HANDELSHØGSKOLEN VED UiS
MASTEROPPGAVE

STUDIEPROGRAM: E-MBA300-1 18H - Executive MBA	**ER OPPGAVEN KONFIDENSIELL?** (**NB**! Bruk rødt skjema ved konfidensiell oppgave)

TITTEL:

Did the removal of numerical ratings and the introduction of performance development, result in a shift in motivation?

FORFATTERE		**VEILEDER:**
Kandidatnummer:	Navn:	Aslaug Mikkelsen
237293 ………………	Trond Dirdal ………………………………………	
237287 ………………	Siv Merethe Berge Røsland ………………………………………	

Preface

This is our final thesis for an Executive MBA at the University of Stavanger. It has been exciting and extremely educational, but also hectic to undertake an EMBA in addition to our full-time jobs. We have had many engaged teachers and have met interesting people in our various classes. We will take these friendships, networks and knowledge with us during the next part of our journey in life, wherever that may be.

We would like to thank "Secreta," the company at which we conducted our empirical research, for allowing us access to their data and employees and for letting us use them as a research source. We would especially like to thank the interview subjects for taking the time to sit down and answer our questions honestly.

Our supervisor, Aslaug Mikkelsen, deserves a huge thank you for her wonderful cooperation, but also for her direct and clear feedback, which pushed us to stretch ourselves further. You have helped to make both us and this thesis better.

Finally, we would like to thank our families. They have sacrificed a lot over the past three years, spending weekends alone and taking on more responsibilities at home when we have had to study. Now we are finally finished and are looking forward to spending more time with you.

Thank you.

Summary

The purpose of this study was to determine whether the changes Secreta made to its performance management system had the desired effect. Our research comprised an attempt to answer the following question: Are there any changes in motivation among Secreta's employees following the shift from performance management with numerical ratings to performance development without numerical ratings?

Our introduction will show that many aspects of performance management have previously been researched. Its primary relevance is that it has a potential impact on all employees and could thus affect both the employees and the organization's well-being. Previous studies indicate that over the years there has been a change in how performance management is being conducted, from the use of numerical ratings and yearly appraisals to evaluate employees to an emphasis on performance development and continuous feedback. This will be described at length in relation to theory and research. Secreta changed its performance management system in 2018. After many years of using numerical ratings and yearly appraisals, the company now has a focus on development, continuous goal setting and 360-degree feedback in order to enhance performance.

The empirical research of the current study comprised an attempt to evaluate the efficacy of this change. It is linked to relevant theories regarding performance management, performance development, goal theory, appraisal, reward, HRM practice and motivation. We will describe several motivational theories, such as goal theory, appraisal, reward, HRM practice and self-determination theory. These constitute the framework that makes it possible to understand how performance development works and how it can be used to increase performance and motivation in an organization.

To determine where there has been an increase in employee motivation and well-being since the change in performance management systems at Secreta, we gained access to several surveys that the company performs annually. In addition, we conducted in-depth interviews with employees and leaders and with employees who had played relevant roles in the change process. We used the interviews to substantiate the results from the surveys, and to acquire information that the survey results could not provide. Our findings are presented in relation to the relevant theory and duly discussed.

We concluded that the results of the surveys indicated an improvement from 2017 to 2018. The results were generally positive with respect to motivation and well-being. These findings were substantiated by the answers we received when interviewing Secreta employees. Based on those three data sets, we see indications of a positive shift in motivation and well-being following the introduction of performance development without numerical ratings.

Table of content

List of figures

List of tables

Introduction

Performance management (PM) is often considered one of the most important HR activities an organization can undertake (Boswell & Boudreau 2002). It is consequently one of the most researched topics within organizational psychology (Fletcher 2002) and several attempts has been made to renew or improve it over the last decades (Pulakos et al. 2015)

PM has a potential impact on all employees and could affect both the staff and the organization’s well-being. For the past 30 years’ organizations have been looking at their human resources from one of two perspectives, namely that of the “Michigan school” or the “Harvard school.” In terms of the former, employees are viewed as mere resources. This means that they are there for a single purpose and that is to generate a profit. In terms of this “hard-HRM,” human capital is a resource like any other and the focus is the organization and owners’ profit and results (Fombrun et al. 1984). In contrast to this, we find the “soft-HRM” approach of the “Harvard school,” in terms of which human capital is viewed as a special and valuable resource that the company is dependent on for lasting competitive advantage (Beer et al. 1984). In recent years, we have seen a shift in how companies construct their performance systems, from the traditional numerical rating of employees to systems focusing on development, motivation, and teamwork (Dn.no 16.04.2019). Stack ranking of employees using a “Bell curve” has been a popular leadership tool ever since General Electric CEO Jack Welsh popularized it in the 1980s. In line with the trending shift from “hard-HRM” to “soft-HRM,” one of the largest companies in the world and certainly one of the most famous ones, Microsoft, abandoned its PM system, which included ratings, in 2013 (Business Insider 16.04.2019). According to Bård Kuvaas (dn.no 16.04.2019), one of the reasons for this decision was that Microsoft had been struggling with a high turnover rate for some time. The ranking of their employees had been highlighted as one of the reasons for this. Therefore, Microsoft’s management decided to replace this system with a new Performance development (PD) system in which the focus was on collaboration and motivation. In 2014, a study showed that 12% of companies in the US had abandoned numerical ratings (Cappelli & Tavis 2016). The list of such companies includes Microsoft, General Electric and Motorola (Kuvaas & Dysvik 2016).

To investigate a change in motivation, we need to understand the topic. Motivation in the workplace is a topic that workers throughout the world can relate to in varying degrees. Recent research indicates that the most motivating factors for workers are their own effort, development and achievements. Internal rivalry and competition are demotivators (Dn.no 18.05.2019). The joy of doing an excellent job is listed as the most important internal motivational factor, according to Norstat's work-health survey, which was conducted in 2017 (Hegnar.no 19.05.2019). According to Deci and Ryan (2008), there are three universal factors that increase performance, motivation and well-being in organizations; Autonomy, Competence and Relatedness. Other factors are also discussed as influencers in related theory. Daniel Pink (2010) for example has introduced "purpose" as an additional factor for increased motivation and well-being.

There are several definitions of PM. One of them is that it is "a systematic approach to improving individual and team performance to achieve organizational goals" (Hendry et al. 1997, p. 20-25). PM systems traditionally included numerical ratings in the context of a transactional-based view of performances, with annual calibrations. PD, on the other hand, is an ongoing process in which the focus is on development over time, and involves the employee and the manager. Parallel with the trend shifting from "hard-HRM" over to "soft-HRM", we are seeing a shift from traditional PM systems using numerical ratings. Organizations have begun to acknowledge their employees need for autonomy, mastery and purpose, and are implementing PD systems to ensure that this occurs. Even though numerical ratings are often not used in PD, that does not mean that employees will not be measured on their performance. However, the focus has moved towards continuous feedback and is driven by the needs and goals of the company (Capelli & Tavis 2016).

The purpose of this thesis is to research the following: Are there any changes in motivation, among Secreta's employees following the shift from performance management with numerical ratings to performance development without numerical ratings? First the theories related to PM and PD will be outlined and discussed. Several theories connected to motivation, goal setting and feedback will be described, because they are crucial factors in PD. Data was sourced from two surveys, which were conducted by Secreta, in addition to in-depth-interviews with Secreta employees. Secreta made the shift in direction from PM to PD in January 2018. In this research, an attempt was made to evaluate whether the transition has led to the desired result.

Clarifications

In order to conduct this research, we sought a company that would allow us to use its data. However, the organization that was prepared to give us permission to do so wanted to remain anonymous. In order to access the secondary data required to answer our research questions, we had to comply. To accommodate that, we will refer to the company by the fictitious name "Secreta" throughout the thesis. All the data related to surveys and in-depth interviews were sourced from Secreta, but we changed the names of the surveys and do not provide the number of respondents in order to ensure that the company remains anonymous.

Best practice and best-fit

While "best practice" HRM can be described as a catalogue of practices a company can choose from to achieve good results, referred to as a horizontal fit, "best fit," also referred to as "vertical fit," is characterized by a different approach. The best fit approach to HRM implies that an organization and its results will be dependent not only on HRM but also the company's surroundings, environment, abilities and strategy (Delery & Dott 1996).

Performance management as an HRM practice

In organizations throughout the world, management and human resources departments are constantly trying to master the recipe for how to best lead their human capital to full advantage. The search is the same for companies in the private and public sectors, even if their end objectives might differ. While private companies tend to look at profit as the most important end objective, the public sector will look at budget control, cost efficiency and quality in their services as examples of success. On a personal level, employees also have a sense of what success might be like for them (Mikkelsen 2016). Examples of what success might look like on a personal level, could be:

- An experience of purpose in their daily work,
- Personal growth and heightened self-esteem due to delivering a good performance

During the 1980s several macro-models were created to define best practice within human resource management (Wright & Boswell 2002). They were formulated as a direct response to other comparable countries' work models and work systems and were meant to help companies in the US become competitive (Applebaum & Batt 1994). As a way of moving away from the previous "control and command" principle for leadership, in which the authoritarian leader gave orders and decided everything, the "high performance work paradigm" was crafted. The purpose was to focus on what could motivate, involve, develop, retain employees and create commitment (Walton 1985; Walton & Lawrence 1985). In contrast to the "command and control" of workers, it was proposed that a leader should use positive incentives to show the employees that they are all part of the same team. Kotter defined leadership as "the process of moving a group (or groups) of people in some direction through (mostly) noncoercive means" (Kotter 1988, p. 16). For a leader to use those noncoercive means and allowing for involvement and participation, the employees must be able to develop the competences necessary for such a participation, and they must be motivated by management to do so (Mikkelsen 2016). There are researchers who claim that the “high-performance work paradigm” contributes to better results than other HRM practices. The reason is supposedly that the increased involvement, the participation in decision making, the increased development of employees, and the incentives combined will stimulate and motivate the employees to repay the company with an effort beyond what could otherwise be expected (Mikkelsen 2016).

Researchers followed several corporations that showed good results over time in search of reasons and HRM practices that could explain their results. Even though several studies were related to this objective, one goal they shared was the attempt to define and describe a short number of practices that could, in combination, deliver great results (Mikkelsen 2016). Even though researches argue about the number, there are a few that are often categorized as HRM best practices:

- Providing security for employees in the internal job-market
- Selective hiring: hiring the right people and having the systems in place to ensure that
- Self-managed and effective teams
- Fair and performance-based compensation
- Training, development and the possibility to have a career
- Work-life balance
- Autonomy, involvement and participation
- Appraisals

To ensure success, it is important that the HRM practices a company implements are consistent and suited to each other. This is also referred to as “horizontal integration” (Mikkelsen 2016). Organizations need to be careful when implementing HRM practices. There are some that could work against each other and thus have a negative effect on the company if implemented at the same time. The effects will vary, depending on which practices are causing the negativity. They can vary from creating an environment in which collaboration does not exist, or in which it is difficult to work together as teams, to demotivated employees and increased turnover. A mitigating action is to always evaluate the combined HRM system and not only each HRM practice individually. This way it can be determined whether the HRM system will have the desired effect on the organization’s results, and on the employee’s motivation and well-being (Mikkelsen 2016).

The organizations are dependent on employees endorsing the culture. In addition to that, they need to have systems, processes, mindset and actions in place that emphasize PM. In addition to having the HRM practices, organizations should also look to strategy and context for the best possible results (Mikkelsen 2016). Armstrong (2012) asserts that there are several indications that a high-performance culture has emerged in an organization when:

- There is a clear understanding of what is required in terms of enhanced performances, which are described by management. They also create goals and monitor them to ensure that they are met.
- The organization can provide their employees with alternative work practices.
- There are a clear set of expectations from the employees. They understand their goals and their responsibilities.
- Employees see a value in their job.
- Empowered employees maximize contribution.
- Strong management that conveys a direction and a purpose, creating a strong understanding of why there should be continuous improvement.
- Positive attitudes are worked on and they in turn foster engagement, commitment and motivation.
- PM processes are tailormade to reflect the overall goals of the company. They are conveyed to and operationalized for the employees to ensure engagement.
- Learning and development are systematically used to enhance the employees' capacity and ensure that they make full use of their skills and competencies.
- A talent pool secures a continuous supply of talents.
- People are valued and compensated according to their efforts
- An environment exists in which trust and collaboration exist.
- The strategic goals of the organization, the departments and employees are aligned.

When trying to understand why best practice HRM works and thus why it influences organizations, researchers have struggled to come up with an explanation of the route from practices to result. The intermediate mechanisms of action are often referred to as the "black box."

Figure 1: Relationship between HRM practices, mechanisms of action and organizational result (Mikkelsen 2016.)

Some of the mechanisms of actions scholars refer to are:

- Employees understanding and experience of HRM practices
- Line management
- Organizational climate
- “A grand idea”
- Employees abilities, motivation and opportunity for participation.

HRM practices have a signal effect that an organization’s population will pick up on. The employees will individually and collectively grow expectations regarding how their employer will facilitate the performance of the tasks the HRM practices create (Ostroff & Bowen 2000; Wright & Boswell 2002) There is a gap between intended HRM practices and the employees’ experience of implemented practices. To explain this gap, the line manager’s role is put under the spotlight. Their ability to motivate, lead and live the HRM practices are important. Employees sees their line managers as agents for the practices, and thus how they perceive their leader’s performance reflects on how they perceive the HRM practices (Purcell & Hutchinson 2007). Because of this, Purcell and Hutchinson (2007) claim there is a symbiotic relationship between leaders with direct reports and HRM practices. Thus, for HRM practices to be implemented in a successful manner, the leader’s practice must be recognized by the employees (Mikkelsen 2016).

HRM practices are supposedly universal and if implemented correctly they should work in any organization, whether they have numerical ratings or a focus on feedback and goals. However, the environment the organization lives in and context in which the HRM practices are implemented seem to play an important part. For example, a country’s laws and regulations and market will have an influence on which practices to implement and how each specific practice is set up.

Performance management and best fit

In the mid-1980s, two approaches to a more strategic HRM emerged in the US. The "Michigan school," presented by Fombrun, Tichy and Devanna (1984), showed how a company could increase profit by adapting HRM to the company's strategy. Given that their focus was primarily on the owners of a company, the "Michigan school" has been described as a "hard-HRM" approach (Johansen & Mikkelsen 2016). The second, "soft-HRM" approach, named the "Harvard school", was presented by Beer, Spector, Lawrence, Mills and Walton (1984). Beer et al. (1984) built on the fact that owners should maximize profit, but they also added the employee, government, community and unions' perspective. The strategies applied to HRM and best fit can also be guided by how an organization approaches them. If the external environment dictates the strategy a company chooses, and the HRM is implemented to realize that strategy, that is an "outside in" approach (Johansen & Mikkelsen 2016).

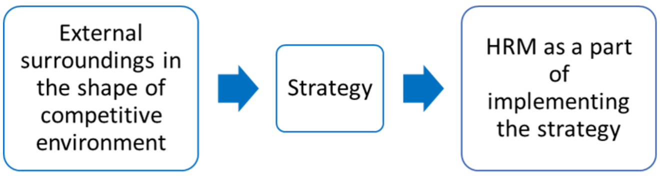

Figure 2: Relationship between surroundings, strategy and HRM in an outside in perspective (Johansen & Mikkelsen 2016.)

Miles and Snow (1984) argues that there are three effective types of strategies a company can adopt:

1. Defender
2. Prospector
3. Analyzers

The "defenders" are recognized by operating in a narrow but stable market, in which their competitive advantage is related to price and/or quality. Defenders will not actively seek opportunities in new markets, but will look to expand in the markets they already operate in. As the name suggests, they will also defend themselves against any outside aggressors, trying to attack their market shares. Decision making will be centralized, with a hierarchical process approach (Johansen & Mikkelsen 2016). "Prospectors" are always hunting for new opportunities, including market growth or new products. They are innovators and developers, which makes them the opposites of the defenders. Their decision-making is often delegated down in the organization closest to the production line (Johansen & Mikkelsen 2016). While defenders and prospectors are opposites, “analyzers” are located somewhere in the middle. If prospectors are first in a market, the analyzers will not follow until after they have assessed the situation and analyzed the data. As a mitigating action to the various organizational needs related to the follow up of new and old markets, there will often be a matrix structure to preserve the various demands throughout the organization (Johansen & Mikkelsen 2016).

These strategic approaches to HRM differ, which is why the strategy an organization lives by is so important. Defenders often recruit externally, demanding a good selection process to ensure that the most suitable employees are hired, with the right background and the correct competence. Employees are rewarded on the basis of their place in the hierarchy, but they spend a great deal of time and money on developing their employees (Johansen & Mikkelsen 2016). Training and developing employees is a time-consuming and expensive pursuit. Prospectors tend to be moving through different markets and technologies. A result of that is a hesitation about a long-term investment in employees. The right competence is available for a price, and prospectors will source the market for the competence needed at any given time. Reward is often connected directly to results and will reflect market salary for any given competence (Johansen & Mikkelsen 2016). The analyzers will combine elements from both the defenders and prospectors. Such a combination could make choosing HRM practices more difficult, because it must be based on which approach to HRM is relevant at any given time.

As companies tend to be complex, diverse entities with a variety of internal cultures and strategies, it is argued that the generic strategies described by Miles and Snow (1984) and Porter (1980) simply cannot capture the essence of these organizations. There must be an additional factor that makes good results possible over time. According to Barney (1991) and Wernerfelt (1984), there are two factors that can be measured and counted as the reason for performing better than others over a given period. Those factors are:

1. Difference in available valuable resources
2. The same resources will not immediately or easily move, be copied or replaced

To have a better overview of what resources are available, Barney (2007) categorized them into four groups:

1. Financial capital
2. Physical capital
3. Human capital
4. Organizational capital

Barney (1991) also created a model to highlight some specifics needed in terms of resources, if they are to result in competitive advantages. The VRIO model consists of four categories: valuable, rare, inimitable and organized.

When we look at the four types of resources listed above, the one that stands out is the "Human Capital". Coff (1997) claims that humans as a resource can grow in value over time due to learning, development and experience. In contrast to a vehicle, the more hours spent using human capital the more valuable it will become. Humans are complex and there is a degree of uncertainty surrounding them and how they live, work, talk, behave, etc. in an organization. Because of this complexity, if companies can use HRM practices to select, develop and motivate valuable employees, this could lead to the creation of an inimitable, competitive advantage (Johansen & Mikkelsen 2016).

This resource-based view, referred to as "Inside Out," enables one to see the value of specific HRM practices and how they contribute to the development and preservation of human resources to ensure competitive advantages (Johansen & Mikkelsen 2016).

Figure 3: Relationship between surroundings, strategy and HRM in an inside out perspective (Johansen & Mikkelsen 2016.)

Motivational theory

The primary theory that informed this research was motivation theory, with focus on self-determination theory. Before we get to that, the difference between PM with numerical ratings and PD without numerical ratings, and how these performance systems have changed over time, will be examined. The theories related to performance goals, feedback, appraisals, performance measuring and reward, and the leader's role in this process will also be described.

Motivation in general

The main theory in this thesis is motivation theory. To be able to answer the research questions related to our main issue, it is necessary to put this in context of motivation theory. Deci and Ryan (2000) argue that to be motivated means "to be moved to do something." By contrast, a person who feels no impetus or inspiration to act is characterized as unmotivated. Someone who is "energized or activated toward an end is considered motivated" (Deci & Ryan 2000, p.54). One of the key elements of leadership is knowing what employees are being motivated by and to have insight into the individual differences (Mikkelsen 2016). Motivation is an individual force and what triggers people varies. Some employees have an inner motivation, whereby the joy and satisfaction of doing a task is enough. Prosocial motivated employees have a desire to make an effort for the benefit of others (Batson 1987). A third category of triggers are outer motivation, where the source of the employee's motivation refers to consequences of the activity, such as increased salary, benefits, promotions, and bonuses (Dysvik & Kuvaas 2016). In addition to highlighting motivational trigger-points, one also needs to understand what makes an employee more effective. Independently from what motivates the average employee, the performance system in the organization should be able to reach both types of trigger-points.

The view of how leadership can be used to motivate employees has changed with time. Empirical research in the early 20th century focused on isolated personal traits and skills that could explain effective leadership. That point of view has shifted to a more dynamic one in terms of which leadership occurs in interaction with the employees (Kopperud & Martinsen 2016). Gary P. Latham presented seven concepts on how to explain and influence employee's motivation: (1) needs, (2) personality traits, (3) values, (4) context, (5) cognition, (6) emotions, and (7) rewards and incentives (Latham 2012). Locke (2000) states that the starting point of motivation is needs. Need affects a person's well-being and is often experienced through pleasure and pain. When a need is unsatisfied it causes discomfort and when a need is satisfied it results in a sense of goal achievement (Mikkelsen 2016). People have a fundamental need for physical and psychological well-being. Thus, fulfilment of a need is important for personal survival. In contradiction to Maslow's need hierarchy, Locke (2000) believes that people can prioritize their needs in different manners, based on their values. It is unlikely however, that there will be evidence to support a "built-in" need hierarchy for employees.

While our needs make us act, our personal traits define what we are comfortable with. Differences in personality create a need for organizations to make room for individual distinctions. Based on variations in personality, there will be a difference in what motivates employees. Organizations should strive to adapt assignments to their employees' personalities, rather than trying to change them (Mikkelsen 2016). Values and goals are created in relation to a person's needs and personal traits. Personal traits are a way for managers to identify which of their employees are the most adaptable, flexible, versatile and tolerant of uncertainty. These traits go well with the continuous feedback and goal culture in PD, making them suitable for organizational life in the 21st century, which is characterized by constantly changing environments (Latham 2012). Values refer to what a person thinks is right or wrong, and reflect an employee's needs and personality. A person's values are ordinarily consistent over time, but they can be changed and influenced by learning and experience (Mikkelsen 2016). Our actions are not only decided by our needs, personality and values, but also by context and situation. Our culture, job characteristics and match between person and surroundings has rules and relations that affect our behavior and actions (Mikkelsen 2016). Context affects the extent to which an employee's needs are met and values are fulfilled (Latham 2012).

Cognition is an important element in goal-setting theory. Cognition usually dominates motivation, because as Latham says; "a need cannot be met without the knowledge required to understand what can be done to satisfy it" (Latham 2012, p. 193.) Pritchard, Paquin, DeCuir, McCormick and Bly (2002) defined motivation as "a cognitive resource allocation process in which a person makes choices as to the time and energy that are to be allocated to an array of motives or tasks." (Pritchard et al. 2002, p. 3-49). Cognition is inherent in motivation, because the sensation of pleasure and pain are informational. Based on people's needs, values and situational context, people will set goals and strategize how to achieve them (Latham 2012).

