies, or to scrutinize some methods or procedures. But agility should not become an untouchable ideal that everyone has to strive for no matter the costs. Some aspects and steps discussed above might be very valuable for a specific team; others not. Thus, a culture of openness

and honesty should also be adopted when it comes to the agile transformation itself. Maybe, in the beginning, anonymous regular feedback from all employees can be an option. Later on, teams would be well advised to establish regular feedback circles to discuss the status quo of their agile journey and also be prepared to reverse some steps or take another direction.

Agility is not delivered off the rack but has to be adopted very individually. As explained above, some tools or methods are just not compatible with procedures and arrangements within the rest of the organization. In this case, it would be sensible to adjust the method, structure, or process in order to make it fit, instead of it causing unnecessary friction just for the sake of the idea.