Locke (2003) defined emotion as “the form in which one experiences automatic, subconscious value appraisals.” (Locke 2003, p. 22-46). Emotions control the organization and how employees react to what happens to them during the day. They cause employees to feel that they belong and that there is a purpose to what they do and can be a source of good performance and accomplishments. If employees’ emotions are satisfied this can help increase their motivation. The last concept in Latham’s theory, reward and incentives, differentiates between inner and outer reward. Outer reward originates from our surroundings in the shape of money, recognition, status, bonuses, etc. Inner reward refers to the feeling of doing something of importance (Mikkelsen 2016). These seven concepts express a broader understanding of what motivates and influences employees’ behavior and how they are connected.

Self-determination theory

Self-determination theory (SDT) is a macro-theory of human motivation. It is an empirically-based theory of human motivation, development and wellness. The focal point of the theory is types, rather than just amount of motivation, in which attention is paid to autonomous motivations, controlled motivation and amotivation as predictors of performance (Deci & Ryan 2008). Three needs from behavioral theories are posited as being universal necessities and nutriments for human development. Those needs are: to feel autonomous, competent and related to others. Because of the importance of these three needs, one can argue that SDT belongs in the section "needs" under the seven concepts proposed by Latham, on how to explain and influence employees' motivation (Latham 2012). In terms of SDT, one distinguishes between numerous types of motivation based on reasons or goals that give rise to an action. The most basic distinction is between intrinsic and extrinsic motivation (Deci & Ryan 2000). Those who subscribe to SDT argue that allowing people the freedom and space to make personal choices will lead to personal empowerment. It will also create a greater sense of autonomy and a greater interest in the tasks given to them. In fact, autonomy is a crucial part of SDT. It refers to the experience of having choices in one's work situation (Nerstad & Richardsen 2016). The personal empowerment and its effect will result in people allowing themselves to spend more time and effort on tasks. Thus, they will assume more responsibility for their ability to perform such tasks, and finally the completion and accomplishment of their assignments (Latham 2012). An interesting question related to the effect of intrinsic vs. extrinsic motivation was raised in an article by Gerhart and Fang (2015): will employees driven by intrinsic motivation be more effective than their colleagues who are driven by extrinsic motivation? Or is it possible to combine them and experience an increased effect (Gerhart & Fang 2015)?

Intrinsic motivation refers to people performing an activity because they find it interesting and derive spontaneous satisfaction from the activity itself (Gagne & Deci 2005). A high level of intrinsic motivation is also recognized by the experience of taking decisions and making choices. This type of motivation has been linked to endurance, psychological health and effective performance (Nerstad & Richardsen 2016). According to Gagne & Deci (2005, p. 1) "extrinsic motivation, in contrast, requires an instrumentality between the activity and some separable consequences such as tangible or verbal rewards. Satisfaction comes not from the activity itself but rather from the extrinsic consequences to which the activity leads." This means that employees act in response to pressure or demands from a source outside themselves (Nerstad & Richardsen 2016). Organizations must rely on their PM system to be able to cater to those driven by intrinsic reward and extrinsic reward for motivation. A part of that is the understanding how intrinsic and extrinsic rewards can affect each other.

For the past 50 years, scientists have been trying to establish empirical evidence of the relationship between intrinsic and extrinsic motivation, and the effects they might have on employees and organizations (Kuvaas et al. 2017). Porter and Lawler (1968) assert that intrinsic and extrinsic motivation predict work performance and well-being if they are aligned. Because of this, Porter and Lawler promote the idea of structuring the work environment so that effective performance would lead to both intrinsic and extrinsic rewards. Organizations that succeed in this would have created an environment capable of producing total job satisfaction (Porter & Lawler 1968). In contrast to Porter and Lawler's findings, several researchers have argued that the two main types of motivation have the completely opposite effect when combined. They are more likely to have a negative than positive effect when combined (Kuvaas et al. 2017). Deci, Ryan and Koestner (1999) found that tangible extrinsic incentives had a negative effect on intrinsic motivation, because it undermined the intrinsic motivation (Deci et al. 1999). A decade later, Deci and Ryan (2008) said that there were more indications that the two types of motivation counteract each other. They based their argument on findings that extrinsic reward in fact decreased intrinsic motivation (Deci & Ryan 2008). Results like these lead researchers to argue that the use of extrinsic rewards to motivate work behavior can be deleterious to intrinsic motivation and can thus have negative consequences for performance (Gagne & Deci 2005).

Kuvaas, Buch, Weibel, Dysvik and Nerstad (2017) also found that there was a negative association between extrinsic and intrinsic motivation. The most interesting finding from their study was that intrinsic motivation was positively associated with positive outcomes such as performance and organizational commitment, and negatively associated with negative outcomes such as turnover intention, burnout and work-family conflicts. Extrinsic motivation, on the other hand, was negatively related or unrelated to the same positive outcomes and was consistently positively associated with negative outcomes. Not only did Kuvaas et al. highlight the negative association between intrinsic and extrinsic motivation, as previously mentioned by other researchers, but they also managed to show the associated positive effects of intrinsic motivation and the negative effects of extrinsic motivation (Kuvaas et al. 2017). In short, intrinsic motivation leads to scenarios highly appreciated by organizations and a high level of intrinsically motivated employees can thus be a competitive advantage. By contrast, a high level of extrinsically-motivated employees can lead to negative scenarios that are costly for organizations and thus should be considered a competitive disadvantage. Organizations should therefore strive to keep the level of extrinsic motivated employees down.

Well-being

Ryan and Deci (2001) refer to well-being as a holistic experience, in which one is able to function in the best possible way. There are two main classifications of well-being: hedonism and eudemonism (Nerstad & Richardsen 2016). According to Nerstad and Richardsen (2016, p. 234-235)

> "Hedonists see well-being as subjective happiness and make an effort to maximize positive emotions and minimize negative ones, while eudemonists see well-being as more than subjective happiness, but rather as living in a state of self-understanding with a realistic grasp of one's possibilities, and thus experience personal growth."

Autonomous motivation is a key factor when trying to safeguard and sustain well-being (Nerstad & Richardsen 2016). Autonomous motivation can be observed when someone voluntarily engages in an activity or task because the task itself is interesting and results in a feeling of reward (Pines 1993; Salmela-Aro & Nurmi 2004; Weinstein & Ryan 2010). Autonomous motivation is often related to work-related well-being (Ryan & Deci 2000), but performance and absence can also be influenced by this type of motivation. According to Bjørklund et al. (2013), organizations should aspire to have employees who are autonomously motivated and in good health. The reason for that is the possible reduction in employee's health and well-being if there is a low degree of autonomy or intrinsic motivation. This could, for example, result in elevated costs for the organization (Bjørklund et al. 2013). A company's productivity can thus be directly influenced by the degree to which employees are autonomously motivated (Christian et al. 2011); thus, having a workforce with a high number of employees who can be labeled as such can be seen as a competitive advantage.

Performance management

A historical perspective

The evaluation of employees and conversations between leaders and employees has taken place for centuries (Mikkelsen 1996). The first example of a systematic performance appraisal known to us, took place in AD 221-265 during the Wei dynasty. The emperor employed an "imperial rater" to evaluate the performance of the official family. In the 16th century, Ignatius Loyola established a system for the formal rating of the members of the Jesuit Society (Koontz 1971). Monitoring systems evolved over the years and were introduced in more formal ways before World War 1 (Armstrong 2009). Frederick Taylor wrote in 1911: "What workers want most from their employers beyond anything else is high wages." (Taylor 1911). In his classic pig handling experiments, financial inducements based on productivity were used to persuade workers to accept prescribed scientific management methods (Pfeffer & Sutton 2006). During the severe economic recession, also known as the "Great depression," Viteles conducted several attitude surveys. In 1932, he found that money was only one of many motives of the worker. In contrast to Taylor's findings that high wages were the greatest motivation for workers, Viteles found that the prime element was the wish to enjoy a feeling of worth, recognition and respect from others (Latham 2012). During the year in which Viteles conducted his study, the unemployment rate in the US was as high as 24% (Lucas Jr & Rapping 1972). Thus, when people feared for their jobs, had lost their jobs, or were unable to find work, the most important thing was not high wages, but the feelings mentioned above, which were evoked simply by having a job. In the 1940s, about 60% of US companies were using appraisals to document employee performance. By the 1960s that number had risen to almost 90% (Cappelli & Tavis 2016). This indicates an accelerated development in the perceived importance of appraisals and ratings.

One of the earliest uses of the term "PM" was made by Warren in 1972 (Warren 1972). He categorized the features of PM into several topics: Expectations, Skill, Feedback, Resources and Reinforcements (Armstrong 2009). These categories are still relatable, almost 50 years later. While Warren might have coined the term, PM is considered to have been established by Beer and Ruht in 1976 (Armstrong & Baron 2005). Their thesis was that "Performance is best developed through practical challenges and experiences on the job, with guidance and feedback from superiors." (Armstrong & Taylor 2017, p. 334). However, PM did not become a recognized process until the 1980s. In 1992, The Institute of Personnel Management conducted research that confirmed this. This project produced the following definition of PM:

"A strategy which relates to every activity of the organization set in the context of its human resources policies, culture, style and communications system. The nature of the strategy depends on the organizational context and can vary from organization to organization." (Armstrong & Baron 2005, p. 7).

During the 1980s, "forced distribution" was made famous by the then CEO of General Electric, Jack Welch. He argued that 20% of all managers were top performers, 70% were average and 10% of them were poor and not worth having on the payroll. The 10% of low performers were let go. Forced ranking has an objective, which is to achieve a proper distribution of ratings. Using a bell-curve could eliminate the "central rating tendency" of mangers not committing to giving low scores, even if deserved (Armstrong 2009).

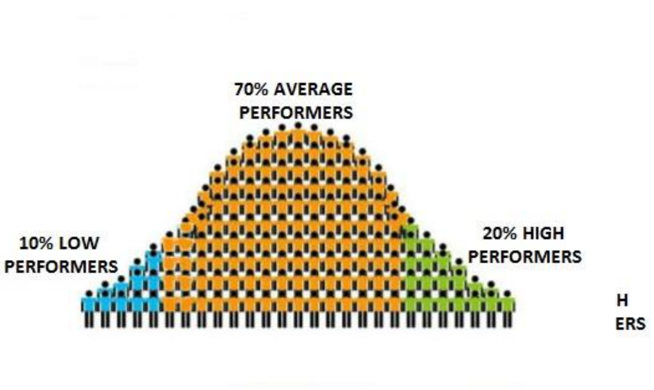

Figure 4: Bell curve with forced ranking (Blog.Synergita.com, 2019)

Although forced ranking ensures that not all employees in a company are rated the same, it has been difficult to find proof of other benefits of using a bell-curve. One direct disadvantage worth mentioning is that forced ranking can lead to a culture of fear and low morale, thus creating a demotivated workforce (Mikkelsen 2016).

In the early 2000s, performance appraisals were often used as a system to reward employees, to hold them accountable and separate the high performers from the low performers. However, there were some early signs of companies moving towards PD. When an audience of HR executives in 2002 was told that a company had moved away from annual reviews, they were appalled. Capelli and Tavis (2016) wrote in 2016 that the idea of removing annual reviews was radical back in 2002, even though this could be recognized as a return to PD and not the introduction of it, because there had been elements and systems like that before. Even so, the movement grew, and more companies followed suite and replaced the annual appraisals with frequent, informal check-ins between managers and employees. It is estimated that about 70% of multinational companies are now moving in the direction of PD (Cappelli & Tavis 2016).

Performance management defined

"PM is used by organizations where their employees set performance goals, determine performance standards, assign and evaluate work, provide performance feedback, determine training and development needs and distribute rewards" (Briscoe & Claus 2008, p.15). This definition by Briscoe and Claus is aligned with Armstrong's explanation of what PM is. Armstrong (2009, p.9) states that "PM is a systematic process for improving organizational performance by developing the performance of individuals and teams...within an agreed framework of planned goals, standards and competency requirements." Thus, PM is much more than appraising individuals. As a system, it contributes to achieving cultural change. When integrated with other key HR activities, it is an aspect of horizontal integration and a bundling of HR practices, making them interrelated and therefore complementing and reinforcing each other (Armstrong 2009). Given that there are so many different definitions, PM can take a variety of shapes and systems. The latter can be sophisticated or simplified, but there seem to be some elementary ingredients necessary for a successful PM system.

According to Latham, Sulsky and Macdonald (2008), a PM system has four steps. However, they will only be effective if the relationship between the employee and leaders is founded on trust. Latham et al. define the first step of a PM system to be that of defining the desired job performance in such a way that the manager and employee share an understanding of the expectations of the performance domain.

> "A performance theory should stipulate the relevant performance dimensions and the performance standards or expectations associated with alternative performance levels. How situational constraints should be weighted when evaluating performance, the number of performance levels or gradients and the extent to which performance should be based upon absolute vs. relative comparison standards" (Latham et al. 2008, p. 366).

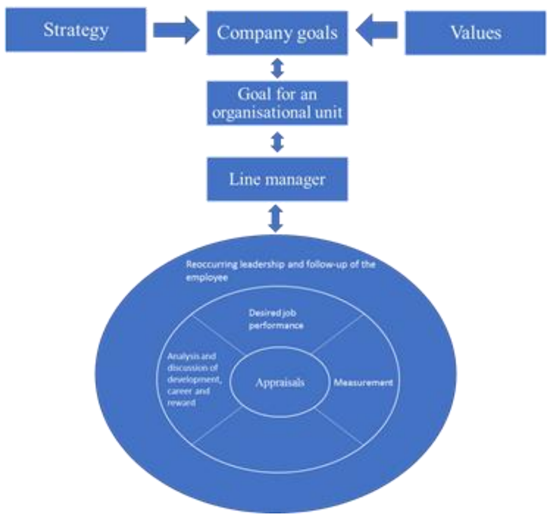

Figure 6: Illustration of a performance management system (Mikkelsen 2016)

By implication, the first thing an organization must define is what “performance” is. According to Latham (2008, p. 366) Campbell, McCloy, Oppler and Sager (1993) defined performance as “Behavior or action relevant to the attainment of an organization’s goals that can be measured.” In addition, job performance is defined as what one is or should be paid to do. A logical continuum of defining desired job performance is that one needs an instrument for assessing the performance, which should be used as a proactive tool for coaching and not just as an “after the fact” form (Latham et al. 2008). In order to ensure that this happens, leaders need to feel that the appraisal scales are useful; hence the importance of practicality. It will most likely be used as a basis for goal setting, and thus directly affect employee motivation (Locke & Latham 2002). Advances in technology have resulted in the continuous development of new assessment tools and improvements on the existing ones at a rapid speed. This in turn enables companies to use performance systems that align with employees’ advancement. A challenge, however, is to implement and exploit the available technology and to have an overview of the available technology at any given time. The new technology also requires specific competence and knowledge, meaning that companies and their employees must keep up to date with technological developments.

Raters and ratees might have differing definitions of what an effective appraisal system would look like, and organizational culture is a contextual variable that could be relevant to appraisal formats. An example of organizational culture could be that an organization values internal competition. This could imply that the organization is concerned with identifying high-potential individuals and thus might be inclined to use ranking rather than ratings (Latham et al. 2008). Balzer and Sulsky (1990) found that raters perceived appraisal instruments to be effective if they were easy to use. Another factor that favors efficiency is if the instrument is helping them to change their employees’ attitudes and behavior (Balzer & Sulsky 1990).

The second phase in a PM system is that individual performance must be observed and measured based on previously-defined criteria (Latham et al. 2008). The performance of individuals and organizations will be measured separately. Individual performance, for example, can be measured by reference to key performance indicators (KPIs) and metrics. They will define the results or outcomes initially identified as being crucial to the achievement of high performance. There is a difference in the ease of measuring quantified targets such as sales, compared to knowledge workers. When a distinction between the two forms of result is established, the difficulty is alleviated. The distinctions between them are measured in outputs, which are the quantifiable measurements, and outcomes, which are the visible results of effort but cannot necessarily be measured in quantified terms (Armstrong 2009).

When leaders or human resources officials are observing job performances, one challenge they might experience is the potential lack of reliability. First impressions, halo and "similar-to-me" are examples of such lack of reliability (Latham et al. 2008). To solve problems regarding lack of reliability, training is essential. Latham developed a workshop based on the three principles of learning: Active participation, knowledge of results, and practice. In the workshop, leaders would observe, give appraisal and receive feedback on their accuracy. Afterwards there would be a discussion of the rating errors that were made and how the leaders could avoid those errors in future appraisals. With training based on these principles, significantly more accurate ratings were given. Rating errors were also reduced to a minimum (Latham & Purcell 1975). Training often focuses on the ability to rate and not the motivation of the raters. A result of this is that the environment in which one gives the ratings must be considered. Organizational culture and politics play a role, with factors such as ethnicity, age and gender playing a part. An organization can reduce the number of raters who intentionally give an inaccurate appraisal by overcoming various social and political factors. One might see an advance in benefits as a result (Boxall et al. 2008).

The third phase is giving feedback to an employee, and the employee then setting goals to be achieved based on the original feedback. A goal has two main characteristics: Content and intensity. The content refers to the objective or desired result, while the intensity refers to how important a goal is for the individual trying to reach it (Mikkelsen 2016). Participation, communication, and other elements of the PM process are ways goals can lead to performance. Armstrong (2009) claims that specific and challenging goals lead to a higher performance than is achieved when there are no goals or generalized goals. If an organization succeeds in involving their employees in setting personal goals, their participation is likely to result in more challenging goals. As a result, the commitment to achieving those goals will increase (Armstrong 2009). There are several types of goals and the manner in which they are set will vary according to type. Examples are performance, behavior and development goals. For goals to be effective, they should be specific, measurable, achievable, relevant and time framed. A defining characteristic of PM is the integration or alignment of individual goals with the organizational objectives (Armstrong 2009). Companies must simplify the operationalization of their strategy, values and high-level objectives down to an individual level. This means they should focus on vertical integration. This bottom-up process could increase ownership of the objectives, as well as providing a channel for upward communication on key issues that affect the achievement of business goals. There are mitigating actions to address the two issues related to goal setting: predicting what is achievable and participation (Armstrong 2009).

Steps one to three culminates in step four. Now it is time for the manager to make decisions. Are any actions needed regarding salary increases, retaining, transferring, terminating, promoting or demoting? What training should get the highest focus and which employee requires what training? Can the leader use a numerical rating or is the evaluation more subjective? (Latham et al. 2008). When leaders appraise their employees, there are several biases they need to be aware of because they could affect the outcome. Hindsight, availability and confirmation biases can all play a part in the appraisal process. For most people, the outcome of performance is the most important criteria when evaluating an employee, and factors outside of the employees' control, negative or positive, do not change their opinion (Mikkelsen 2016). Appraisers form a judgment on the basis of what is readily recalled. This means that important events are likely to bias an overall appraisal of a person's performance. Appraisers also look for information that validates their definition of a solution to a problem. Thus, they look for data to confirm their preconceived performance of an employee (Latham et al. 2008).

These four steps are often part of a traditional PM system, in which communication and appraisals link the various HRM practices together (Mikkelsen 2016).

Objections to traditional performance management

Criticism of traditional PM is not a new phenomenon. Lawler (1994) claimed that the problem was that a performance appraisal system does not motivate employees and individuals, and it will never be an effective tool in their development. Building on Lawler's claim 20 years later, Pulakos, Hanson, Arad and Moye (2015) published a report in which they stated that 95% of leaders had declared that they were dissatisfied with the PM systems in place at their companies at that time. In the same report, 90% of HR-leaders declared that the PM system at their companies did not generate accurate information.

Subjective systematic evaluations have been done for decades, but research indicates that leaders are not capable of conducting exact evaluations of their employees (Murphy 2008). Even with the best of intentions, leaders fall short due to cognitive and emotional biases. Because of these biases, they will subconsciously and systematically make wrongful evaluations of their employees (Kuvaas & Dysvik 2016). “Idiosyncratic rater effects” refers to the nature of the relationship between a leader and an employee. The quality of their relationship, first impressions and whether the leader was involved in the recruitment process all effect an evaluation process. Because of idiosyncratic rater effect, the performance itself can be brushed aside in favor of the quality of the relationship between the evaluator and employee, or at least count as much as the performance of the employee (Kuvaas & Dysvik 2016). Moreover, how a leader evaluates performance and how employees evaluate their performance often differ immensely. Heidenmeier and Moser (2009) presented a metanalysis with a correlation of only 0,22 for self-reported and leader-evaluation.

Another challenge with traditional PM is the numerical summative ratings. A possible effect of adding numerical ratings as a label is the “fight or flight” instinct. The degree of gap in experienced performance evaluation will only enhance the experienced “defense-mode” that comes with the “fight or flight” instinct. If a company’s numerical rating is 1-5, being evaluated at 4 would be considered a good evaluation and performance. However, even if your performance is recognized as good, knowing that someone else scored better than you could evoke any of a number of reactions. Ignoring feedback, push back against stretch goals, loose motivation and rejecting positive role models are all examples of this (Rock et al. 2014). Sutton, Baldwin, Wood and Hoffman (2013) shows in their metanalysis that 60% of the variations in evaluations can be explained by how much the leader likes the employee who is being evaluated. When evaluations are perceived as imprecise, that could have a significant impact on an employee’s motivation. When employees experience injustice in evaluations, this could trigger turnover, absence, inferior quality work and antisocial behavior. This sets the organization up for challenges that have an impact way beyond the sphere of any specific evaluation. Antisocial behavior could, for example, take the form of a breach of the rules and regulations (Kuvaas & Dysvik 2016). Studies shows that poor summative numerical or verbal scores or negative feedback will have an unfavorable impact on the employees’ experience of the PM system and on the appraisal as well. One thought we can extract from this is that such ratings could hinder high quality performance and should be removed (Kuvaas & Dysvik 2016).

Furthermore, PM can foster an incorrect view of human growth and learning. Rock, Davis and Jones (2014) state that several organizations have a fixed mindset culture and reinforce that mindset with its PM systems. A fixed mindset culture can prevent employees from accepting difficult stretch tasks from which they can learn. People will be afraid to fail, and this can lead to cheating on tasks to ensure that they “get ahead” of the rest. However, if the organizational culture were built on a growth mindset, and the PM system in place were to emphasize that, the result could be an organization of effective, high-performing and learning employees. This could reduce attrition, increase productivity and boost collaboration and crowd-sourcing (Rock et al. 2014).

Performance development

Performance development defined

Performance development is a form of performance management system. As a response to alleged shortcomings in the traditional PM system, a direction and process emerged called "PD." The purpose of the latter is to continuously develop employee's knowledge, skills, abilities, attitudes and motivation to enhance their work performances. Whereas traditional PM tends to be a cyclic process with four specific steps, PD must be a continuous process for it to have the optimal effect (Kuvaas & Dysvik 2016). While the traditional PM system tends to rely on formal appraisals and predefined conversations, this is not a necessity for PD. The system's purpose is to use effective feedback in addition to a strong focus on the employees' strengths rather than their weaknesses. Doing so should ensure that organizations get the best out of their people (Kuvaas & Dysvik 2016). The latter is the purpose of PD; thus, a tailored approach to recognizing each employee's abilities, knowledge and level of skills is important. This means that the traditional standard "recipe" for feedback often witnessed in traditional PM should be cast aside (Kuvaas & Dysvik 2016). In an organization in which PD has been implemented, it is essential that leaders understand their roles as leaders and how crucial they are to the organization's success. "The leader is one who walks in front and shows a way, who creates commitment and activity, who mobilizes people around him" (Glasø 2015, p. 231). In a PD system, in which continuous feedback, regular meetings and development over time is key, the leader's role is to know or find out how to develop the various members of the organization. This takes time and can be a challenge.

One way of ensuring that the employees of an organization experience an increase in mastery or competence is by utilizing the principles of PD, namely a strong focus on the employees' strengths, as mentioned above, positive feedback on how they are using these strengths and encouraging the use of those strengths (Kuvaas & Dysvik 2016). If the organization, in addition to this, involves its employees in decision making and problem solving, they could further enhance and reinforce their autonomy and intrinsic motivation, and thus their performance (Kuvaas & Dysvik 2016). PD constitutes an attempt to utilize intrinsic motivation and research related to that topic, and contextualize it, together with prosocial motivation and relatedness, as found in SDT.

Objections to performance development

One of two main objections to PD is that there is not enough time. In many organizations, there are too many employees per manager and it is considered time consuming to have regular check-ins with every employee. If this is the case, the organizations might not be organized in such a way that it can accommodate a system in which the managers have sole responsibility for providing feedback. There are two options: provide alternative feedback sources or change the organization to drive efficient PD (Kuvaas & Dysvik 2016). One example of alternative feedback sources is 360-degree feedback, which will be explained in detail below. The second main objection is that PD does not satisfy the administrative purpose of the PM system in terms of justifying and making decisions about bonuses, salary, promotions and training (Kuvaas & Dysvik 2016). Another objection is related to the regular meetings between manager and employee. Organizations should be careful, so the regular check-ins do not reduce the employees experienced autonomy. Deci and Ryan (2008) stated that autonomy is one of the three universal necessities and nutriments for human development and should therefore be nourished and not reduced.

Agile performance management

Agile performance management defined

Agile performance management (Agile PM) is yet another performance management system. As a response to scholars and theory regarding how PM can have a bigger impact, several organizations have changed their performance systems to become more agile (Adler et al. 2016). "Agile means fast, and is often used in business contexts as the ability to adapt to changes in the market or environment in a productive and cost-efficient manner" (Dyer & Ericksen 2009, p. 436-457). The most important characteristics of an agile performance management system are a focus on development and regular "check-in" meetings. Agile shares with PD the notion that a workforce in which the workers have high capabilities and competence due to ongoing development will perform at a higher level than those working for an organization in which that is not the focus (Mikkelsen 2016). Continuous feedback, communication and coaching are action points in place to ensure the development of individuals. The idea is for leaders and employees to have one-on-one meetings as often as once a week, in which they discuss work, good performance and improvement areas (Mikkelsen 2016). For organizations that consists of teams, projects, etc., it is important that they all push in the same direction. The intent is to build collective competence and learn from experience. Feedback and the tools to give and receive it from all parts and levels of an organization are required to make this strategy effective (Mikkelsen 2016).

Table 1: Summary of an agile performance management system.

Agile performance management
Designed for organization based on teams
Focus on development and future performances
Regular check-in meetings
Social recognition
Goals can easily and quickly be changed if the organization or company changes its goals
Continuous feedback
Use of coaching and "just-in-time" learning
Crowdsourcing

Objections to agile performance management

There are objection to agile PM. Although the regular check-in meetings could help keep employees engaged, and they constitute an arena for raising questions, and will help create a good foundation for yearly evaluations, they could also be a source of negative experiences. The feeling of being controlled and micro-managed might directly impact on employees' sense of autonomy. A lack of autonomy is often seen as a cause of reduced motivation and could thus lead to less productive employees. Leaders who have large number of direct reports to process will also see this as an extra burden that could be overwhelming. The time spent on these regular meetings could very well eat up all their time. This will introduce the risk of the performance management system becoming too bureaucratic. Both leaders and employees will have to spend time away from their primary tasks.

Agile PM can also be difficult to introduce for companies with branches throughout the world. It is not universalist, that is, independent of context. Local law and culture will have a big impact on how several of the aspects of agile PM is perceived. For example, a successful agile PM in China could not necessarily be transferred to the US as an ideal model and prove successful for the local organization there. The use of social recognition could motivate some employees, but there is also the risk of alienating workers with social recognition systems. The use of this and the alienation it might cause could lead to fear and health issues.

Goal theory

Goals are essential in a PM system. Goals and feedback are necessary parts of an evaluation process, whether the evaluation is performed according to PM or PD. Locke and Latham's goal-setting theory (1990), which is premised on their research findings, substantiates this (Latham 2001):

1. Specific high goals lead to higher performance than setting no goals or setting an abstract goal such as "do your best"
2. There is a linear relationship between goal difficulty and performance
3. Variables such as feedback, participation in decision making, and competition affect performance only to the extent that they lead to the setting of and commitment to specific high goals
4. Three of the four mediators of the goal-setting performance relationship are motivational, namely direction, effort and persistence; the fourth is cognitive, namely, task strategies

Goal setting theory

Motivation and cognition are rarely separated, and cognition is inherent in motivation. Needs, values, and context affect how to set goals and what strategies to use to attain them (Latham 2012). In the 20th century, Locke (2000; Locke & Latham 2005) reviewed the goal-setting literature and found that knowledge and ability to perform mediate all goal effects. In other words, knowledge is a key element of goal theory and employees will not be able to attain the goals without the knowledge of how to do so. Cognition will affect the goal-setting process because it determines how high goals can be set based on an individual's comprehension and what one is able to do regarding making decisions and solving problems or carrying out a task. Goal setting will have various effects, depending on the context in which it is set. Based on this, a distinction is made in goal theory between performance goals and learning goals. Performance goals relate to the performance of work tasks and achieving a specific result (Mikkelsen 2016). In 2000, Brown and Latham conducted a study on performance goals (Brown & Latham 2000). Their focus was on unionized telecommunications employees who wanted to attain a specific outcome. Brown and Latham found that these employees had performed highly and indicated high job satisfaction in their performance appraisal process if specific, high goals had been set. This coincides with Locke and Latham's findings from 1990; specific high goals lead to higher performance than setting no goals or setting an abstract goal such as "do your best." (Locke & Latham 1990).

In addition to performance goals, it might be beneficial to set learning goals. These include learning, competence enhancement, personal development, and how to improve performance and develop knowledge and skills (Mikkelsen 2016). The effect of setting specific, challenging learning goals has been researched the most in the current century (Latham 2012). A learning goal is beneficial when an individual does not yet have the knowledge or skill to perform the task at hand. This is because a learning goal draws attention away from the result and sets the focus on understanding how to perform the task instead. Drach-Zahavay and Erez (2002) found that individuals who were given a specific learning goal performed better than individuals who had no specific performance goal. In a similar study, Kozlowski and Bell (2006) claimed that a learning goal, rather than a performance goal, led to higher performance on a radar-tracking task. Latham, Seijits and Crim (2008) said that, using a complex scheduling task, that the higher the learning goal, the higher the performance. Additionally, Locke (1965) had previously found that a learning goal appeared to be more beneficial for individuals with low ability. It appears that by setting high learning goals, individuals with lower cognitive ability can raise their performance levels relative to those with higher cognitive ability. This indicates that performance goals should be determined by the knowledge and skills the individual already possesses, whereas learning goals should be determined by knowledge and skills the individual is yet to acquire. Moreover, both goals are equally important, depending on the context (Latham 2012).

When employees create performance goals or development goals, they need to be effective (Kuvaas & Dysvik 2016). For goals to be effective they should be:

- **S**pecific
- **M**easurable
- **A**chievable
- **R**elevant
- **T**ime based

(Doran 1981). In other words, they should be SMART. In addition to simple, short and precisely designed (Mikkelsen 2016). Professor Robert S Rubin (mindtools.com 2019) notes that the SMART acronym could need an upgrade to reflect the importance of efficacy and feedback. It should thus become SMARTER to include Evaluated and Reviewed. Pulakos and O’Leary (2011) however, claim to have discovered a negative consequence of using

SMART goals. They say that “writing SMART performance objectives or goals that cover an entire year is difficult, and many people are unable to capture the specificity that is required for SMART goals to effectively drive performance over such a long time” (Pulakos et al. 2015, p. 53) Given that, SMART goals could be better suited for ongoing PD rather than a yearly cyclic process like PM tend to be.

There are two important determinants of employees being committed to and engaged in their goals:

1. How important the goals and their results are to the employee
2. If the employee has faith that they will manage to reach them

(Mikkelsen 2016). A goal-setting process is typically divided into several stages. Managers inform their employees that the goal-setting process for the upcoming year should start. In preparation, the managers usually advise their employee to create context for the current goal-setting process. That would include strategy, values and high-level objectives. Employees are then expected to draft performance and development goals. The drafted goals are then discussed with the manager as part of their follow up dialogue. Criteria for measuring the goals and the measurement of success are set by the individual. The managers review the employee’s goals and communicate and discuss any changes needed before signing off on the agreed goals (Mone & London 2002). Latham and Locke (2006) introduced a table showing the benefits of and potential obstacles in a goal-setting process:

Table 2: Benefits and potential obstacles in a goal-setting process.

Benefits in a goal setting process	Potential obstacles in a goal settings process
A sense of purpose	Lack of knowledge for goal attainment
Increased performance	Fear of risk-taking
Increased subjective well-being	Demoralizing

After the goals have been drafted and implemented, the employee’s performance can be measured against goal achievement.

Measurement

There are two main approaches to measuring performance. The first one is to measure whether enough effort has been made and whether it is up to standard. The second perspective is measuring to facilitate development and growth (Mikkelsen 2016). When performance is measured, one should be able to define it: performance is what employees do, the effort that is being put in, and not the results or the outcome. (Kuvaas & Dysvik 2016). One of the main criteria for measuring performance is that the employees accept the criteria they are being measured by and that they find them fair (Mikkelsen 2016). They need to trust that the measuring is reliable and that it is not based on personal characteristics or prejudice. In addition to that, they should measure predefined goals. A transparent process in which the entire organization is participating, and the benefits and disadvantages are discussed by the leader and employees, will help to prevent errors in measurement (Mikkelsen 2016). To avoid errors, the measuring must be reliable and relevant. In other words, when two individuals evaluate the same performance they should get the same results and they should be consistent over time (Ringdal 2001).

Mistakes do occur during the measurement process for example, it could be based on personality traits rather than individual performance, or biased by religious or racial prejudice, or the employee might be held accountable for conditions that he or she had no control over. As lack of consideration regarding what is seen as fair in the organization could also be a source of possible wrongdoing when measuring performance (Mikkelsen 2016). One of the most common mishaps is related to convenience. The process of measuring performance and providing feedback is time-consuming and requires resources. This can lead to measurement of what is most convenient, not what is most important to the organization. When employee performance has been measured, feedback must be provided with respect regardless of the level of performance (Mikkelsen 2016).

Feedback

Goals and feedback are mutually dependent on each other and consequently work better together than they do alone, affecting goal accomplishment. Goal setting without feedback does not affect performance (Erez 1977) and feedback increases performance only if the goals are specific and of a high level (Locke et al. 1968). DeNisi and Kluger (2000) report that feedback is effective when it (a) is focused on the behavior rather than the person, (b) is selective so as not to overwhelm the person, (c) is focused on the behavior that is desired, and the way to demonstrate it, and (d) is used as the basis for setting specific goals. The aim and purpose of feedback is to show the possibilities and route to further development and improvement. Feedback can thus be positive when it recognizes success and is constructive if it is used to identify areas for improvement that can lead to positive actions. Having the power to help improve performance and increase motivation makes feedback to individuals on how they are doing one of the key PM processes (Armstrong 2009).

Measurement of performance and results, together with feedback connected to the employee's performance, are two of the focus areas in PM. In PM, the focus has traditionally been on previous performance and delivery to determine bonuses or promotions. Feedback can be a strength for PM; however, it can also be a challenge. Contrary to common beliefs and the intention of feedback, receiving feedback can often lead to deficient performance (DeNisi & Pritchard 2006). The reason for this might be found in the actual feedback employees receive. Feedback is often negatively framed, and human nature is such that the recipient might become defensive and interpret the received feedback as criticism. It is important that the conversations between the leader and employee are planned, prepared and individualized. The experienced feedback and conversation should empower employees to take ownership of the feedback and control the process. To ensure this, employees must be allowed autonomy and leaders cannot use standardized solutions for all employees. Unfortunately, many organizations fail in this regard and have continued with standardized solutions, even if the outcome of their PM system has been poor (Kuvaas & Dysvik 2016). In a metanalysis, Kluger and DeNisi (1996) found that organizations can only expect moderate positive effects from "feedback." However, their analysis shows that as many as 33-38% of all feedback can evoke a negative reaction of some sort. With empirical evidence demonstrating this to companies, it is perplexing that such a high number of them use standardized PM systems (Kuvaas & Dysvik 2016).

Another challenge related to feedback is the timing of it. Poor timing often refers to the feedback being given too long after the actual performance or task being completed. If the organization has not introduced continuous feedback, this can lead to reduced learning and development rewards. One can ask what an employee is to learn from feedback related to a task completed, for example, seven months ago? In addition to this, organizations risk leaving unmanaged insufficient performances that should have been addressed as early as possible. As previously mentioned there might be a big gap between the leader's and employees' experience of performance. Giving feedback on performance finished months ago will only widen that gap (Kuvaas & Dysvik 2016).

When determining further training, promotions and bonuses based on performance, organizations with a functioning performance system have a greater chance of their employees understanding and accepting a decision regarding pay or promotions. Employees are more likely to understand and accept an explanation of whether they have met their goals or delivered above or below expectations if such information is founded on regular check-ins rather than an end-of-year appraisal and a numerical rating (Kuvaas & Dysvik 2016).

In PD, feedback should be based on knowledge and skills, what they deliver and how they deliver it. The feedback should be continuous and closely connected to the task, and the employee's knowledge and skills. Personal capabilities or personal characteristics should have no place here, especially when it comes to corrective or negative feedback (Kluger & DeNisi 1996). Following that, there can be a progression to the next task or project. For organizations to achieve this, they should introduce a system based on feedback referenced to the task, rather than feedback on personal skills and characteristics (Anseel et al. 2011). Traditionally, feedback is provided by an employee's direct superior and is used as an instrument to correct an employees' effort related to his or her previously set goals (Mikkelsen 2016). A study published more than 50 years ago showed how negative corrective feedback could be perceived as destructive for one's self-image and can lead to defensive reactions. Such an experience for employees can lead to a weaker goal achievement and negative attitude towards their leader (Kuvaas & Dysvik 2016). As mentioned above, Kluger and DeNisi (1996) found that 38% of feedback interventions had negative effects on performance. Negative feedback requires closer follow-up and needs to be constructive and useful so that it does not lead to negative reactions. In addition to that, negative feedback should also consist of suggestions and instruments for improvement (Mikkelsen 2016). For employees to perceive the feedback process as something positive and use the information to grow and develop, it should be used to identify the employee’s strengths and to give positive feedback on how to attain the desired behavior and results. If organizations can ensure that, the experience could be something positive and boost motivation (Kuvaas & Dysvik 2016). In the context of leaders giving feedback, the feedback must be customized to each employee. The leader must know his or her employees and what their strengths and weaknesses are. By knowing that, leaders should then be able to motivate the further development of their employees. When feedback is perceived as valuable, employees will request it more actively and frequently (Tuckey et al. 2002) and development will occur. It is important to seek feedback. It will increase the likelihood of people creating goals, which in turn will increase the quality and quantity of performance (Renn & Fedor 2001). Even though this relationship between the leader and employee is true for all performance systems, it is essential to achieve the ongoing development one is striving for in PD.

Feedback does not have to be provided by an employee's direct superior, but it should come from a trustworthy source (Kuvaas & Dysvik 2016). Yukl and Lepsinger (1995) define feedback from multiple sources or “360-degree feedback” as “a performance appraisal approach that relies on the input of an employee’s superiors, colleagues, subordinates, sometimes customers, suppliers and/or spouses” (Yukl & Lepsinger 1995, p. 45). Potential raters in a 360-degree appraisal system can be leaders, colleagues, suppliers, customers, or supervisors (McCarthy & Garavan 2001). If an organization has a 360-degree feedback culture, one of the advantages will be different perspectives. Feedback provided by several sources will reduce the risk of only one subjective opinion and it can provide a better understanding of the roles and tasks, and thus facilitate a broader perspective (Mikkelsen 2016). A 360-degree culture in organizations can thus reduce the idiosyncratic rater effect (Kuvaas & Dysvik 2016). There are some downsides to such a culture. It will generate a vast amount of information and data that needs processing, making its time consuming and thus expensive. The analysis of the data also creates a challenge. For the best result one should have special knowledge of analyses. However, it is not likely that the general population in an organization possesses that special knowledge, calling into question the end results (Mikkelsen 2016).

In 360-degree feedback, where feedback comes from different members of the organization or even outside the organization, not only the leader, this can be uncomfortable, and instigate feelings of unrest, worry, and be demotivating. If leaders do not have emotional intelligence (EI), it can be difficult to recognize these emotions and development can stagnate, and possibly result in less productive employees. EI includes several complementary skills that leaders should possess, such as empathy, self-regulation and self-awareness (Yukl 2013). On the other hand, if EI is mastered and the leader recognizes these emotions in their employees, the former can help the latter to regulate them and create a safe environment to receive and give constructive feedback. Successful emotional regulation can promote development and growth among employees in the organization and can promote positive feelings and confidence, which increases work satisfaction (Glasø 2015). Leaders who have emotional intelligence will be better equipped to solve problems, manage crises, and adapt their behavior to differing situations (Yukl 2013). All of this will increase leadership effectiveness and contribute to development in the organization, as well as to the development of the individual employee.

An objection to introducing 360-degree feedback is that if an organization is to exploit the full potential of its employees, it is crucial for the participants to master the art of providing good feedback. Organizations must realize that the level of feedback their employees provide will vary in quality. This will in turn commit the organization to spending enough time and money on training to ensure the competence needed. In addition to the expenses related to training the organization, it is also expensive because of the time consumption. Another objection to 360-degree feedback is that when asking for feedback from multiple sources in the organization, in worst case, it may be perceived as indicative, but at best, a very expensive feedback system due to the huge amount of data and information to analyze and communicate (Mikkelsen 2016).

The feedback that has been collected is usually provided in a yearly appraisal or continuous follow-up conversations between leader and employee. The next chapter in our theory section will describe the appraisal process.

Appraisals

Performance appraisals are common in both the private and public sector and are viewed as a symbol that employees as a human resource should be taken seriously. Performance appraisal is defined as

> "A systematic summary conversation between leader and employee, usually one or two times each year. The dialogue covers areas such as assessment of qualifications and results achieved, a review of goals, competence development plans and training plans for improvement areas and agreements on how the individual employee should be followed up" (Mikkelsen 1996, p. 16).

The performance appraisal provides an opportunity to integrate the HRM practices that makes up the four steps a PM system consists of. For those steps to work, there needs to be a relationship based on trust between the leader and employee. The psychological contract between the leader and employee was defined by Rousseau (1995) as an individual's perception of the commitment between one person and a counterpart. How that contract is perceived will determine how one thinks and acts in an employment relationship (Mikkelsen 2016).

Performance appraisals are a widespread HRM practice, related to extensive research, and have been practiced by organizations for years. Several studies have found that few organizations benefit from performance appraisals, despite its extensive use. The reasons for that could be how they are executed, what purpose they serve, and the employees' experience of them. To ensure a positive outcome from the performance appraisal, the employees should have a positive experience. The main rule is that there should not be any new and surprising evaluations or information (Mikkelsen 2016). The feedback received during this conversation should be perceived as correct and relevant. If this is not the case, there is a significant possibility that a performance appraisal could lead to a decrease in motivation, attitude or performance (Kuvaas & Dysvik 2016). Several organizations have standardized forms meant to be used by all employees in the same setting. However, Kavanagh, Benson and Brown (2007) demonstrate that the most important aspect of explaining employees' experience of a performance appraisal is good evaluations. They also refer to the understanding of the content, a neutral leader, two-way communication and involvement as important aspects of the performance appraisal experience. Wright (2004) states that the feedback should be specific and focused, and that the conversations are planned. Just like Kavanagh, Benson and Brown (2007), Wright (2004) referred to involvement in and ownership of the process. A high degree of autonomy is thus needed in organizations to help ensure benefitable results from their performance appraisals. This means that the performance appraisal should be tailored to fit each employee's specific situation and requirements (Mikkelsen 2016).

How to analyze and assess performance - With or without ratings?

In PM, performance is assessed and analyzed. Even with a forward-looking performance system such as PD, there is the need to know what has been achieved and how this occurred. As noted above, people's performance was traditionally measured and categorized according to scales. Rating scales, for example, tell us the level of performance achieved by an employee. There are several types of rating scales and they can be defined alphabetically, numerically, verbally, etc. The most used scale historically was the five-level scale (1-5), which usually allows for two excellent performance levels (4 and 5), one middle grade, which indicates that the employee's performance met expectations (3), and two levels of poor or below expected behavior (1-2) (Armstrong 2009).

Most companies and organizations use ratings in one form or another as part of their PM or appraisal system. According to Armstrong (2009), there are several reasons for which organizations should use ratings but also numerous arguments against. He summarizes them as follows:

Table 3: Arguments for and against ratings.

Arguments for ratings:	**Arguments against ratings:**
People have a natural wish to know where they stand.	They are largely subjective
They provide a convenient means of summing up judgments so that high and low performers can easily be identified	Difficult to achieve consistency between ratings given by different raters
There is motivation in striving for higher ratings	The understanding of performance is often unclear
Not possible to have performance-related pay without an overall rating	To sum up a person's overall performance, with a single rating is oversimplification
Ratings can provide a basis for identifying high performers for a talent management program or predicting potential.	To label person's as below-average or average is demeaning and demotivating.
	The entire appraisal meeting might be dominated by the fact that at the end of the meeting a rating will be issued.
	Limits forward-looking and developmental focus in appraisal meetings.

This table does not indicate when an organization should or should not use ratings. What it does do, however, is to provide an overview of possible risks and gains organizations need to be aware of and act upon. This can be done, for example, by implementing “Best practice HRM” and “Best fit HRM.” Even though arguments against ratings are strong, as shown in the above table, most organizations use ratings in one form or another. The reason for this, according to Armstrong (2009), is threefold:

1. It informs performance pay decisions
2. It identifies high flyers for talent management purposes, or poor performers for remedial action or dismissal
3. It tells employees where they stand

Organizations that favor the “non-rating” arguments and want to focus on developing their employees and perhaps even remove the performance pay element, have other options when analyzing and assessing performance. Removing ratings and/or the performance pay element does not eliminate an organization’s need and wish to analyze and assess their staff’s performance. One method is the “critical incident technique” developed by Flanagan in the 1950s. Here, appraisers would focus on serious behavior incidents, because they would want to build a solid understanding of how well employees are performing. These incidents should be kept on record by managers and used as evidence for employee’s actual performance when discussing it with the employee during review meetings. Flanagan advocated that both negative and positive incidents should be recorded, and that it was better to record the incident when it happened, rather than to wait for a set review meeting later in the period (Flanagan 1954). This way of thinking is something that resonates with more recent performance theories as well. Even though some of Flanagan’s approaches to appraisals and reviews still subsist in modern theories, his critical incident technique did not become popular at the time it was introduced. Critics of the method claimed that recording critical incidents was a way for managers to keep a “black book” of their employee’s poor performances. In addition, Flanagan’s method was viewed as time consuming and critics argued that it would be difficult to turn the incidents into ratings (Armstrong 2009).

“Visual assessment” is a method that can be used by organizations that do not want to use ratings. Managers and employees agree on where in a matrix or grid the employee should be placed. Using a matrix such as the one illustrated in Figure 3 above provides a basis for analysis and discussion. Some argue that visualizing performances in a matrix provides a better basis for these analyses and discussions than ratings. Similar matrix methods have also been used to analyze and present employee’s performance measured against their peers. This approach is not meant to be used as an appraisal rating, but to ensure that employees focus on what they do well, how they can develop further, and which areas they should focus on in order to improve. The visual presentation is supposed to facilitate a discussion in which contribution is measured against the full role demands, as opposed to a short-term focus (Armstrong 2009).

According to followers of the “rating free” movement, PM is about analysis and forward-looking actions related to enhancing strong areas and improving development areas. The aim of the analysis should be to identify the best and low performers in organizations; thus rating-free performance managers are using one argument for rating for their own benefit and proving that it is possible to find high-flyers and low performers without having ratings. A written overall summary of the level of performance can be recorded by managers. This ensures that managers understand their employees’ performance, and that they archive the details for later use. However, this introduces the abovementioned possible pitfalls with evaluation. People will have differing views on how to analyze and assess performance. However, a framework for the analysis could help mitigate these risks (Armstrong 2009).

Analysis and assessment are important and an inevitable activity in PM. Nonetheless, it is difficult to ensure a positive outcome of the activity. Moreover, it is an activity that is not easy to get right. Using ratings or rankings often has little or doubtful value and organizations have the possibility to choose from varies analysis approaches, including visual assessments (Armstrong 2009). It is the analysis and assessment that will lead to the reward outcome for employees, this will be described further in the next section of this chapter.

Reward

There is an understanding shared by some that the sole purpose of PM is to generate information used in pay decisions. However, this is not necessarily the case. While PM can facilitate several rewards, these rewards can take many shapes and in a variety of contexts. According to Armstrong (2009), the purpose of PM should be related to the development of people and rewarding them in the broadest sense.

Rewards can be divided into two categories: non-financial rewards and pay. Examples of non-financial rewards are recognition, opportunities, development, planning and enhanced job engagement (Armstrong 2009). The purpose of non-financial rewards is to recognize people's achievements and strengths, and to use feedback actively to praise and evaluate performance. Providing opportunities to develop skills is a way of motivating employees and planning their careers. Focusing on intrinsic motivation to enhance job engagement and integrating organizational goals with employees' goals are also important non-financial rewards. It should always be the objective of PM to achieve this (Armstrong 2009). As mentioned above, for many the primary purpose of PM is to ensure that organizations make informed pay decisions. One of the most common methods for companies to link PM and pay is through ratings. An employee would know, based on his or her rating on a specific scale, what that year's pay decision will be. However, if the organization does not use ratings, they could turn to "holistic assessment" as a method of deciding on potential rewards. Employees' performance and contributions are assessed, and possible rewards and base pay increases are consequently decided. This method is reliant on a "reference point" when deciding base pay rises. According to Armstrong (2009, p. 252), this represents the "rate of pay appropriate for someone who is fully competent in the role and will be aligned to market rates in accordance with the organizations market policy". The holistic assessments are heavily dependent on managers and their evaluation and judgment. There are potential pitfalls related to managers having that much say and organizations should communicate clearly how this process is operated and how individual decisions have been made (Armstrong 2009).

How organizations set out to achieve their objectives related to reward and how successful they will be varying, of course. For example, if ratings are used, that can cause a conflict with the developmental focus of the organization. Thankfully, there are HRM practices and best fit HRM that can help companies and lead the way to success.

Research questions

This thesis has the following research questions:

1. What was the motivation and employee well-being among the employees in Secreta before the removal of performance ratings?
2. What is the experience with the new Performance Development system?
3. In the period after the removal of numerical ratings and the introduction of Performance Development, has there been an increase in motivation and well-being at Secreta?

Design and method

Context

From interviews with Secreta employees, we have learnt why there was a shift from PM to PD in 2018. Secreta chose to move away from their retrospective previous way of leading and evaluating their employees. They wanted to know how they could help their employees grow and develop. The previous backward-looking focus on ratings and calibrations was no longer preferable. Their new focus was forward-looking with continuous feedback and development. Instead of having employees who worried about biased evaluations, being accused of disloyalty if they spoke their minds, and other concerns often related to a rating system, the focus would now be on the employee's strength and their possibilities to grow and develop.

Secreta

Secreta is an international energy company. In order to comply with Secreta's desire of being anonymous, we cannot elaborate any further related to context and information about Secreta.

When analyzing Secreta it has been interesting to see if they have implemented any of the above mentioned HRM best practices from the consensus list of the most important best practices.

Secreta has offices all over the world and thus touches upon difference in job security related to local law and legislations. One thing, however, that is the same for all employees is the internal job market. Secreta advertises its external vacancies on Secreta.com and on social media and all applications are submitted online. The recruitment process could be several rounds of interviews and applicants might also be asked to perform psychometric tests. This is evidence of a selective hiring process.

Secreta is a large hierarchical organization that consists of several companies and several teams. Secreta is introducing LEAN throughout its organization and thus the focus, in line with the "lean approach," will be participation, standardization of work and control through direct supervision by a team leader (Niepcel & Molleman 1998).

Training, development and the opportunity to pursue a career in the company are covered by Secreta through several processes and methods. All employees have access to an intranet page where vacancies are posted, and all employees are encouraged to have a development plan, both short-term and long-term. The development plan is used in the internal job application and interviews. Secreta has its own “corporate university,” at which training of all sorts is available for employees.

In Norway the work-life balance has to a large extent been regulated by rules related to work hours, overtime, parental leave, the right to a kindergarten, holiday, and pay when sick (Mikkelsen 2016). Flexible working hours gives employees the opportunity to partly dictate their schedule, which enables empowerment and autonomy. Holidays are covered by local legislation and might vary. As an example, in Norway, employees are entitled to five weeks holiday per calendar year.

Autonomy, involvement and participation relates to employees’ influence in the decision process for their own jobs, work terms and plans for the organization (Mikkelsen 2016). Examples of this at Secreta would be the development plan each employee has, flexible work hours, participation in projects, registering own working-hours etc. There seems to be a high degree of autonomy that helps build the mutual trust needed to boost performance (Mikkelsen 2016).

Appraisals are a part of the PD system at Secreta. The company has not stipulated a specific number of times that their leaders should have appraisal sessions with their employees, but at least two every 12 months has been mentioned as a guiding point. Appraisals are supposed to be an ongoing, continuous effort reflecting on development, performance and achievements, goals etc.

Previous performance management system in Secreta

Secreta replaced its old PM system in 2018. The old traditional system consisted of several steps, like the ones Latham, Sulsky and Macdonald (2008) suggested that a PM system had to have to work. The system was premised on a calibrated performance evaluation that was intended to link the company’s overall goals and the evaluations down to an individual level. The yearly process was supposed to be the driving force for engagement, collaboration and performance across the organization (Subject 5). The focus of the appraisal was performance in the preceding year, including addressing strengths and improvements areas, giving the process a historical perspective. At the same time, it was supposed to drive performance and learning in the future. The goal setting, feedback and appraisal could be in a hard copy form, but the default method was using the online “Ratio-In-Secreta” tool available for all permanent employees. External and temporary employees are not a part of Secreta’s PM system (Subject 5).

Employees should create meaningful, challenging and inspiring performance goals. A performance goal could be an individual goal, or a team goal, and managers had the possibility of cascading goals to their direct reports. Employees were encouraged to create SMART performance goals (Subject 8).

The appraisal was divided into three categories. The employees and their managers reviewed the employee’s goals and development for the previous year. The focus was on what the employee had achieved throughout the year and how it was achieved (Subject 8). The intention was to be a continuous process during the year, although this step was open only in a fixed period during the year. The employee and manager separately evaluated each of the employee’s goals and gave a numerical rating, followed by a comment on each of the employee’s goals. The numerical rating scale was 1-5 (Subject 8)

The performance review period opened on 1 December and closed 31 January. Leading up to the “performance review” step, the leader would have appraised and evaluated the employees who reported directly to them based on qualitative data and a holistic assessment. Now they would be part of a performance review meeting, in which the employees’ final rating would be settled. These review meetings consisted of an organizational unit’s leader’s leader (owner of the session), the unit’s leader (participant) and a HR support (facilitator). The review meetings had to be conducted in that period and it was the owner’s responsibility to finalize the meeting (Subject 8).

The performance dialogue between employee and leader was the next step. Now, ratings and comments made by leader during the performance review would be visible to the employee. Both parties were given the opportunity to update previous comments or write new ones. The dialogue ended once the leader had completed updating the employee’s appraisal form and was ready to send the form to the employee for sign off. This would lock the performance form for any updates and signified finalized evaluation. The employee needed to confirm that he or she had completed the dialogue satisfactorily by signing it (Subject 5).

Participants close to the change project and personnel working with the "PD" process indicated that after a thorough internal evaluation, the old system was deemed to be time-consuming and not at all motivational (Subject 8). Too much focus was given to the ratings, without seeing any connection with development and growth for the employees (Subject 5). Moreover, leaders gave their employees a higher rating than they would have liked to, because they anticipated having to reduce the rating in the calibration sessions (Subject 8). The system was also built in a such way that all the focus was on previous delivery instead of the present and the future. The system did not drive performance and development at Secreta and thus had to be replaced. This conclusion led to a project to implement a new PD system for Secreta (Subject 5).

New performance development system in Secreta

Secreta's new agile PD system, is an ongoing dynamic process for goal setting, feedback and evaluation. The process is driven by an online system named "Ratio-In-Secreta." Secreta's values are the basis of the PD system. Secreta employees are encouraged to create performance goals throughout the year, in addition to the performance goals, every employee should have a development plan.

Continuous feedback as a module and mindset in Secreta's PM system was introduced in 2018. Summarized, it consists of feedback, and some "action points" which are connected to each employee's performance goals. Everyone has a responsibility to give feedback to others to support performance and development. The heightened focus is for the feedback to be continuous and that employees should give and ask for feedback from across the organization, basically making this a 360-degree feedback culture. The module is also meant to support alignment between Secreta's strategy and values. Continuous feedback is the basis for the performance process and should enable employees to leverage others' input and contribute to others' success. Continuous feedback should also include positive input about the performance of one's colleagues and help focus on development. This module is also in place to ensure that evaluation, reward and talent outcomes are based on feedback from multiple sources, rather than only on the manager's opinion. Giving feedback is everyone's responsibility throughout the company, and thus employees are highly encouraged to participate. The feedback employees receive is by default not visible to their managers and the reasoning behind this is that the employee who receives the feedback owns it. That ownership entitles the employee to choose whether he or she wants to share it. There are two exceptions to the default rule. The first is if your leader gives you direct feedback and the second is if your leader asks someone in the company for feedback on his or her employees.

Employees' goals, the related achievements and feedback are recorded in a "form" that is stored in the online tool. This form is visible for employees and their line manager. Those are meant to be used to summarize the achievements and thus highlight the employee's strong points and deliveries, and some development areas for the future (Subject 5).

Performance alignment meetings in management teams were proposed to be held on a continuous basis from 2019. The output of the discussion on strengths and development areas is to be captured in the abovementioned summary form by the leader and employee. As a contrast to the previous performance system Secreta had, there are no ratings in the new PD system. This means there will be no calibration in ratings in the alignment meetings.

Research design and method

The research design for this study will specify which data is necessary to answer the research questions, and how the data will be collected and analyzed. A pragmatic approach to research means it is common to separate the design into three categories: explorative, descriptive and causal. The design one chooses is dependent on various factors, such as prior knowledge of the area in question and the level of ambition the researchers has regarding analyzing and explaining causality (Gripsrud et al. 2006). Given that a short amount of time has passed since Secreta's changes and that Secreta's system was not set up to report on data that would help to answer research questions, there was a limited amount of prior knowledge related to this area. There are two philosophical directions that can be used to describe what we see and try to achieve with our thesis. Ontology is about an assumption of how the world is, in this case Secreta's organizational world with its employees living in it. Epistemology is related to how we can provide knowledge about that world. Meaning how we can obtain knowledge to see if there have been any changes in motivation and well-being (Gripsrud et al. 2006). The lack of prior knowledge means that it is difficult to see any potential causalities. Therefore, an explorative design was chosen with a view to enhancing Secreta's knowledge of the effect of the change from PM to PD. The ambition for this research was to explore the possible impact with respect to increased employee motivation.

According to Gripsrud et al. (2006), it is common in explorative design to start with existing theories related to the subject and secondary data. Theories related to PM, PD, goals, reward, appraisals, HRM practices and best fit and motivation have been explored to facilitate understanding and analyze the phenomenon. Since theories alone will not provide an understanding of how Secreta's employees have experienced the change, Secreta's yearly SES surveys and the Ratio-In-Secreta survey were used as secondary data. In addition to this, several in-depth interviews were conducted to further collect data and investigate and elaborate any findings from the surveys. The techniques used for data collection in this study were both qualitative and quantitative. Grønmo (1983) argues that the two techniques complement each other and thus, using both in this research (method triangulation) should constitute an advantage (Gripsrud et al. 2006).

Population and selection

The population comprises the total group of people from which information is sought. The population that is defined is the entire number of research units in scope (Gripsrud et al. 2006). The selection frame for the surveys conducted for this study was all the permanent employees at Secreta at the time the surveys were launched. Surveys gather data in a such way that one can easily differentiate the results based on several categories. However, the aim was for the results of this thesis to be representative of the entire company.

Candidates were chosen randomly using Secreta's SAP system and some were suggested to us by Secreta. The potential participants were asked whether they wanted to participate by an informal conversation before a more elaborate email was sent to them with elaborate information, should they accept to participate. One-hour Skype meetings were scheduled with each participant and they received the interview guide beforehand so that they could be prepared and able to provide reflective and precise answers. All the participants agreed to the interviews being recorded so that they could be transcribed later. We named the transcriptions subject 3, subject 4 etc. and deleted the recordings.

Data collection

Secreta conducts yearly surveys of all its employees, and for this thesis we were granted access to both the “Secreta’s employee survey” (SES) and the “Ratio-In-Secreta survey” (RIS). In addition, we conducted several in-depth interviews with key personnel related to the abovementioned change in performance systems and a group of Secreta employees who have experienced the change in system and thus could provide valuable information regarding how the change affected them.

Secreta’s employee survey

The Secreta’s employee survey (SES) is Secreta’s annual organization and working environment survey. The survey addresses issues that are vital to employees’ well-being and effectiveness. Leaders have access to a report showing their unit’s results and follow-up tools in the SES online portal. The portal should support Secreta’s leaders and teams to quickly understand their survey results, identify high impact survey topics and to implement the right improvement actions. The HR department from each business area has access to all the results reports in their area. The survey results form the basis for improvement work in the organization. Secreta’s leaders are in collaboration with the teams responsible for following up on the SES results and putting in place the appropriate improvement strategies. The SES results for small units (less than five responses) are not displayed because of confidentiality rules. These SES results with a small selection are included in the above units. It will not be possible to find individual answers by comparing reports. No one at Secreta has access to individual answers. The survey is conducted by an external professional survey company. This company processes the information from the SES on behalf of Secreta.

The SES is Secreta’s annual survey for evaluating and improving 12 key organizational health areas, with 76 questions partitioned on the 12 areas that impact safety, working environment, engagement and the drive for continuous improvement and change. The SES is sent out to all permanent employees via email in the autumn of each year and is open for a couple of months. The questionnaire scale is 1-10, and all the scores are calculated in a 0-100 reporting index. All the scores are in whole numbers, 0 being the lowest score and 100 being the highest. There are three scoring intervals: High/Green score (75-100), Medium/Grey score (60-74), Low/Red score (0-59). The spread of scores (standard deviation) is high when above 25 and low when below 15.

Ratio-In-Secreta survey

The Ratio-In-Secreta (RIS) survey is sent out twice a year and is issued in addition to the yearly SES survey. The selection frame for the RIS survey comprises all permanent employees in Secreta at the time the surveys were conducted. The survey is issued by the "PD" team at Secreta and its purpose is to capture how the employees are experiencing using the Ratio-In-Secreta online tool and the PD system.

The survey is made available twice every year and is launched in the Ratio-In-Secreta online tool and takes only a few minutes to complete. The result is used by the "PD" team to learn more about the "PD" journey at Secreta, and the result is reported at a high level.

Description of individual in-depth interviews

The individual in-depth interviews were conducted because the personal experience and opinions of the candidates were of interest. Our aim was to learn more about the move from a PM system to a PD system and the motivation behind it. The candidates could also provide first-hand information on how the change was carried out and how they have experienced living with the new system. This type of qualitative knowledge could not be extracted from the secondary data and would thus be used to supplement the quantitative data from the surveys. To be able to do this we promised to treat the information we received and the names of our subjects confidential so that it would be impossible to recognize them. When presenting the results below we will refer to them as subjects 1, 2 etc. (S1-8), not by title or name.

While designing the interviews with the help of an interview guide (Brinkman & Kvale 2014), a list of the questions was formulated (attachments 1 & 2). The questions were designed to be open and indirect, so that they could elicit complementary answers from the respondents and limit the possibilities of short or one-worded answers. The interview subjects received the questionnaire beforehand, allowing them time to prepare.

The interviewees included personnel with knowledge to the change process in performance system in addition to leaders and employees who have "lived the change". A one-hour Skype meeting was scheduled with each of the candidates. Skype meetings allowed for flexibility that would otherwise be difficult due to the candidate's tight schedules and distant office locations. Interviews where location did not offer a challenge were carried out face to face.

Before the interviews started, we asked if the participants were comfortable with us recording audio. Using a recording device made it possible to concentrate on what was being said instead of taking notes. This also made it possible to refer to the recording later. Afterwards, the interviews were transcribed and analyzed. The transcriptions were called Subject 1, subject 2 etc, and the recordings were deleted afterwards.

Moreover, additional interviews were conducted to find out more about what the day-to-day users of the PD system thought, both leaders and employees. We asked different areas in the company for permission to interview employees working for them. Permission was granted, both to conduct the interviews and to pick interviewees relatively freely.

Reliability and validity

When deciding how well a phenomenon is measured, the concepts of validity and reliability emerge (Gripsrud et al. 2006). Validity means how well one measures what one intends to measure, while reliability means the degree to which one can trust that the results are reliable and to what extent one would get the same result if the measuring was repeated (Gripsrud et al. 2006). It is possible to achieve high reliability but low validity. That happens when one measures with a high degree of accuracy and reliability, and the results are consistent, but something other than what was intended is measured. This is what one calls a "system error" (Gripsrud et al. 2006). In this paper Secreta's methods for data collection through the two surveys were described with high accuracy, so it would be possible to achieve approximately the same results later, with high reliability and little chance of random errors. In addition, the necessity to perform in-depth interviews and how it was conducted has been explained. These methods combined, provide the basis to state that this study has a high degree of reliability and that similar results are likely to be obtained in a later measurement.

The Ratio-In-Secreta survey was established to measure how the employees felt about their relation to their leader regarding feedback, development and performance in a more specific way than the SES. The first time Ratio-In-Secreta was conducted in its current form was in 2018. It was conducted again in 2019. The Ratio-In-Secreta survey is more specific than SES and is only related to performance, feedback and development.

To measure the purpose to an even greater extent and to obtain high validity on the results, in-depth interviews were conducted. While performing the interviews we needed to be careful not to influence the answers. It was imperative that they answered freely; therefore, all the questions were open. The candidates were indeed open and shared their honest opinions willingly. Moreover, the participants seemed trustworthy. There is no reason to believe that they did not answer truthfully, based on their own experience and opinions, or that they withheld information. The choice to interview a mixture of leaders and other employees was derived by a desire to obtain a nuanced result relating to several aspects of the organization and for the result to be more representative. That would make it possible to state that the results in this thesis are valid. Another means of avoiding measurement error was that all our interviewees were asked whether the interviews could be recorded instead of taking notes. This means that the data was accurately recorded.

Results

In this chapter the findings collected through the SES survey, Ratio-in-Secreta and in-depth interviews will be presented in relation to one research question at a time. When presenting the results from the in-depth interviews, the interviewees will be referred to as subject 1-8. When analyzing the data, we find Miles and Huberman's (1994, p.10) interactive model useful. What the model does, is to present the continuous process that is data analysis.

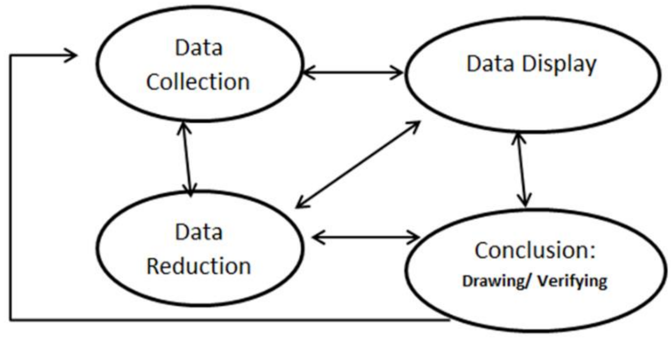

Figure 7: Interactive analysis model (Miles & Huberman 1994)

Research question I

The results connected to our first research question – "How was the motivation and employee well-being among the employees at Secreta before the removal of performance ratings?" – were extracted from the 2017 SES and the interviews with Secreta employees. The 2017 SES data relate to the period before the transformation from performance management to performance development. The 2017 SES consisted of 113 questions divided into several sub-categories. Because there were no sub-categories for motivation and well-being, a selection of categories was chosen that could be directly or indirectly linked to these two topics:

Table 4: 2017 SES categories related to motivation and well-being including scores.

Questions:	**Score:**
Company ambitions	**73**
I have a good understanding of the company's strategic direction	69
Immediate leadership	**74**
Sets clear and challenging targets for the team	72
Assigns tasks that help people develop	72
Follows through until agreed results are achieved	71
Provides support to master challenges	73
Is available if I want to discuss aspects of my work situation	80

I have confidence in my immediate leader	78
Goals	**77**
In my unit we set challenging goals	74
I am clear about the goals and objectives for my job	79
My unit's goals clearly create value for Secreta	82
Competence and people development	**71**
I can utilize my expertise and abilities in my present position	75
I have the necessary skills to handle my work tasks and responsibilities	81
In my unit career moves across the organization are encouraged	61
I am satisfied with my development opportunities in Secreta	66
I actively explore new opportunities for developing my own skills and building competence	74
Performance and reward	**64**
In my unit behavior and deliveries are equally important in measuring performance	68
In my unit performance forms the basis for recognition and reward	60
Workload and influence	**67**
My workload is satisfactory	69
I can influence my workload	65
I am sufficiently involved in decisions related to my work situation	67
Normally I am able to complete my work tasks within normal working hours	66
People engagement	**75**
All in all, how satisfied are you in your job?	74
Values and teamwork	**78**
In my unit we work together as a team	74
In my unit we communicate in an open and precise way	74
In my unit we treat each other with respect	81
I get support from my colleagues when needed	83
In my unit we appreciate diversity	79
In my unit we are open in our daily work	77
In my unit we are caring in our daily work	78
In my unit we are collaborative in our daily work	77
In my unit we are courageous in our daily work	75
Health	**75**
During the last year I have suffered health problems that might derive from my work	75

As mentioned above in the presentation of the SES, there are three rating levels: High/Green (75-100), Medium/Grey (60-74), Low/Red (0-59). None of the chosen questions scored below 60, meaning there were no “low” scoring results here. Thus, in the presentation of the results, the questions are sorted into three new categories based on the score of each of the responses. Scores of 69 and below are Category 1, 70-79 are Category 2 and above 80 are Category 3. This was done in order to provide a better analysis of the topics and reflect on the findings related to each one. In table 4, the questions from table 3 are sorted into these categories based on the scores.

Table 5: 2017 SES questions, sorted into three new categories based on their scores.

Category 1: 0-69	**Category 2: 70-79**	**Category 3: 80-100**
I have a good understanding of the company's strategic direction	Sets clear and challenging targets for the team	Is available if I want to discuss aspects of my work situation
In my unit career moves across the organization are encouraged	Assigns tasks that help people develop	My unit's goals clearly create value for Secreta
I am satisfied with my development opportunities in Secreta	Follows through until agreed results are achieved	I have the necessary skills to handle my work tasks and responsibilities
In my unit behavior and deliveries are equally important in measuring performance	Provides support to master challenges	In my unit we treat each other with respect
In my unit performance forms the basis for recognition and reward	I have confidence in my immediate leader	I get support from my colleagues when needed
My workload is satisfactory	In my unit we set challenging goals	
I can influence my workload	I am clear about the goals and objectives for my job	
I am sufficiently involved in decisions related to my work situation	I can utilize my expertise and abilities in my present position	
Normally I can complete my work tasks within normal working hours	I actively explore new opportunities for developing my own skills and building competence	
	All in all, how satisfied are you in your job?	
	In my unit we work together as a team	
	In my unit we communicate in an open and precise way	
	In my unit we appreciate diversity	
	In my unit we are open in our daily work	

	In my unit we are caring in our daily work	
	In my unit we are collaborative in our daily work	
	In my unit we are courageous in our daily work	
	During the last year I have suffered health problems that might derive from my work	

The items for the Category 1 results are related to four categories in the 2017 SES: Company ambitions, competence and development, performance and reward and workload and influence. Three of these four categories are directly related to the abovementioned and Secreta implemented HRM best practices. While the "company ambition" category is not directly related to best practice HRM, it is indirectly related to motivation. Competence and people development were represented by two items: "In my unit career moves across the organization are encouraged" and "I am satisfied with my development opportunities at Secreta." These items are related to the HRM best practices Security of employees and internal job-market and Training, development and possibility to have a career. The second item, "I am satisfied with my development opportunities Secreta," could also be related to the Security of employees and internal job-market practice when we relate it to using the internal job-market to develop. However, it is more related to Training, development and possibility to have a career. Performance and reward are another HRM best practice. It is represented in Category 1 by these two items: "In my unit behavior and delivery are equally important in measuring performance" and "In my unit performance forms the basis for recognition and reward." The last category, Workload and influence, is related to the HRM best practices Autonomy, involvement and participation and Work-life balance.

The sub-categories for the Category 2 results are related to six categories in the SES: Immediate leadership, Goals, Competence and people development, People engagement, Values and teamwork, and Health. Of these six categories, only one (competence and development) is shared with the Category 1 results, thus introducing five new categories. This tells us that there is a distinction in what topics and items have received poor, average and good ratings by the participants in this survey. The category Values and teamwork was represented by seven items: "In my unit we work together as a team," "In my unit we communicate in an open and precise way," "In my unit we appreciate diversity," "In my unit we are open in our daily work," "In my unit we are caring in our daily work," "In my unit we are collaborative in our daily work," "In my unit we are courageous in our daily work," Four of these items are related to Secreta's values. The three remaining items were closely linked to the values. The final category in the Category 2 selection was Health.

The results for the sub-categories of Category 3 are related to three categories in the SES: Immediate leadership, Competence and people development and Values and teamwork. The three sub-categories have a total of five combined items, making it the least represented category. Even if the survey offered a rating scale with a highest score of 100, it is worth noticing that none of the five items rated as "good" had a higher rating than 83. None of these items can be said to have any direct links to best practice HRM, but there are some interesting indirect connections. For example, "nearest leader is available if employees want to discuss aspects of their work situation" has an indirect connection to both Appraisals and Autonomy, involvement and participation. The third item is related to Competence and people development. The last two items in Category 3 are related to the sub-category Values and teamwork. The items "In my unit we treat each other with respect" and "I get support from my colleagues when needed" scored an 81 and 83 respectively.

The interviews with the Secreta employees did not include a specific question about whether or not the participants were motivated by the old performance management system. However, the questions were formulated in such a way that this would be likely to come up in the participants' answers. The aim was to gain more knowledge of how motivating employees at Secreta thought the previous performance management system was in order to determine whether the change had a positive effect. In our in-depth interviews we wanted to know more about what the interviewees thought about the previous PM system and what strengths and weaknesses it had, in their opinion (attachment 2). During the interviews we found that our subjects were divided, especially in terms of whether numerical ratings in the previous system were motivational. Subject 1 made a specific statement about the previous system in relation to motivation:

> "I think it was demotivating and that it was likely to impose low self-esteem, for some, when receiving a poor rating. The old system was a very Americanized system and caused unhealthy competition, and employees' performance would be related to a

> number. People talk and compare, which might motivate some, but in my opinion the clear majority found the ratings demotivating."

This was substantiated in our interview with subject 5 who did not think that the previous system was facilitated to be motivational: "The main weaknesses in the previous system was that it wasn't based on motivation, it was time-consuming, and did not actually drive performance." The way the previous system was set up ensured that the employees and leaders did something about it, and it was extremely structured. Subject 6 pointed out, as a positive, that "we know there is such a high activity level in the organization that people sometimes like structure. So, for the sake of convenience, this was positive." Because it was so structured, people did it because it was a process, not because they saw a purpose to it. Another point that subject 6 made was that "people can hide behind numbers, rather than having a qualitative and much more accountability-based discussion." It also became known to us during our interviews, that the variation regarding who found the old system motivating depended on where they worked in the organization. Subject 8, a leader for project managers and technical managers who have employees all over the world, found the previous system motivating and fair. "I know the theory tells us that numerical ratings are demotivating, but I don't think so."

As mentioned above, there were differing opinions about how motivational the numerical ratings in the previous system were. Due to the variation in how the numerical ratings were used throughout the organization, it could mean different things depending on where the employee was in the organization and who they were compared to. Getting a rating of 3 did not always mean the same thing. Subject 2 said that

> "employees were thinking a lot about what rating they would get and that the numerical ratings could be incorrect. This was because leaders would avoid giving anyone ratings in the lower scale (1-2) to avoid conflict, even if performance and delivery corresponded to that. On the other hand, not too many should be rated in the higher scale (4-5) either, so the value of an average 3 was not put too high."

When "everyone" got a rating of 3, that was viewed as average, and was demotivating rather than motivating. When an employee received a 3 rating, he or she did not know what assessment was behind the number, because the focus was on the number and not what was behind it. From the employees' perspective, they put a lot of thought behind what rating they received and for some the whole experience came across as rather demotivating. However, speaking from a leader’s perspective, subject 6 added, “what gives the most value? Here’s a 3, or here is what you have done well and here’s something you can improve on? The second is a much more enriching conversation and fosters motivation.” It was easier to hide behind the number in the previous system and subject 7 provided an example of how it was possible to find a shortcut to a higher rating: “I asked my leader what I had to do to get rated as a 4. He told me what I had to do. I did what he said and got my 4 rating.” The fact that this was possible substantiates what has previously been said about not knowing who they were compared to and what was behind the numbers. With regard to numerical ratings, subject 8 thought that, “as a leader, what was based on numerical ratings gave me confidence in the process. When I allocated a reward based on ratings, I had confidence that this was correct based on the process we had gone through.” Subject 2 pointed out that “even though the new system is more motivating, I was personally motivated by the old system as well.” Subject 3 is one of the interviewees who preferred numerical ratings, but suggested that feedback and achievement could complement the numerical ratings.

> “Personally, I am a fan of numerical rating. I understand that there are people that do not like them. I think that people who make the extra effort, and want to work hard and make a career like numerical ratings because they can use those ratings to differentiate themselves from the ‘pack.’ All feedback and achievements should be used as the basis for a numerical rating. That provides a foundation for the numerical rating. The earlier rating system at Secreta seemed more like the numerical rating were a subjective review from the leaders without any real foundation.”

Research question II

The results from the second research question – "What is the experience with the new performance development system?" – were generated by the Ratio-in-Secreta survey and our interviews. To learn more about the use and experience with the new performance development system at Secreta, we analyzed the data and results from the Ratio-in-Secreta survey in 2018 and in 2019 as presented in table 6.

Table 6: Ratio-in-Secreta questions and results; 2018 and 2019.

Question	2019	2018	Deviation
The feedback I receive helps me with my development	4,75	4,44	0,31
The feedback I receive helps me improve my performance	4,84	4,54	0,3
My leader and I have open and constructive performance conversations	5,09	4,86	0,23
My goals are inspiring and contribute to realize Secreta's ambitions	4,92	4,72	0,2
My development plan includes concrete actions to deliver on my goals	4,69	4,47	0,22

As we can see there is a positive development on all the questions from the results in 2018 to 2019. In 2018, 6163 employees gave their rating to the survey with average response of 4,6 (1 = Strongly disagree, 6 = Strongly agree). While in 2019, 4959 employees gave their rating to the survey in the first quarter with an average rating of 4,86. The number of respondents has decreased by 20% compared to the 2018 survey. However, the average rating has increased by 6% compared to 2018.

We wanted to substantiate the results from the Ratio-in-Secreta survey with in-depth interviews to acquire knowledge about what the interviewees think about the new PD system, what strengths and potential weaknesses it has and how they use the system in practice (attachment 2). Especially interesting is the part about the system related to feedback, we wanted to know what they think about receiving feedback from all parts in the organization and what they gain from the new system so far.

Something that the subjects had in common was that when they were talking about the new performance development system it was mainly about feedback. When describing the strengths of the new system, subject 1 clearly stated that experience with the way feedback was received and used was useful:

> "I like that we receive feedback and that I can choose to share received feedback with my leader. It creates more transparency. Now my leader will not just base her

> evaluations on some conversations she has had with someone else. This is a huge plus for the process."

This was substantiated by subject 2, who commented that the new performance development system was more transparent and encouraged employees to be more open in the way goals were set and how feedback was sought.

> "The new system also provides better feedback for each employee. It forces everyone to reflect more about what good performance is and what you need to work on. It is not called a rating 1 or 2, but development and needs. It is more harmless and positively charged."

Furthermore, subject 1 added that the new system was used to request feedback when a project was finished, and not just towards the end of the year when employee appraisals were coming up. The fact that there was a more continuous feedback process and that the feedback was related to the task or project they just completed, not six months previously, was appreciated. "I have been good at asking for feedback, but not that good at giving unsolicited feedback. That is something I need to work on." Even though the new system was implemented in 2018, almost a year ago, there is still a way to go when it comes to implementing all the aspects of the system. This is something that subject 2 wanted to work on going forward.

> "I have to admit I have not used the feedback module yet, but I will start now. My goal is to give feedback to employees who have not asked for it as well. If I see something good I will share it and ask for feedback from others."

In subject 6's opinion the new system helped a great deal with empowerment and collaboration. Subject 8 indicated that there was a big difference in how the new system was experienced. When a department had project managers supervising projects all over the world, it was not easy to follow up on continuous feedback. "When we have employees working on projects in different places, it is difficult to have monthly and continuous conversations".

One of the subjects in particular was more critical of the new system. Even though subject 3 thought that the possibility of receiving feedback from all parts of the organization was fantastic, he thought that people should be encouraged more to give unsolicited feedback. "People are not fully aware of this and they are afraid of using it. Especially to give negative or constructive feedback." This was substantiated by subject 2, who also observed that it was easier to give positive feedback and not the more critical and evolving feedback. This can provide a unnuanced picture of the employee when it comes to determining reward. Subject 3 feared that the recently introduced online feedback module might reduce the amount of feedback given face to face. "The online tool has some clear limitations, for example not being able to respond to feedback received." All in all, it has been designed so that it is easy to give feedback and ask for it. Moreover, this 360-degree feedback gives the leader a wider perspective when determining performance and reward. This is something that subject 8 agrees with, but he still feels that the best way to provide feedback is in words, not in writing.

> "Negative or constructive feedback is not easy to give in writing, so I don't think it is that easy to get honest feedback through a system. In that way I don't know if the system will help develop a feedback culture."

Subject 3 has had a good experience with the new system and use it frequently, but has some hesitations regarding the link between reward and performance. "Achievement and feedback give a better foundation for reward outcomes, but the new process and the removal of the direct link in reward makes it harder to actually achieve and understand this." The online tool had some clear limitations in subject 1's opinion. Subject 1 agreed with subject 3 with regard to the missing link between reward and performance: "The connection between goals, achievements and feedback is cumbersome, and the tool is not intuitive." Subject 2 agreed with subject 1 and subject 3 that there was uncertainty regarding how reward should be given based on words and not numbers. It also seemed that the interviewees were uncomfortable with the fact that they could not mathematically calculate what their rating would be in terms of salary, or judge whether someone was a talent. As subject 6 said,

> "It is a lot more demanding now from employees and leaders. Some leaders are very good, and some leaders will do it because you say so, and then there are those leaders that have been hiding behind the numbers. We all have."

This opinion about the connection between reward and performance was also shared by subject 8, who did not think that the new system worked with the end-of-year evaluation and reward.

> "I think feedback should always be visible to leaders, not that employees can choose if they want it to be visible. That's a source of errors, especially if the deadline expires and you are left without a basis to provide reward."

This is also the part of the system at Secreta that still had shortcomings and that still needed a lot of work, according to subject 4. “The link between reward, pay and bonus is where we have the most work left to do.” This created a vacuum between the employees, as subject 5 described it.

> “Then people realized that they didn’t know how reward was going to work and there was kind of a step backwards in happiness. Suddenly people were worried about how they were going to know how to get paid: ‘how is my leader going to understand how I am doing, how is my new leader going to understand what I am doing, how is my leader going to give me a pay rise? This is one of the steps that we need to work on going forward.”

Others thought that the way reward and pay was determined was unique. Subject 2 said:

> “I think we are unique in this area. If one delivers on a high level, but does it in an unpleasant way, that has a direct consequence for the evaluation. The way we deliver is super important and counts as much as what we deliver.”

Subject 1 did not share this opinion. Although she liked the fact that, in theory, how one delivered was as important as what was delivered, she said: “I feel that leaders in the company don’t hold “how” and “what” goals and achievements to count as equal. They should really be equal.”

Leadership and the leader’s role came up in subject 1’s interview:

> “It also comes down to leadership. We need to make leaders accountable for this part of the personal responsibility they have as leaders. But we as a company also need to train our leaders in this. Imagine how productive the end results of those appraisals would be if leaders and employees cared and were prepared before the appraisals.”

The leaders at Secreta have a busy schedule and need to take the time to use the system and to facilitate good discussions around it. Secreta leaders need to be positive role models, encourage employees to use it in their day-to-day work and talk about the system in a positive way. This could be challenging, especially if they have a big department to lead. The issue related to the leader’s role in the new system is something subject 6 had given a lot of thought to. He told us that the leaders had a lot more responsibility on their shoulders now.

> "We're not going to give them dates and we're not going to give them a process. This is partly because we suddenly gave them empowerment; we went from high structure to high empowerment. It demands a lot more from people and that has not been well received. Instead of it being handed to them, they now have to reach out and figure it out."

However, there are ways to help them in this process.

> "We can strengthen skills, provide training on feedback skills and coaching skills. Some leaders need training in leadership development and inclusive leadership. There are some leaders who used to lead well in the older paradigm of leadership, but the way we describe leadership now, maybe they just don't fit that profile anymore."

We asked our subjects what they would prefer in terms of help to achieve their goals: fixed deadlines or a continuous process. The results differed from one interviewee to the next. Subject 1 would prefer deadlines within the continuous process:

> "Deadlines would make people use the tool and follow the process. In that regard, maybe, they should be introduced again. Leaders especially have busy days and that together with busy employees makes them skip following the process when there are no deadlines."

Subject 2 had another opinion and thought it would be better with a continuous process.

> "It is not always that the way you work fits into a calendar year, but it is demanding of you that you do not have the deadlines and really use the system. But that is part of learning how to use the system effectively."

On the other end of the scale, subject 3 preferred deadlines and was more critical in general of the new system, "I like deadline. I think they ensure that employees involve themselves in this. I do not think deadlines will make employees lose their sense of empowerment because of deadlines." His critique also extended to the fact that the company was pushing a lean agenda, and he could not see the end result of this.

> "Spending so much time on this without anything to show for it seems like a huge waste and one cannot use the feedback and achievements in the new system as part of one's own internal CV. How Secreta has set up the system is a big drawback for the system."

In a large organization such as Secreta, it is not surprising that there are different opinions as to what employees find motivating and what triggers development and growth.

Research question III

The results connected to our third research question – "In the period after the introduction of performance development without numerical ratings, has there been an increase in motivation and well-being at Secreta?" – originates from three different sources. We used secondary data from the two surveys we had at our disposal. Data from the 2017 and 2018 SES surveys, in addition to the 2018 and 2019 Ratio-in-Secreta Quality surveys were analyzed. We also relied on the in-depth interviews we conducted with Secreta employees. The findings presented above from the 2017 SES were compared to how those items were rated in the 2018 survey. There were 15 items in the 2017 survey that we could directly compare to the survey from 2018. The 2018 SES also introduced questions directly linked to motivation and well-being, in a new category named "Satisfaction and Motivation." In addition to that specific category, Secreta introduced several new items that we could directly or indirectly link with motivation and well-being. It is worth noticing that some categories and/or questions were removed and replaced with new ones in the 2018 SES. For example, the 2017 category "Performance & Reward" was removed entirely. There was no pattern in the scoring of the removed questions, with scores varying. This was likely related to what message Secreta wanted to present and what topics they wanted to investigate and report on. An overview of the relevant questions for our thesis that were not included in the 2018 SES are listed below:

Table 7: Relevant 2017 SES questions not included in the 2018 survey.

Performance & Reward
In my unit performance forms the basis for recognition and reward
In my unit behavior and deliveries are equally important in measuring performance
Immediate leadership
I have confidence in my immediate leader
Health
During the last year I have suffered health problems that might derive from my work
Goals
In my unit we set challenging goals
My unit's goals clearly create value for Secreta
Competence and people development
I am able to utilize my expertise and abilities in my present position
I have the necessary skills to handle my work tasks and responsibilities
I actively explore new opportunities for developing my own skills and building competence
Values and teamwork
In my unit we work together as a team
In my unit we communicate in an open and precise way
In my unit we appreciate diversity
In my unit we are open in our daily work
In my unit we are caring in our daily work

In my unit we are collaborative in our daily work
In my unit we are courageous in our daily work

The questions relevant to the third research question are sorted by categories and listed below. The table includes the 2018 score and if the items were reported on in 2017, that score is available as well for comparison.

Table 8: SES questions related to the third research question.

Questions:	**2018 Score:**	**2017 Score:**
Secreta's ambitions and strategic direction	**73**	
I have a good understanding of Secreta's strategic direction	71	69
Continuous improvement	**71**	
In my unit we assess ideas in accordance with Secreta's key priorities	74	
Reputation/Brand	**79**	
Secreta has a good reputation	77	
I am proud to tell other people where I work	78	
Other people perceive Secreta as a good place to work	80	
Immediate leadership	**74**	
Motivates my unit to exceed expectations	73	
Creates a working culture in my unit characterized by trust and openness	76	
Provides me with the constructive feedback I need to do my job well	73	
Has clearly explained how I am expected to contribute to achieving the goals of my unit	73	
Provides support to master challenges	78	73
Is available if I want to discuss aspects of my work situation	83	80
Teamwork and collaboration		
In my unit we respect and trust each other	81	81
My unit collaborates well with people outside of our unit	80	
I get support from my colleagues when needed	84	83
Workplace	**69**	
The physical working environment at my place of work	73	
I feel good about the workload in my job	69	69
Secreta has clear work processes and tools enabling me to carry out my job effectively	64	
I am sufficiently involved in decisions related to my work situation	69	67
I feel comfortable being myself at work	82	

At Secreta, employees are valued for the differences they bring to the workplace	72	
Job content	**76**	
My job is highly interesting to me	78	
My job gives me sufficient challenges	77	
My job makes the best use of my skills and competence	73	
I am empowered to make the necessary decisions when carrying out my job	75	
I am clear about the goals and objectives for my job	82	79
Normally I can complete my work tasks within normal working hours	67	66
I can influence my workload	65	65
I am satisfied with the balance between work and private life/family life	74	
Competence and people development	**71**	
It is clear to me what I need to develop in my job	71	
I actively seek out opportunities that help me develop my competence and skills in my job	76	
I often receive constructive feedback from my colleagues	67	
In my unit behavior and deliveries are equally important in measuring performance	70	68
In my workplace we make the best use of all people available and their competencies	68	
In my workplace career moves across the organisation are encouraged	60	61
I am satisfied with my development opportunities in Secreta	66	66
Inclusiveness indicator	**76**	
At Secreta, employees are valued for the differences they bring to the workplace	72	
I feel comfortable being myself at work	82	
Provides me with the constructive feedback I need to do my job well	73	
Creates a working culture in my unit characterized by trust and openness	76	
In my unit we respect and trust each other	81	81
I often receive constructive feedback from my colleagues	67	
Satisfaction & Motivation	**71**	
Overall, how satisfied are you as an employee at your place of work?	71	
Imagine the perfect place to be an employee. How close to this ideal is your place of work?	74	
I feel motivated in my job	73	

I always look forward to going to work	70	
Engagement KPI	**77**	**75**
All in all, how satisfied are you in your job?	76	74

The average score for these 46 questions (overall category scores not included) was 74, which was, coincidentally, the same as the average score for the questions we used from the 2017 SES.

As with the results for research question 1, we have divided the questions into three categories: Category 1, Category 2 and Category 3. Scores of 69 and below are in Category 1, those of 70-79 are in Category 2 and those above 80 are in Category 3.

Table 9: 2018 SES questions, sorted into three new categories based on their scores.

Category 1: 0-69	**Category 2: 70-79**	**Category 3: 80-100**
I feel good about the workload in my job	I have a good understanding of Secreta's strategic direction	In my unit we respect and trust each other
I am sufficiently involved in decisions related to my work situation	Provides support to master challenges	Is available if I want to discuss aspects of my work situation
Normally I am able to complete my work tasks within normal working hours	In my unit behavior and deliveries are equally important in measuring performance	I get support from my colleagues when needed
I can influence my workload	All in all, how satisfied are you in your job?	I am clear about the goals and objectives for my job
In my workplace career moves across the organisation are encouraged	In my unit we assess ideas in accordance with Secreta's key priorities	In my unit we respect and trust each other
I am satisfied with my development opportunities in Secreta	Secreta has a good reputation	Other people perceive Secreta as a good place to work
Secreta has clear work processes and tools enabling me to carry out my job effectively	I am proud to tell other people where I work	My unit collaborates well with people outside of our unit
I often receive constructive feedback from my colleagues	Motivates my unit to exceed expectations	I feel comfortable being myself at work I feel comfortable being myself at work
In my workplace we make the best use of all people available and their competencies	Creates a working culture in my unit characterized by trust and openness	I feel comfortable being myself at work
I often receive constructive feedback from my colleagues	Provides me with the constructive feedback I need to do my job well	In my unit we respect and trust each other
Imagine the perfect place to be an employee. How close to this ideal is your place of work?	At Secreta, employees are valued for the differences they bring to the workplace	

	Has clearly explained how I am expected to contribute to achieving the goals of my unit	
	The physical working environment at my place of work	
	My job is highly interesting to me	
	My job gives me sufficient challenges	
	My job makes the best use of my skills and competence	
	I am empowered to make the necessary decisions when carrying out my job	
	I am satisfied with the balance between work and private life/family life	
	It is clear to me what I need to develop in my job	
	I actively seek out opportunities that help me develop my competence and skills in my job	
	At Secreta, employees are valued for the differences they bring to the workplace	
	Provides me with the constructive feedback I need to do my job well	
	Creates a working culture in my unit characterized by trust and openness	
	Overall, how satisfied are you as an employee at your place of work?	
	I feel motivated in my job	
	I always look forward to going to work	

As mentioned previously, there were 15 questions we could compare from the 2017 SES and the 2018 results. The questions and the deviations from 2017 to 2018 are presented below.

Table 10: Comparable questions from the 2017 and 2018 SES.

Questions	**2018**	**2017**	**Deviation**
Secreta's ambitions and strategic direction			
I have a good understanding of Secreta's strategic direction	71	69	2
Immediate leadership			
Provides support to master challenges	78	73	5
Is available if I want to discuss aspects of my work situation	83	80	3
Teamwork and collaboration			
In my unit we respect and trust each other	81	81	0
I get support from my colleagues when needed	84	83	1
Workplace			
I feel good about the workload in my job	69	69	0
I am sufficiently involved in decisions related to my work situation	69	67	2
Job content			

I am clear about the goals and objectives for my job	82	79	3
Normally I am able to complete my work tasks within normal working hours	67	66	1
I can influence my workload	65	65	0
Competence and people development			
In my unit behavior and deliveries are equally important in measuring performance	70	68	2
In my workplace career moves across the organisation are encouraged	60	61	-1
I am satisfied with my development opportunities in Secreta	66	66	0
Engagement KPI			
All in all, how satisfied are you in your job?	76	74	2
Inclusiveness indicator			
In my unit we respect and trust each other	81	81	0

When comparing results from the 2017 and 2018 SES in table 11, we can see that only one score moved in a negative direction, although the deviation was not significant, at only -1. The item "In my workplace career moves across the organization are encouraged" was highlighted as a specific improvement area in the 2017 results and it was interesting to see that it moved in a negative direction in 2018. There was no movement in any direction for five items and the remaining nine showed positive movement. As we are to look for enhanced motivation and well-being, we must have a closer look at those nine items and their specific categories, as shown in table 12.

Table 11: Nine items with positive change from 2017 to 2018.

Questions	2018	2017	Deviation
Secreta's ambitions and strategic direction			
I have a good understanding of Secreta's strategic direction	71	69	2
Immediate leadership			
Provides support to master challenges	78	73	5
Is available if I want to discuss aspects of my work situation	83	80	3
Teamwork and collaboration			
I get support from my colleagues when needed	84	83	1
Workplace			
I am sufficiently involved in decisions related to my work situation	69	67	2
Job content			
I am clear about the goals and objectives for my job	82	79	3
Normally I am able to complete my work tasks within normal working hours	67	66	1
Competence and people development			
In my unit behavior and deliveries are equally important in measuring performance	70	68	2
Engagement			
All in all, how satisfied are you in your job?	76	74	2

The table show us that there is an overall increase in the questions related to motivation and well-being.

In the SES that was conducted in 2018, some new items were introduced in relation to the new performance development system.

Table 12: New items in the 2018 SES

Questions:	2018 Score:
Continuous improvement	**71**
In my unit we assess ideas in accordance with Secreta’s key priorities	74
Reputation/Brand	**79**
Secreta has a good reputation	77
I am proud to tell other people where I work	78
Other people perceive Secreta as a good place to work	80
Immediate leadership	**74**
Motivates my unit to exceed expectations	73
Creates a working culture in my unit characterized by trust and openness	76
Provides me with the constructive feedback I need to do my job well	73
Has clearly explained how I am expected to contribute to achieving the goals of my unit	73
Teamwork and collaboration	
My unit collaborates well with people outside of our unit	80
Workplace	**69**
The physical working environment at my place of work	73
Secreta has clear work processes and tools enabling me to carry out my job effectively	64
I feel comfortable being myself at work	82
At Secreta, employees are valued for the differences they bring to the workplace	72
Job content	**76**
My job is highly interesting to me	78
My job gives me sufficient challenges	77
My job makes the best use of my skills and competence	73
I am empowered to make the necessary decisions when carrying out my job	75
I am satisfied with the balance between work and private life/family life	74
Competence and people development	**71**
It is clear to me what I need to develop in my job	71
I actively seek out opportunities that help me develop my competence and skills in my job	76
I often receive constructive feedback from my colleagues	67
In my workplace we make the best use of all people available and their competencies	68
Inclusiveness indicator	**76**
At Secreta, employees are valued for the differences they bring to the workplace	72
I feel comfortable being myself at work	82
Provides me with the constructive feedback I need to do my job well	73
Creates a working culture in my unit characterized by trust and openness	76
I often receive constructive feedback from my colleagues	67
Satisfaction & Motivation	**71**
Overall, how satisfied are you as an employee at your place of work?	71
Imagine the perfect place to be an employee. How close to this ideal is your place of work?	74
I feel motivated in my job	73
I always look forward to going to work	70

We will not be able to tell if there has been an increase in motivation at this point, and it will be interesting to see if the results increase or decrease when the SES survey is conducted in 2019.

The results from the 2018 and 2019 Ration-in-Secreta surveys were also relevant to answering the third research question. Those results are listed below, in table 13. As the new process had been given some time and the employees and leaders had lived with it for over a year, all of the scores had increased.

Table 13: Ratio-in-Secreta questions in 2018 and 2019.

Question	2019	2018	Deviation
The feedback I receive helps me with my development	4,75	4,44	0,31
The feedback I receive helps me improve my performance	4,84	4,54	0,3
My leader and I have open and constructive performance conversations	5,09	4,86	0,23
My goals are inspiring and contribute to realize Secreta's ambitions	4,92	4,72	0,2
My development plan includes concrete actions to deliver on my goals	4,69	4,47	0,22

This could be an indication related to which way the results from the 2019 SES survey will go.

We did not have any direct questions related to increased motivation in our in-depth interviews because we wanted the interviewees to speak freely and mention what they had got out of the system on their own. Additionally, we thought that if the new system had increased their motivation and well-being, this was something that they would mention or that would come up indirectly in the course of the interview. Even though none of the subjects specifically said that their motivation had increased, subject 1 commented that "there is also an element of motivation I expect to gain from this system, related to performance and achieving goals." Thus, subject 1 implied that this was not completely there yet: "But the tool needs to be more intuitive for me to get the most out of this." Subject 2 also said that motivation was expected to be a result from the system. When asked about this, the reply was:

> "Motivation and development. And that what I do has a purpose, not just for me. I am here for a reason. What I do should have value for the company I work for. For me personally, it is development and a concrete plan for me to create motivation and development in my own work day."

This answer and subject 3's comments indicate that the interviewees expected to be motivated as a result of the new system, but that they were not there yet. "I expect to get good feedback and achievements that I can use to further my career and secure a great result when the yearly pay raise is settled." Both subject 4 and subject 5 pointed out that motivation and well-being were being measured through the SES, which is also where the main results for the answer to this research question came from.

Discussions

In this chapter the findings will be discussed in light of the theory presented earlier in this thesis, with a view to answering the primary research question: Are there any changes in motivation, among Secreta's employees following the shift from performance management with numerical ratings to performance development without numerical ratings?

We have presented data from five different sources; the 2017 and 2018 SES, the 2018 and 2019 RIS and our interviews with Secreta employees. We found that Secreta's average score on topics related to motivation and well-being were 74 in 2017 and in the 2018 report. The new 2018 SES questions related directly to motivation and well-being scored 71, placing them in the lower level of the medium category. However, there were no answers with a poor category score, giving an indication of an already strong culture in place. These results were for the most part backed up by our interviews, although there were some divergent results related to their opinions towards numerical rating. The subjects could not agree upon numerical ratings being motivational or demotivational with arguments for both sides. The Ratio-in-Secreta surveys show a strong result in both years with an increase in all questions from 2018 to 2019.

Research question I

We know that Secreta has in place an internal job-market. However, what we see from the results is that many employees are not encouraged to use it or to move across the organization. There could be several reasons for this. A line manager who has his own organization's goals to attain could be resistant to encouraging important individuals to move. The result might be a possible clash between short-term wins for an organizational unit and long-term gains for Secreta, and the individual in question. Engagement by employees is important for organizations that want to achieve a high-performance culture (Mikkelsen 2016.) Wanting to move and try something new, and at the same time learn and develop in a new position with possible stretch tasks is the sign of an engaged employee. Removing that possibility could then mean that the engagement disappears, making it that much harder for the organization to achieve the high-performance it desires.

A low score on "I have a good understanding of the company's strategic direction" item might indicate that both the employees' sense of purpose and the operationalization of individual performance goals is compromised. Both scenarios could if true, lead to demotivated employees.

The item, “I am satisfied with my development opportunities Secreta,” could be related to the HRM best practice Security of employees and internal job-market practice when we relate it to using the internal job-market as a tool for development. However, it is more related to Training, development and possibility to have a career. “Knowledge is power,” as the saying goes, and together with competence it can be a decisive competitive advantage for a company. Leonard-Barton (1992) described four dimensions of core-competence where the first dimension was the employee’s competence and capabilities. What “we” learnt in school X number of years ago is rapidly becoming outdated, if not obsolete. Employees need to learn new knowledge throughout their careers, developing alongside developments in technology and knowledge. “Life-long learning” is a term that is often used, and it illustrates rather well what is expected of individuals, but also what companies need to accommodate.

A payroll system should motivate employees and result in extra effort. When employees are expected to be engaged and committed to their performance, they will expect it to have a result. If they cannot trust that the company’s standard is met by their line manager when evaluating performance and deciding on pay rises, there might be a breach in trust between the leader and employee. That trust is essential for a performance system to function properly. While the SDT challenges the notion that monetary rewards will enhance employee motivation, Deci and Ryan (1985) argue that internal motivation will be undermined by monetary rewards. Although Secreta has a performance-based compensation system there are no consensus between scholars, regarding which payroll system provides the most motivated employees (Pfeffer & Sutton 2006) and it is possible to find studies leaning either way.

An unsatisfactory workload can be either a heavy or light workload. The SES does not specify which type of scale the workload is, only that it is unsatisfactory, which is also relatable to employees’ well-being. We will discuss some possible effects either way. A heavy workload might lead to overtime and less time at home, and the balance between work and life will be tested. This is further strengthened by the poor result for the item “Normally I am able to complete my work tasks within normal working hours.” Results such as this mean that employees feel overwhelmed by their workload, which might lead to stress and health issues, which in turn has a direct effect on employees’ well-being. On the other side of the workload scale, a light workload could also be problematic. An employee who does not have a sense of involvement and participation might start to lose track of his or her purpose, from which demotivation and other negative emotions might develop. A poor result for “I can influence my workload” goes together with the poor result for “My workload is satisfactory.” It is one thing to experience an unsatisfactory workload, but not being able to influence it in either direction must be frustrating and could result in reduced well-being for employees. A lack of autonomy can also be a consequence of the poor results related to workload and influence. Not having the autonomy to decide, influence, and be “involved in decisions related to own work situation” could be demotivating and might be signs of poor micro-management.

The score for “I am able to utilize my expertise and abilities in my present position” was high enough to demonstrate that a substantial number of employees felt they could utilize their knowledge and competence in their current jobs. However, the result still leaves a quarter of Secreta employees who do not feel that way. This could have a connection with the high number of Secreta employees who were not satisfied with their development opportunities. In other words, they did not have the necessary skills and competence to utilize in their current positions, and had no means to remedy that by learning and developing. Utilizing one’s expertise and abilities can be seen in relation to one of Armstrong’s (2012, p. 53-54) hallmarks of a high-performance culture: “Peoples capacity is developed through learning that supports performance enhancement on all levels and individuals are allowed opportunities to fully use their capabilities and skills.” Even if this is only one out of 13 hallmarks, it gives an indication of a possible high-performance culture at Secreta. The second item related to competence and people development indicates that the majority of Secreta employees want to learn more and develop. Three quarters of Secreta’s employees are actively exploring new opportunities for doing so.

As previously mentioned, trust between leaders and employees is essential for a functional performance system (Mikkelsen 2016). The question of whether they had confidence in their nearest leader scored a 78 out of a 100. This indicates that there is a high degree of confidence throughout the organization. While having confidence in someone is not necessarily the same as trusting them, confidence in a person is often built on trust. Confidence in nearest leader was high, however, other topics related to nearest leader scored in the low medium category. These scores were not necessarily poor, but, considering that the organization’s employees clearly want to learn and have the competence to perform tasks in their current jobs, we would have liked to see a higher scoring on these items because it is the leader's responsibility, to facilitate and encourage learning.

All the items in the Values and teamwork category were rated "high" by the SES standard and thus represent an excellent scoring category for Secreta as a whole. The items in Values and teamwork could have an impact on both motivation and well-being. Collaboration and teamwork are also related to the best practice HRM via the practices; "Self-managed and effective teams" and "Autonomy, involvement and participation." The other items could have a more indirect connection to best practice. For example, Secreta's values are known to be a motivational factor for people applying for work at the company (Subject 5). This means that they are also indirectly a part of Secreta's selective hiring process and thus create a vertical integration of Secreta's values and the hiring process.

"In my unit we set challenging goals" and "I am clear about the goals and objectives for my job" are two items that have an indirect relationship to motivation. In addition to effect on motivation, self-confidence and productivity, goals can also be a source of focus for employees. They can trigger behavior, sustain momentum, promote self-mastery, and guide and align focus (Forbes.com 11.05.2019). Challenging goals are, for example, one way of developing employees, which previous results indicate are important for Secreta employees. Clear goals and in one's job could be linked to purpose and motivation.

"All in all, how satisfied are you in your job?" Secreta's employees rated this question at 74, which may indicate that there are employees who are highly satisfied and others who are not that satisfied. Although motivation can refer to why someone performs a job, we refer to satisfaction as something that relates directly to the pleasure of having or doing one's job. Thus, this item perhaps tells us more about the well-being at Secreta rather than how motivated their employees were, even though low well-being could and most likely would have a negative impact on motivation.

The item "During the last year I have suffered health problems that might derive from work" had a different scoring method than the other items in the survey. The scoring was reversed, meaning that the score of 74 meant that Secreta employees had not suffered health problems derived from work to a large extent. This is directly related to the well-being of the employees. We would argue that a score of "only" 74 on this important question is a clear warning sign for Secreta, because it indicates that several employees are suffering problems related to their work. It is not only serious incidents and injuries that were referred to in this item. The work environment also influences people's health. It is not always easy to maintain an appropriate work-life balance. Highly motivated and engaged employees, for example, can be candidates for stress related health-issues like experience neck and back pain. This tells us that scoring high on some items in the SES, such as "In my unit we always deliver on promises" and "In my unit we are cost effective" and scoring low on ones such as "My workload is satisfactory," "Normally I am able to complete my work tasks within normal working hours" and "I can influence my workload" can all contribute to why the score was not better when asked about health issues derived from work.

Leaders giving of their time and interacting with their employees is a good foundation for ongoing appraisals or check-ins. Secreta expects appraisals to play an important role in their performance development and thus the availability of a leader enables employees to be involved in decisions related to their own work. Both practices can have a positive impact on motivation and well-being. Employees' sense of purpose can be enhanced by feeling that their units' goals create value for Secreta. A good score here can also indicate that the employees are successful at operationalizing Secreta's goals, down to a unit or individual level. Failing to do so can result in demotivated employees; conversely, being successful at it should motivate them.

"I have the necessary skills to handle my work tasks and responsibilities" with a score of 81 indicates that many Secreta employees felt that they had the skills needed to handle their work tasks and responsibilities. Generally speaking, it is positive to have so many skilled employees and it can also be a credit to Secreta's selection and hiring process. Although mastering one's tasks could enhance well-being, a high number here can also be a warning. We know the importance of developing, training and furthering careers, and the impact those factors can have on motivation. We have previously seen some numbers related to this that were not that high for Secreta. This could also be a sign that the employees do not have sufficient stretch tasks and goals to help them to develop. It would have to be a leader's responsibility to figure out which of their employees do not feel they have the correct skills. Ongoing appraisals would be an appropriate way to start that "investigation". In addition to that, it is also important to figure out why the ones who did not feel they had the skills to handle their responsibilities felt that way. What training and competence enhancements should be implemented on an individual or organizational level.

Treating coworkers with respect is a sign of a healthy work environment and can thus be a contributor to fewer work-related health issues. It also builds trust and confidence and enhances people's well-being. Support from colleagues when needed relates directly to the work-life balance of HRM practice. Knowing that you have support when it is required, perhaps especially when combined with respect, could lead to employees being more willing to ask for help when it is required. Doing so will decrease the amount of time employees need to work overtime and it could reduce stress. One of Secreta's values is collaboration, which includes support from colleagues.

The interview-subjects found the previous performance system both motivating and demotivating; in other words, the subjects were divided. This division perhaps speak to the findings in the SES, where an average score of 74 tells us that there will inevitable be some difference opinions in the organization. Some of the subjects thought that numerical ratings were fantastic, that they preferred the mathematical approach to it, arguing that it was easy to relate to. It gave them a sense of purpose and understanding. Several of them however, thought that it was demotivating to receive a rating. Especially if there was no explanation for the rating received. This is consistent with motivational theory. In terms of the theory, one of the key elements of leadership is knowledge about what motivates employees (Laudal 2016) and knowing what motivates employees is necessary to make them more efficient. The difference of opinions regarding how motivational the previous performance system was could relate to the fact that motivation is individual, and what triggers motivation is based on variations in personality. Some were satisfied with receiving a numerical rating, while others were motivated by feedback, and emphasized how one delivered and how one could improve. This could explain why some preferred the ratings and the ensuing reward, while others preferred the feedback and development leading up to the reward. The performance development system should be able to reach both types; if it does not, there will always some members of the organization who are likely to be less motivated.

Summary discussion research questions I:

The average score in the 2017 survey was 74 for items related to motivation and well-being. That number was the highest possible score in the medium category of the report. Thus, after analyzing the 2017 data one is left with a sense of "almost good." There is a strong foundation for a high-performance culture, but the organization has unused potential. Employee development by utilizing the internal job market, together with learning, should help the organization. It is important that short-term wins for organizational units and their leaders are not at the expense of the employee’s development. For the most part, the employees were motivated, and the well-being was high before the shift in performance systems, although there was room for improvement.

Research question II

As Kuvaas and Dysvik (2016) state, the way an organization gets the best out of its employees is to use effective feedback in which the focus is on the employees' strengths, not their weaknesses. The leader has a crucial role in this when it comes to providing continuous feedback that facilitates development over time (Einarsen & Skogstad 2015). If the leaders at Secreta do not understand their role in making the system work, it will be difficult to obtain the desired effect from the system.

The first question in the Ratio-in-Secreta survey related to research question 2: "The feedback I receive helps me with my development." The score for this item increased from 4,44 in 2018 to 4,75 in 2019. This indicates that the feedback they received was constructive and helped them, so that there was development into their next task or project. In 2018 the system was new, and the fact that there was an increase in the score indicates that as the first year went by, more employees learned how to use the system in the manner it was intended to be used. This was substantiated in our in-depth interviews, in which several of our subjects (Subject 1, subject 3) said that they liked the way feedback worked in the new system, and that it was more connected to the task or project, rather than receiving feedback six months later when the annual appraisal was due.

The subjects also liked the fact that the feedback came from 360 degrees, meaning that it was not only their direct leaders who provided feedback, but also other employees in the organization. This will give the leaders a broader perspective and reduce the risk of premising their decisions on only one subjective opinion. When they can share received feedback with their leaders, it creates transparency and reward outcomes are not based solely on one leader's opinion, but on multiple sources. It is important to keep in mind that not all employees are equipped to provide feedback, which was one objection to 360-degree feedback. It can be uncomfortable to receive feedback from coworkers, especially if it is negative or constructive criticism, a point that was raised in the interviews; thus, both leaders and co-workers will have to be aware of this. Emotional intelligence is important for leaders, but also for employees throughout the organization when it comes to providing feedback. The increase in the score for this item indicates that this has been mastered in a positive way. When feedback leads to development, there is reason to believe that the feedback that is given is constructive and that the leader or colleagues providing this are able to deliver it in a helpful manner. There is especially one group within the organization that does not share this opinion, namely those who work on projects. There is reason to believe that the system is easier to use for those who are situated in the same place with regular contact, and that it could need an adjustment for project managers. As subject 8 pointed out, the follow-up and continuous feedback does not work so well across countries or locations. Providing continuous feedback to an employee who is working in a different city or country will be based solely on feedback that is entered into the system by colleagues. Such employees might not feel that the feedback they receive helps them to develop.

As for the next item – “The feedback I receive helps me improve my performance” – the purpose of feedback is to facilitate development and improvement to increase performance, and having the power to do this is one of the key performance management processes (Armstrong 2009). Looking at the results here we can see that there was a 0,3 increase in the score, from 4,54 to 4,84, and that 53% of the respondents agreed that the feedback they received helped them to improve their performance. The new system also provides better feedback for each employee. It forces everyone to reflect more about what good performance is and what you need to work on.” Even though some of the respondents preferred numerical ratings, they still had a good experience with the system in terms of how they received and provided feedback (Subject 3). When feedback is connected to the task, knowledge or skills and is provided continuously, there can be development into the next task. To be able to facilitate increased performance, the leaders must know their employees' strengths and weaknesses. Looking at the results, in which 74% of the respondents agreed or strongly agreed, it seems that the feedback employees receive helps them to take this feedback and use it to increase performance. This means that the way the new system is being used is helping. When the new system makes it possible to receive feedback continuously throughout the year, the positive effect is that it is possible to adjust performance along the way, instead of having to wait until the end of the year when it is time for the appraisal and then receive feedback and adjust accordingly. It speeds up the process.

The highest score in the 2019 Ratio-in-Secreta survey was for the item “My leader and I have open and constructive performance conversations.” This was also the item with the highest score in 2018. There was an increase from 4,86 to 5,09, whereby 50% agreed with this and a total of 35% strongly agreed. The results were relatively high in 2018 as well, a short time after the new performance development system was implemented. Because this question was new in 2018, it is not possible to discern whether this was true even before the new system was implemented, but the increase from 2018 to 2019 indicates that it had a positive effect. One could argue that the system with continuous feedback and goals led to more constructive conversations, or at least that there was a closer follow-up that the employees found positive. From the theory we know what a crucial role the leaders play in performance development (Glasø 2015). One of the objections to performance development is that there is not enough time, because there are often too many employees per leader. The results we have here suggest that the leaders at Secreta have found a way to make this work, despite the time constraints. Perhaps this is because they understand that feedback is positive and constructive, and that when it is seen as valuable the employees will pursue it more actively, which will lead to performance development (Tuckey et al. 2002). The issue of time-constraints was also mentioned during our in-depth interviews (Subject 6), in which it was acknowledged that the leaders at Secreta had busy schedules, and that they needed to take the time to use the system and to facilitate discussions. However, despite their busy schedules, they have an enormous role to play to make this system work, so they have to make the time.

The importance of training was also discussed, and, according to the literature, learning ability is an important managerial competency (Yukl 2013). Secreta has programs for training and has made it possible to acquire knowledge through these programs. This means that the threshold for learning something new is low, and the organization takes leader competency seriously. Secreta knows that if the leaders do not possess the skills necessary to use all the aspects of this program, they will not get the desired effect from the performance development system. The results indicate that many leaders already do this and understand their role in this.

"My goals are inspiring and contribute to realizing Secreta's ambitions" is yet another item from the Ratio-in-Secreta survey for which the score has increased since 2018. It had a score of 4,72 in 2018, and 4,92 in 2019. As the theory indicates, goals are essential and, in combination with feedback, are a necessary part of an evaluation process. Goal setting is an essential step in Secreta's performance development system. Goals and feedback are mutually dependent, and work better together than they do alone (Erez 1977). Moreover, performance and development goals need to be effective (Kuvaas & Dysvik 2016), and in Secreta performance goals are created throughout the year and should consist of both "how you deliver" and "what you deliver." The results for this item and this survey indicate that the employees at Secreta found their goals inspiring, and the high score on this item is connected to the high score on the previous items about feedback, because performance goals are the foundation for continuous feedback. This is a good example of the fact that when feedback is provided, and there is an open and constructive conversation with the leader, this positively affects goals and goal achievement. After the implementation of the new performance development system, the process of goal setting became more of a continuous process, and that is positive (Subject 2). The overall results, and especially the increase in the results in this survey, tell us that that they find their goals inspiring. When you set goals throughout the year, instead of once a year, it creates a more dynamic work environment. When it is possible to adjust and rethink when it is necessary, and it is more motivational for the employees than having a set goal with no possibility of change and developing as the year and the task progress.

The results relating to the last item of the Ratio-in-Secreta survey, “My development plan includes concrete actions to deliver on my goals,” indicate that most of the employees have this in place as part of the performance development system. Every employee should have a development plan with short- and long-term development goals. There was an increase from 4,47 to 4,69. In our in-depth interviews we asked this question as well, and all our subjects said that they had a short- and/or long-term development goal in place. This is another aspect of the new performance development system that seems to be in use and working. The increase in the results from 2018 to 2019 at least tell us that it is moving in the right direction, and that the part of the performance development system that is related to the importance of having a plan for development that includes goals and evaluation (Latham 1990) is in place for the better part of the organization. This score should increase further in the future as the system becomes a natural part of the working day, although this might not be true for the employees working across countries who do not have continuous follow-ups with their leaders. As subject 8 told us, they find it necessary to set common goals as a team to adapt the system to their world instead of personal goals for all the employees. Considering that there is a big part of the organization that works on projects, this should be evaluated and customized for that purpose if Secreta wants that all the departments use the system in the same way. There could be a discussion about whether there should be a moderated version for projects or for offshore workers who have differing work schedules.

The link between performance and reward outcome was discussed in our interviews. The reward outcome in the new performance development system was difficult for our subjects to understand and to know how to achieve. In one way it is easier to understand the foundation when a leader says what has been good and what needs to improve instead of giving a rating, but in another sense how do you translate that feedback into actual reward and pay? This was easier for our subjects to understand when there was a mathematical approach to it, rather than a subjective one. All the subjects in our interviews were insecure about the process, and one of the leaders also said that last year, the first year in which salary was based on feedback, was the first time he felt insecure about the process. Thus, when it comes to connecting the steps in the performance development system to reward outcome, it seems to be necessary to make this step of the process clearer. The employees need to know how positive feedback on performance, goal-achievement and development translates into reward and pay.

Summary discussion research questions II:

The overall results from the Ratio-in-Secreta survey had an average score of 4,6 (out of 6) in 2018 and already then showed an indication that the employees had started using feedback to improve their performance and using it as input to develop themselves at Secreta. The results also indicated that there was a constructive performance conversation between employees and their leader, and that they found their goals inspiring. Even though there was no comparison to 2017, due to the items being changed from that year to be more in line with the new performance development system, they could still say that there was a positive effect. The first time it was possible to compare results was in 2019. From 2018 to 2019 there was a clear increase in the scores on all aspects. The average rating increased by 6% compared to 2018, with an average score of 4,86 (out of 6).

With this the answer to our second research question is that the experience with the new performance development system is good, and that it is moving in a direction in which continuous 360-degree feedback is a part of the employees' daily work life, along with constructive conversations about performance with their leaders and goal setting. The employees still struggle with the reward outcome related to this performance development system and how this will work. Also, there are some issues related to employees who are working on projects. Thus, there are still some aspects that need to be adjusted or clarified going forward.

Research questions III

As a contrast to research question 1, which related to the situation before the change, we will now determine whether there is evidence of an increase in motivation and well-being since performance development without numerical ratings was introduced in January 2018. The NeuroLeadership Institute (NLI) performed a survey in 2015 related to results after removal of performance ratings. Their study showed improved results on topics such as; engagement, quality and quantity of performance conversations and employee perceptions (NeuroLeadership Institute 27.05.2019). However, a later study shows that there are some evidence that positive expected results when removing ratings, not necessarily are the reality most companies' experiences. CEB (Now Gartner) found in a survey from 2016 that; employees were less engaged, managers spent less time on informal conversations, the quality of manager conversations declined and that the perception of pay differentiation decreased when ratings were removed (Gartner.com 25.05.2019). NLI's study were directed mostly towards larger companies who were willing to participate, meaning most of them would have a positive story to tell as they wanted to share it with the world. CEB's study however, were directed directly towards employees, thus receiving both positive and negative experiences. Another possible reason why the study which were directed towards the larger companies had positive results, is because the larger companies has in place HR organizations conducting and guiding the company through these types of changes.

It strikes us as unfortunate not to be able to continue reporting on the two Performance and reward items: "In my unit behavior and delivery are equally important in measuring performance" and "In my unit performance forms the basis of recognition and reward." Those items scored poorly by Secreta standards in 2017 and it would have been interesting to see if the introduction of a new performance system and a new reward system had any positive or negative impact. As noted in the discussion for research question 2, there are noticeable uncertainties related to the reward outcome in the new system. The connection between motivation and reward was also mentioned earlier in the thesis, where Dysvik and Kuvaas refer to increased salary, benefits, promotions and bonuses as outer motivational triggers for employees (Dysvik & Kuvaas 2016). Gary P Latham (2012) also refers to rewards and incentives as one of his seven concepts that explain motivation. We know from motivational theory that an unsatisfied need can create a feeling of unrest and discomfort. We see a connection between this theory and the observed behavior discovered in the interviews. Considering that all the subjects mentioned insecurities related to reward outcomes in the new system, this could possibly lead to demotivation. According to Latham (2012, p. 193), "a need cannot be met without the knowledge required to understand what can be done to satisfy it." This means that if motivation is a cognitive resource process, as stated by Pritchard et al. (2002), one cannot reach a state of motivation without understanding how to. The fact that our interviewees all referred to uncertainty about the reward process and claimed not to understand how to combine it with the performance development process seems to indicate a problem for Secreta. During our interviews the differences in what motivates individuals became clear, because some of our subjects were motivated by the previous system with numerical ratings, whereas others thought the new system with continuous feedback was fantastic, while yet others were motivated both before and after the implementation of the new system. The findings of our interviews related to this research question indicate that increased motivation is something they want and expect to come out of the performance development system, but that they do not think that the new system provides that just yet (Subject 1, subject 2 and subject 3).

Some of the nine items we saw which had a positive increase in 2018, can be directly connected to best practice HRM. Others might have indirect links and are more directly linked to motivation and well-being. The question "I am sufficiently involved in decisions related to my work situation" relates to the best practice Autonomy, involvement and participation. While there was an increase in score by two points, the overall score for this question was still in the 60s, thus making it a poor score for Secreta. An increased experience of involvement and participation in decision making could improve the employees' well-being and motivation, because participation in best practice HRM is often seen as a driving force for good performance (Mikkelsen 2016). A second aspect of "I am sufficiently involved in decisions related to my work situation" and its connection to Autonomy, involvement and participation is the lack of difference in status and hierarchy that a high score might imply. While companies in Norway might take that difference for granted, in part due to the Norwegian working Environment Act and our egalitarian society, Norwegian companies with international organizations should be aware of cultural differences and that a low score might reflect a satisfied score due to cultural differences, with some deeming that distance between a leader and employee is appropriate.

"Leader provides support to master challenges" had the highest improvement of all the items, with an increase of five points. Good leadership-behavior is often categorized as showing thoughtfulness and creating structure (Northouse 2010). Leadership is also a relational process. Transformational leadership, for example, highlights the importance of a leader building and developing social relationships with employees (Mikkelsen 2016). We would argue that such a relationship would have to exist for a leader to provide support when employees are facing challenges and need support to master them. The aim of using positive psychology is to support and challenge individuals, so that they can flourish (Mikkelsen 2016). The "broaden and build" theory of Barbara Fredrickson (2003) is a part of that. In terms of her theory, positive emotions will create a spiral of positive consequences. This means that people's beliefs regarding what it is possible to achieve will expand and their competence will be enhanced by positive psychology. By creating an environment in which employees can ask their leaders for support and receive it, a dialogue is put in place in which both parties can develop their intellectual resources and become better at solving problems and learning (Mikkelsen 2016). Such an environment will have a direct impact on the employees' motivation and well-being. Further possible evidence of such a culture existing within Secreta's walls are the high scores and improvement on the item "My leader is available if I want to discuss aspects of my work situation." In addition to that, the high score indicates that the level of involvement and decision making of the employees at Secreta has been related to their own situations in the organization. That is related to best practice HRM. It is also notable that some of leaders we interviewed highlighted that their workload had increased after the performance development system was introduced (Subject 4 and subject 7). Despite that, we see a positive change in the availability of leaders to their employees. One of the reasons for changing to performance development was the desire for an enhanced focus on the employees and not only reward (Subject 5). Perhaps the increase we see here is a sign of that happening. We also know that support from one's leader can influence people's health (Eriksen et al. 2004). This means that a high score on leader support can in turn reduce sick leave for Secreta, and again we see the vertical integration of HRM functions at work.

Support from colleagues was rated highly in both 2017 and 2018. Social interactions are important, and feedback is one of four aspects of social support, according to James S House (1981). Hackman and Oldham (1976) showed that feedback had a direct link to employees' motivation. In light of that, we see a correlation between support from colleagues and the two items linked to feedback in the Ratio-in-Secreta Quality report: "The feedback I receive helps me with my development" scored 4,75 out of a possible 5 and "The feedback I receive helps me improve my performance" scored 4,84 out of a possible 5. There is a high level of support in the organization and it also manifests in the feedback that is given, and the benefit people receive from it. House's (1981) social support aspects, namely information, feedback and emotional support, can also be a form of social recognition. Even though feedback is the only aspect built into the system at Secreta, offering and giving support, sharing information with colleagues, providing constructive feedback and offering emotional support when needed should be part of employees recognizing each other.

We are pleased to see a move in positive direction for the item "I am sufficiently involved in decisions related to my work situation." However, although there was a positive move, the score is still in the 60s, and thus represents one of the lowest scoring items for Secreta. The category Job content was represented by reoccurring items: "I am clear about the goals and objectives of my job" and "Normally I am able to complete my work tasks within normal working hours." There has been a clear improvement in employees reported understanding of their goals and objectives for their specific jobs. A 3-point improvement saw this rating move into the 80s. Understanding the goals and objectives of a job has a safety aspect to it. Understanding the aspects of one's job will be helpful when creating high-level performance goals that are realistic and aligned with the overall goals, vision and strategy of the company. The employees at Secreta are still not able to complete their work tasks within normal working hours at an acceptable level. That indicates that it is difficult for several employees to attain a work-life balance. A company wants and needs highly motivated employees who, due to their motivation, go "the extra mile." At the same time, a company will not be able to benefit from those employees for long if they "burn the candle at both ends." The introduction of mobile phones, tablets and a high-speed internet connection almost all around us are part of erasing the distinction between work and family (Mikkelsen 2016). Companies are introducing apps for time writing, collaboration, to name a few examples, to meet their employees' demands for a smarter and more effective way of working and interacting together. This is an example of an external impact that influences the HRM practices implemented at an organization. Secreta should bear this in mind as it puts strategies in place to meet the future in an efficient way.

The item "In my unit behavior and delivery are equally important in measuring performance" and possible aspects related to it were discussed under research question 1. Now, however, we must point out that the score for 2018 increased by two points from 2017. Hopefully, this is a sign that the new performance development process is addressing this issue and that after its implementation the focus is moving in the right direction. In 1997 Robert B Maddux found that more than half of his research sample did not understand how their work was being evaluated. This indicates how important it is to have ongoing appraisals and open dialogue between leaders and employees built on trust. The heightened focus on appraisals as an ongoing process throughout the year might have contributed to the increased score. Also, the fact that all the employees now can have 360-degree feedback easily via the online tool and directly link received feedback to their achievements helps in this regard. The enhanced focus on feedback and appraisals could also make the process more transparent and can help the company to avoid several of the known pitfalls related to the evaluation of employees. Achieving goals and receiving feedback on them should provide a sense of achievement that could again result in higher motivated employees (Mikkelsen 2016), which is what Secreta wanted to achieve with the change in performance systems.

The last question we can compare from 2017 is: “All in all, how satisfied are you in your job?” It is difficult for a question to be more directly linked to well-being than this. We did see a two-point increase from 2017. It is a move in the right direction, and it is a move towards increased well-being for Secreta’s employees.

At this time we do not have any data to which we can compare the results from 2018, meaning that it will be difficult to discuss whether the overall results demonstrate that there has been an increase in the employees’ motivation and well-being after the change in performance system, although it is possible to highlight some of the items, such as: “I feel comfortable being myself at work.” This question, which had the highest score of 82, is directly linked to well-being. We know from the theory that being comfortable is connected to well-being and the idea that in order to achieve optimal outcomes, organizations need to invest in the welfare/well-being of their staff (Thompson & Livingstone 2016). Based on the high score in the SES, it seems that the employees at Secreta are comfortable at work. The grouping “Satisfaction & Motivation” and the items within it are the most important grouping to answer the primary question of this thesis. With a score of 71, it is placed in category 2. It was below the average for the 2018 survey in general. The item “I often receive constructive feedback from my colleagues” had a rather low score of 67. In our interviews, all the participants stated that the continuous feedback module was in use and motivational. These results are contradictory.

Summary discussion research questions III:

The results and discussion presented in relation to research question 3 in the Ratio-in-Secreta survey show us that the experience with the new system is good, and that motivation increased from 2018 to 2019 – or at least the score is increasing, which one could argue is representative of increased motivation and well-being.

To be able to answer research question 3, it will be necessary to follow up on the results from the SES in 2019 when there is data to compare with the new items that are directly linked to Satisfaction & Motivation. With more data available it will be easier to perform a thorough hypothesis testing with for example a linear regression analysis to see if there are a significant context between the new PD and increased motivation. Given more time and the ability to directly compare questions in surveys several years after each other will also enable the possibility of discovering if there is a trend.

As for the questions that were comparable from 2017 to 2018 surveys, we see that most of the questions are moving in a better direction. For example, immediate leadership were both questions saw a significant improvement, even if leaders have said that the new system also increased the leader's workload. Together with the increased scores related to purpose, collaboration, decision making, engagement and development, there is evidence of increased motivation and well-being. As mentioned above, now it is important to follow up on these findings in coming years to establish if what we are seeing are statistically significant and not a coincidence in the results. Thus, making the increase in motivation and well-being a trend.

Conclusion

The purpose of this thesis was to determine whether there had been any changes in motivation among Secreta's employees following the shift from PM with numerical ratings to PD without numerical ratings.

Secreta has joined a growing list of companies all over the world that are following this trend and have shifted their focus from ranking to collaboration and motivation. Their human capital has been and still is extremely important to Secreta. This has resulted in a strong foundation for a high-performance culture based on HRM best practices, which is backed up by good results in their yearly employee surveys and nurtured by Secreta's "soft-HRM" focus.

Secreta's employees are highly-trained individuals who want autonomy, the chance to develop and to find purpose in their work. Following the shift from PM with numerical ratings to PD without numerical ratings, the employees are showing signs of utilizing the positive aspects of the performance development system. This is evidenced by higher ratings related to these three factors in the surveys and in the interviewees' positive comments. The introduction of the new system and the highlighted focus on feedback also seems to have sparked increased collaboration between the employees and leaders. This close collaboration should further enhance the bond of confidence and trust between them, and will in turn help to ensure the success of the shift to PD without numerical ratings.

There are some empirical evidence indicating that the expected results related to motivation and well-being would take a turn for the worse after a move away from numerical rating. For Secreta however, the result has been the opposite. Going forward, Secreta should in the coming years try to establish the validity of our findings as statistically significant, rather than simply a coincidence.

The results from the SES and Ratio-In-Secreta surveys indicate improvements in motivation and well-being. These findings were substantiated by the answers we received when interviewing Secreta employees. In these three datasets, we see indications of a positive shift in motivation and well-being since the introduction of PD without numerical ratings.

Reference list

Adler, S., Campion, M., Colquitt, A., Grubb, A., Murphy, K., Ollander-Krane, R., & Pulakos, E. (2016). *Getting Rid of Performance Ratings: Genius or Folly? A Debate.* Industrial and Organizational Psychology, 9(2), 219-252

Anseel, F., Van Yperen, N.W. Janssen, O. and Duyck, W. (2011). *Feedback type as moderator of the relationship between achievement goals and feedback reactions,* Journal of Occupational and organizational Psychology 84: 703-722.

Appelbaum, E and Batt, R. (1994). *The new American Workplace. Transforming work systems in the United States.* Ithaca, New York: ILR Press

Armstrong, M. (2009). *Armstrong's handbook of Performance Management an evidence-based guide to delivering high performance,* Kogan Page, London and Philadelphia

Armstrong, M. (2012). *Armstrong's handbook of human resource management practice.* London: Kogan Page.

Armstrong, M., and Baron, A. (2005). *Managing performance; Performance Management in action,* Institute of Personnel and development, London, 1. edition.

Armstrong, M. and Taylor, S. (2017). *Armstrongs handbook of Human Resource Management Practice,* Kogan Page Publishers, 14. Edition.

Balzer, W. K., and Sulsky, L. M. (1990). *Performance appraisal effectiveness.* In K. R. Murphy and F. E. Saal (eds.), Psychology in organisations: Integrating science and practice. Series in applied psychology. Hillsdale, NJ,; Lawrence Erlbaum Associates.

Barney, J. (1991). *Firm resources and sustained competitive advantage.* Journal of management 17 (1): 99-120

Barney, J. and Clarck, D.N. (2007). *Resource-based theory. Creating and sustaining competitive advantage.* Oxford, Great Britain: Oxford University Press.

Batson, C.D. (1987). *Prosocial motivation. Is it ever truly altruistic?* Advances in experimental social psychology 20:65-122.

Beer, M., Spector, M., Lawrence, P.R., Mills, D.Q and Walton, R.E. (1984). *Managing human assets,* New York: Free press.

Björklund, C., Jensen, I., & Lohela-Karlsson, M. (2013). *Is a change in work motivation related to a change in mental well-being?* Journal of Vocational Behavior, Journal of Vocational Behavior, 83, 571–580

Boswell, W.R. and Boudreau, J.W. (2002). *Separating the developmental and evaluative performance appraisal uses,* Journal of Business and Psychology 16 (3): 391-412.

Boxall, P., Purcell, J., Wright, P. (2008) *The Oxford handbook of Human Resource Management.* Oxford University press.

Brinkmann, S., and Kvale, S., (2014). *InterViews - Learning the craft of Qualitative Research Interviewing,* Third edition, Sage.

Briscoe, D. B., and Claus, L. M. (2008). *Employee Performance Management: policies and practices in multinational enterprises, in Performance Management systems: A global perspective,* ed P W Budwah and A Denisi, Routledge, Abingdon.

Brown, T. C., and Latham, G. P. (2000). *The effects of goal setting and self-instruction training on the performance of unionized employees.* Industrial Relations, 55, 80-94.

Campbell, J. P., McCloy, R.A., Oppler, S. H., and Sager, C. E. (1993) *A theory of performance.* In N. Schmitt and W. Borman (eds) Personal selection in organisations. San Francisco: Jossey Bass.

Cappelli, P. and Tavis, A. (2016). *The Performance Management Revolution,* Harvard Business Review, Boston Massachusetts. (https://hbr.org/2016/10/the-performance-management-revolution)

Coff, R.W. (1997). *Human assets and management dilemmas: Coping with hazards on the road to resource-based theory,* Academy of Management Review, 22 (2): 374 – 402.

Christian, M. S., Garza, A. S., & Slaughter, J. E. (2011). *Work engagement: A quantitative review and test of its relations with task and contextual performance.* Personnel Psychology, 64(1), 89-136.

Deci, E., L., and Ryan, R., M., (2000). *Intrinsic and Extrinsic motivations: Classic definitions and new directions,* University of Rochester.

Deci, E. L. and Ryan, A. M. (2008). Facilitating optimal motivation and psycological well-being across life’s domains. Canadian Psychology, 49(1), 14-23.

Deci, E., L., and Ryan, R., M. (2008). *Self Determination Theory: A Macrotheory of human motivation, development and health,* University of Rochester.

Deci, E. L., Ryan, R. M., & Koestner, R. (1999). *A meta-analytical review of experiments examining the effects of extrinsic rewards on intrinsic motivation.* Psychological Bulleting, 125(6), 627-668.

Delery, J.E. and Doty, D-H. (1996). *Modes of theorizing in strategic human resource management. Test of universalistic, contingency and configurational performance predictions,* Academy of management journal 39 (4):802-835

DeNisi, A. S., and Kluger, A. N. (2000). *Feedback effectiveness: Can 360-degree appraisals be improved?* Academy of management executive, 14: 129, 139.

DeNisi, A.S., and Pritchard, R.D. (2006). *Performance appraisal, Performance Management and improving individual performance: A motivational framework*, Management and organisation review, 2(2), 253-277.

Doran, G.T. (1981). *There`s a S.M.A.R.T. Way to write managements´s goals and objectives,* Management Review 70 (11): 35-36.

Drach-Zahavy, A., and Erez, M. (2002). *Challenge versus threat effects on the goal performance relationship,* Organizational Behaviour and Human Performance, 88, 667-682.

Dyer, L., and Ericksen, J. (2009). *Complexity-based agile enterprises: Putting self-organizing emergence to work.* The Sage Handbook of Human Resource Management, 436-457. London: Sage.

Dysvik, A. and Kuvaas, B. (2016) *Og så da? Konsekvenser av ulike typer motivasjon.* In Buch, R., Dysvik, A. and Kuvaas, B. (2016) Produktiv motivasjon i arbeidslivet, Cappelen Damm. 1 edition.

Erez, M. (1977). *Feedback. A necessary condition for the goal setting-performance relationship,* journal of applied psychology 63 (5): 621 –627

Eriksen, W., Bruusgaard, D. and Knardahl, S. (2004). *Work factors as predictors of intense or disabling low back pain. A prospective study of nurses' aides,* Occupational Environmental Medicine 61: 398-404

Flanagan, J. C. (1954). *The critical incident technique.* Psychological Bulletin, 51(4), 327-358.

Fletcher, C. (2002) *Appraisal: an individual psychological analysis.* I S. Sonnentag (red). Psychological management of individual performance (p. 115-135). Chichester: Wiley.

Fombrun, C-J., Tichy, N.M. and Devanna, M.A. (1984). *Strategic human resource management.* New York: Wiley.

Fredrickson, B.L. (2003). *The value of positive emotions,* American Scientist, 91 (4): 330-335.

Gagne, M., and Deci, E., L. (2005). *Self-determination theory and work motivation,* Journal of Organizational behavior.

Gerhart, B. and Fang, M. (2015). *Pay, intrinsic motivation, extrinsic motivation performance and creativity in the workplace. Revisiting long-held beliefs,* annual review of organisational psychology and organisational behavior (April) 2:489-521.

Glasø, L., (2015). *Følelsenes betydning i organisasjoner og ledelse* In Einarsen, S., og Skogstad, A. (2015). Ledelse på godt og vondt - effektivitet og trivsel, 2. utgave.

Gripsrud, G., Olsson, U. H., and Silkoseth, R. (2006). *Metode og dataanalyse med fokus på beslutninger i bedrifter,* Høyskoleforlaget AS, Kristiansand.

Grønmo, S. (1983). *Forholdet mellom kvalitative og kvantitative metoder i samfunnsforskningen.* I kvalitative metoder i samfunnsforskning. Redaktør H. Holter and R. Kalleberg. Oslo: Universitetsforlaget.

Hackman, J.R. and Oldham, G.R. (1976). *Motivation through the design of work. Test of a theory.* Organizational Behavior and Human Performance 16: 250-279.

Heidenmeier, H. and Moser, K. (2009). *Self-other agreement in job performance ratings. A meta-analytic test of a process model.* Journal of Applied Psychology 94 (2): 353-370.

Hendry, C., Bradley, P. and Perkins, S. (1997) *Missed, People Management,* 15 may, pp 20-25).

House, J.S. (1981). *Work stress and social support.* Reading, Massachusetts: Addison Wesley.

https://blog.synergita.com/2015/10/say-goodbye-to-forced-rating-system/ Extracted 19.04.2019

https://kvinner.hegnar.no/Nyheter/Jobb-karriere/2017/09/Dette-er-noekkelen-til-motivasjon-paa-jobb Extracted 19.05.2019.

https://www.businessinsider.com/stack-ranking-employees-is-a-bad-idea-2013-11?r=US&IR=T&IR=T#ixzz2l0oixJyW Extracted 16.04.2019

https://www.dn.no/arbeidsliv/denne-lederstilen-far-ansatte-til-a-prestere-best/2-1-227508?fbclid=IwAR0w_WiD3ebGpQHoWw8f_Z6H3XEBdZtwtnDy5eki91DYDrz-_ODB0btc1p0 Extracted 18.05.2019

https://www.dn.no/studier/-vi-har-mast-om-dette-i-10-15-ar-na-skjer-det/1-1-2029906 Extracted 16.04.2019

https://www.forbes.com/sites/jeffboss/2017/01/19/5-reasons-why-goal-setting-will-improve-your-focus/#507f6eff534a Extracted 11.05.2019

https://www.gartner.com/smarterwithgartner/corporate-hr-removing-performance-ratings-is-unlikely-to-improve-performance/ Extracted 27.05.2019

https://www.linkedin.com/pulse/dont-remove-performance-ratings-unless-you-willing-do-david-rock?trk=pulse_spock-articles Extracted 27.05.2019

https://www.mindtools.com/pages/article/smart-goals.htm Extracted 19. April 2019

https://neuroleadership.com/dont-remove-performance-ratings-unless-you-are-willing-to-do-three-things-well/ Extracted 27.05.2019

Johansen, S., T. and Mikkelsen, A. (2016) *Beste tilpasning innenfor HRM og strategi.* In Mikkelsen, A. and Laudal, T. (2016) Strategisk HRM 1 Ledelse, organisasjon, strategi og regulering, Cappelen Damm, 2 ed.

Kavanagh, P., Benson, J. and Brown, M. (2007). *Understanding Performance appraisal satisfaction.* Asia Pacific Journal of Human Resources, 45 (2), 132-150.

Kluger, A.N, and DeNisi, A. (1996). *The effects of feedback interventions on performance. A historical review, a meta-analysis and a preliminary feedback intervention theory,* Psychological Bulletin 119: 245-284.

Koontz, H. (1971). *Appraising Managers as Managers,* McGraw-Hill, New York.

Kopperud, K., H. and Martinsen, Ø., L. (2016). *Motiverende ledelse.* In Buch, R., Dysvik, A. and Kuvaas, B. (2016) Produktiv motivasjon i arbeidslivet, Cappelen Damm. 1 edition.

Kotter, J.P. (1988) *The leadership factor.* New York, The Free Press.

Kozlowski, S. W., and Bell, B. S. (2006). *Disentangling achievement orientation and goal setting: Effects on self-regulatory processes.* Journal of Applied Psychology, 91, 900-916.

Kuvaas, B., Buch, R., Weibel, A., Dysvik, A. and Nerstad, C. G. L. (2017). *Do intrinsic and extrinsic motivation relate differently to employee outcomes?* Journal of Economic Psychology.

Kuvaas, B. and Dysvik A., (2016). *Lønnsomhet gjennom menneskelige ressurser, Evidensbasert HRM*, Fagbokforlaget, 3. edition.

Kuvaas, B. and Dysvik, A. (2016) *Prestasjonsledelse og motivasjon.* In Buch, R., Dysvik, A. and Kuvaas, B. (2016) Produktiv motivasjon i arbeidslivet, Cappelen Damm. 1 edition.

Latham, G. P. (2001). *The reciprocal effects of science on practice: Insights from the practice and science of goal setting.* Canadian Psychology; Feb 2001; 42, 1; Health Reserarch Premium Collection, Uni of Toronto.

Latham, G. P., (2012) *Work Motivation History, Theory, Research and Practice*, Sage Publications London England.

Latham, G., P. and Locke, E., A. (2006). *Enhancing the benefits and overcoming the pitfalls of goal-setting.* Organizational Dynamics, Vol. 35, No. 4, pp.332-340/2016.

Latham, G. P., and Locke, E. A. (2007). *New developments in and directions for goal setting research.* Europeean Psychologist, 12 (4), 290-300.

Latham, G. P., and Purcell, E. D. (1975). *Training managers to minimise rating errors in the observation of behaviour.* Journal of applied psychology, 60: 550-5.

Latham, G. P., Seijts, G., and Crim, D. (2008). *The effects of learning goal difficulty level and cognitive ability on performance.* Canadian Journal of Behavioral Science/Revue canadienne des science du comportement, 40, 220-229.

Latham G., Sulsky, L. M., Macdonald, H. (2008). *Performance Management*, In P. Boxall, J. Pursell and P. Wright (red.) The Oxford handbook of Human Resource Management, Oxford: Oxford University press

Lawler, E.E.I. (1994). *Performance Management. The next generation, Compensation and benefits,* Review 26: 16-19

Locke, E. A. (1965). *The relationship of task success to task liking and satisfaction.* Journal of Applied Psychology, 49, 379-385.

Locke, E. A. (2000). *Motivation, cognition, and action: An analysis of studies of task goals and knowledge.* Applied Psychology: An International Review, 49, 408-429.

Locke, E. A. (2003). *Foundations for a theory of leadership.* In S. E. Murphy & R.E Riggio (Eds.), The future of leadership development (pp. 22-46). Mahwah, NJ: Lawrence Erlbaum.

Locke, E. A., Cartledge, N. and Koepple, J. (1968). *Motivational effects of Knowledge of results. A goal-setting phenomenon?,* psychological bulletin 70: 478-485.

Locke, E. A. & Latham, G. P. (1990). *A theory of goal setting and task performance*, Upper Saddle River, NJ: Prentice-Hall.

Locke, E. A. and Latham, G. P. (2002). *Building a Practically Useful Theory of Goal Setting and Task Motivation: A 35-Year Odyssy.* American Psychologist, 57:705-17.

Locke, E. A., and Latham, G. P. (2005). *Goal setting theory: Theory by induction.* In K. Smith and M. Hitt (Eds.), Great minds in management: The process of theory development (pp. 128-150). Oxford University Press.

Lucas Jr, R. E. and Rapping, L. A. (1972). *Unemployment in the Great depression: Is there a full explanation?,* Journal of political economy Vol 80 No 1 pp 186-191, The University of Chicago Press

Maddux, R.B. (1997) *Effective performance appraisals.* London: Kogan Pane.

McCarthy, A., M. and Garavan T., N. (2001). *360° feedback process: performance, improvement and employee career development*, Journal of European Industrial Training, Vol. 25 Issue: 1, pp.5-32, https://doi.org/10.1108/03090590110380614

Mikkelsen, A. (1996). *Medarbeidersamtaler og læring i organisasjoner.* Cappelen Akademisk Forlag AS, Oslo

Mikkelsen, A. (2016). *Finnes en beste praksis innenfor HRM?* In Mikkelsen, A. and Laudal, T. (2016) Strategisk HRM 1 Ledelse, organisasjon, strategi og regulering, Cappelen Damm, 2 ed.

Mikkelsen, A. (2016). *Hva bør ledere og HR-medarbeidere vite om motivasjon?* In Mikkelsen, A., and Laudal, T. (2016). Strategisk HRM 2 - HMS, Etikk og Internasjonale perspektiver, 2. ed, Cappelen Damm AS, Oslo Norway

Mikkelsen, A. (2016). *Prestasjonsledelse og medarbeidersamtaler.* In Mikkelsen, A., and Laudal, T. (2016). Strategisk HRM 2 - HMS, Etikk og Internasjonale perspektiver, 2. ed, Cappelen Damm AS, Oslo Norway.

Mikkelsen, A. (2016) *Prestasjonsmåling.* In Mikkelsen, A., and Laudal, T. (2016). Strategisk HRM 2 - HMS, Etikk og Internasjonale perspektiver, 2. ed, Cappelen Damm AS, Oslo Norway

Miles, M.B and Huberman, A.M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook* (2nd ed). Thousand Oaks, CA, US: SAGE Publications, Inc

Miles, R.E and Snow, C.C (1984). *Designing strategic human resources systems,* Organisational Dynamics 13(1): 36-52

Mone, E. M. and London, M. (2002). *Fundamentals of Performance Management*, Spiro, London.

Murphy, K.R. (2008). *Explaining the weak relationship between job performance and ratings of job performance*, Industrial and Organizational Psychology 1(2): 148-160.

Nerstad, C., G., L. and Richardsen, A., M. (2016) *Motivasjon og velvære i arbeidslivet.* In Buch, R., Dysvik, A. and Kuvaas, B. (2016) Produktiv motivasjon i arbeidslivet, Cappelen Damm. 1 edition.

Niepcel, W. and Molleman, E. (1998). *Work design issues in lean production from a sociotechnical systems perspective. Neo-Taylorism or the next step in sociotechnical design?* Human Relations 51:259-287.

Northouse, P.G. (2010). *Leadership. Theory and practice* (5 edition). Thousand Oaks, California: Sage Publications.

Ostroff, C. and Bowen, D.E. (2000). *Moving HR to a higher level. HR practices and organisational effectiveness,* in K.J Klein and S.W.J Kozlowski (edi)Multilevel theory, research and methods in organisations. Foundations, extensions and new directions. San Francisco, California: Jossey-Bass

Pfeffer, J. and Sutton, R. I., (2006) *Hard facts Dangerous half-truths & total nonsense profiting from evidence-based management,* Harvard Business School press, Boston, Massachusetts

Pines, A. M. (1993). *Burnout: An existential perspective.* In W. B. Schaufeli, C. Maslach, & T. Marek (Eds.), Series in applied psychology: Social issues and questions. Professional burnout: Recent developments in theory and research (pp. 33-51). Philadelphia, PA, US: Taylor & Francis.

Pink, D., (2010). *Drive: The surprising truth about what motivates us,* Canongate.

Porter, M. (1980). *Competitive strategy. Techniques for analyzing industries and competitors.* New York: Free Press.

Porter, L. W., and Lawler, E. E. I. (1968). *Managerial attitudes and performance.* Homewood, IL: Irwin-Dorsey.

Pritchard, R. D., Paquin, A. R., DeCuir, A. D., McCormick, M. J., & Bly, P. R. (2002). *The measurement and improvement of organizational productivity: An overview of ProMes, the productivity measurement and enhancement system.* In R. D. Pritchard, H. Holling, F. Lammers, & B.D. Clark (Eds.), Improving organizational performance with the Productivity Measurement and Enhancement System: An International collaboration (pp. 3-49). Huntingtin, NY: Nova Science.

Pulakos, E.D., Hanson, R.M., Arad, S and Moye, N. (2015). *Performance Management can be fixed. An on-the-job experimental learning approach for complex behavior change,* Industrial and organisational psychology 8 (1):51-76

Pulakos, E. D, & O'Leary, R. S. (2011). *Why is performance management broken?* Industrial and Organizational Psychology: Perspectives on Science and Practice, 4, 146–164

Purcell, J and Hutchinson, S. (2007). *Front-line managers for organisational success.* The academy of management Executive 13 (2): 37-48.

Renn, R. W., and Fedor, D. B. (2001). *Development and field test og a feedback seeking, self-efficiacy, and goal setting model of work performance.* Journal of Management, 27, 563-583.

Ringdal, K. (2001). *Enhet og mangfold.* Bergen: Fagbokforlaget.

Rock, D., Davis, J. and Jones, B. (2014). *Kill your performance ratings.* Organisations & People Issue 76, Harvard Business School.

Rousseau, D. M. (1995). *Psychological contracts in organisations. Understanding written and unwritten agreements.* Thousand Oaks, Sage.

Ryan, R. M., & Deci, E. L. (2000). *Self-determination theory and the facilitation of intrinsic motivation, social development, and well-being.* American Psychologist, 55(1), 68-78.

Ryan, R., & Deci, E. (2001). *On Happiness and Human Potentials: A Review of Research on Hedonic and Eudaimonic Well-being.* Annual Review of Psychology, 52, 141-166.

Salmela-Aro, K., & Nurmi, J.-E. (2004). *Employees' motivational orientation and well-being at work: A person-oriented approach.* Journal of Organizational Change Management, 17(5), 471-489.

Sutton, A.W., Baldwin, S.P., Wood, L. and Hoffman, B.J. (2013). *A meta-analysis of the relationship between rater liking and performance ratings,* Human Performance 26 (5):409-429.

Taylor, F., W. (1911). *Principles of Scientific Management,* Harper, New York.

Thompson, N, and Livingstone, W. (2016). *Promoting Well-being,* Sage Journals, Illness, Crisis & Loss, April 2018, Vol.26(2)

Tuckey, M., Brewer, N., and Williamson, P. (2002). *The influence of motives and goal orientation on feedback seeking.* Journal of Occupational and Organizational Psychology, 75, 195-216.

Walton, R. E. (1985). *From control to commitment in the workplace,* Harvard Business Review 63 (2): 77-84

Walton, R.R and Lawrence, P.R. (1985). *Human resource management. Trends and challenges.* Boston, Massachusetts: Harvard Business School Press.

Warren, M. (1972). *Performance Management: a substitute for supervision,* Management Review, October, pp 28-42.

Weinstein, N., & Ryan, R. M. (2010). *When helping helps: Autonomous motivation for prosocial behavior and its influence on well-being for the helper and recipient.* Journal of Personality and Social Psychology, 98(2), 222-244.

Wernerfelt, B. (1984) *A resource-based view of the firm,* Strategic Management journal 5 (2): 171-180.

Wright, P.M. and Boswell, W.R. (2002). *Desegregating HRM. A review and synthesis of micro and macro human resource management research*, Journal of Management 28 (3): 247-276.

Wright, R. P. (2004). *Mapping cognitions to better understand attitudinal and behavioral responses in appraisal research.* Journal of organisational behavior, 25, 339-374.

Yukl, G. and Lepsinger, R. (1995). *How to get the most out of 360 feedback,* Training, Vol. 32 No. 12, December, pp. 45-50.

Yukl, G (2013). *Leadership in Organisations.* Pearson Education Limited

Attachments

Attachment 1

Interview 1

Name:

Role in Change project:

Current role in Secreta:

1. **Why did you change the system? What made the change necessary?**
    a. What was the weaknesses with the old system?
    b. What do you want the new system to achieve?
    c. Anything else?

2. **How did you proceed to land on the chosen process / system?**
    a. Who did you involve in the process?
    b. What was your role?

3. **How were the employees involved in the change process?**
    a. Was the union involved?
    b. Did you use referents?
    c. Anything else?

4. **What thoughts/actions were made regarding the several different cultures that will share the same process and system?**
    a. Were there any differences that were taken into account?

5. **Could you please describe the new process and system?**

6. **How has the change been completed?**

7. **In your opinion, how has the change been received?**
    a. Positive?
    b. Negatively?

8. **Do you see any weaknesses with the new system?**
    a. In retro perspective, is there something you would have done differently?
    b. With the system or during the process?

Attachment 2

Interview 2

1. **What is your role in Secreta?**
    a. Answer:

2. **Can you please describe the previous performance management system in Secreta?**
    a. Answer:

3. **What is your opinion about the previous performance management system?**
    a. Answer:

4. **In your opinion, what was the strengths in the previous system?**
    a. Answer:

5. **What weaknesses would you say the old system had?**
    a. Answer:

6. **In 2018, Secreta made a change to performance development. What do you know about the background for this change?**
    a. Answer:

7. **Can you please describe the new performance development system in Secreta?**
    a. Answer:

8. **What is your opinion about the new performance development system?**
    a. Answer:

9. **Have you identified any strengths with the new system?**
    a. Answer employee:

10. **Any potential weaknesses with the new system?**
    a. Answer:

11. **Please describe how you personally use the performance development system?**
    a. Answer:

12. **What do you gain from the system?**
    a. Answer:

13. **What would you like to gain from a performance system?**
    a. Answer

14. **Do you find it easy to take Secreta's strategy and values and then operational personal performance goals? Please elaborate.**
    a. Answer:

15. **What do you think about the possibility of receiving feedback from all parts in the organization?**
    a. Answer:

16. **How often do you give and/or receive feedback?**
    a. Answer:

17. **Do you have any thoughts about numerical rating in a performance system?**
    a. Answer:

18. **When it comes to determining reward and pay, what do you think should be the important factors?**
    a. Answer

19. **Would you say fixed deadlines help you achieving your goals, or would you say a continuous process is better suited for the purpose?**
    a. Answer