

Performance Management Reform at Toyota Motor North America

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Factors Leading to a Need for Project Management Reform

The impetus for performance management (PM) reform at Toyota came about from larger strategic and competitive factors, internally and externally, that drove the need for large-scale cultural transformation, which in turn led to PM reform.

Internally, at the time, Toyota in North America consisted of four separate affiliate companies making up our manufacturing/engineering/research and development (R&D); sales/marketing; government and investor relations; and financial services operations. These companies were brought together to create a new, integrated corporate headquarters organization in Plano, Texas. Prior to integration, these affiliates operated as separate organizational entities. The communication between them was extremely slow, and sharing of talent was virtually nonexistent. If employees wanted to move between organizations, they had to formally leave one organization and apply to the other organization.

Externally, Toyota identified competitive threats that required changing their legacy business model. For a long time, the only competitors for automakers were other automakers. Things have changed drastically in recent years, however. Consumers today are less concerned about vehicle ownership than they are about mobility as a service. Additionally, major advancements in machine learning and artificial intelligence, coupled with the sheer amount of technology and software in vehicles, has changed the outlook for our competition. Beyond traditional automakers, competitors today include the major technology companies, such as Apple, Amazon, and Google. As a result, our global chief executive officer (CEO) issued a

challenge to transform ourselves from an automotive company to a mobility company in order to remain competitive in the future.

These internal and external factors led to the transformation of our North American operations. In March 2014, it was announced that our Toyota affiliate companies would be combining to form “One Toyota” in North America. During this transformation, there was an emphasis placed on the fact that One Toyota is a state of mind more than a physical location in Plano. This change resulted in about 10% of the workforce in North America being relocated to new centralized headquarters; at the same time, the entire company began the journey to transform into a mobility company.

While we knew that combining our North American affiliates to one entity and moving toward a centralized physical headquarters were important changes, these changes alone were not enough to make the change “real” to the organization. Long-term sustainability of these changes meant that we needed to implement structural change elements, align job levels, implement policy changes, and embed behavioral change. Structurally, we enabled change by harmonizing legacy groups and moving them to fully integrated departments, which required relocation of many staff members to a common headquarters location. Policies were reduced from lengthy, complex, and prescriptive documents to policies that are more simplistic and easier to understand. Importantly, they allowed a great deal more management flexibility and discretion. Our dress code policy, for example, changed from being prescriptive and “old school” to a “dress-for-your-day policy where team members are free to use their best judgment and dress appropriately depending on the day they might have: Do you have external vendors coming to visit? You might want to dress up. Are no big meetings or events planned? Feel free to dress more casually.

Change was also enabled through an initiative called The Bold New Ways of Working, which was to redefine how team members use technology and physical space at work. From a technology perspective, we focused on collaborative programs that would enable technology to help us work better together, no matter if we were working with others in Texas or in one of our other locations in North America or anywhere else across the globe. Physically, we designed our campus in Plano for 50% traditional workspace and 50% collaborative workspace, thus encouraging our team members to get away from their desks, collaborate, and interact with others.

To drive behavior change, we created North American Cultural Priorities (NACP), which are based directly in the Toyota Way Pillars of

Respect for People and Continuous Improvement. The *Cultural Priorities* (*Challenge the Status Quo, Think Innovatively, Make Timely Decisions, Grow Our People's Capabilities, and Collaborate Across Boundaries*) are the specific areas we determined Toyota needed to change and excel at in order to remain competitive in the future. We also created the *Team Toyota Competencies* (*Delight, Solve, Lead, Innovate, Grow, Value*), which were derived from the Toyota Way and Cultural Priorities. The competencies are the behavioral components that reinforce the Cultural Priorities and help team members live the Toyota Way. The competencies provide a central framework to which all of our talent processes connect (Figure 2.1). Finally, we positioned our PM approach to reinforce all of these structural and behavioral initiatives.

The PM processes that had been developed across our affiliate companies were prescriptive and highly customized in support of the homogeneous populations and types of work conducted in each legacy organization. We recognized that these would be ineffective and were not in harmony



Figure 2.1 Team Toyota Competency framework.

with the policies, cultural framework, and mindset we were establishing with One Toyota. A much more agile and simplified approach to PM was needed. We made the intentional decision to be less prescriptive in our PM process, allowing for flexibility, management discretion, and business ownership.

The new PM approach—branded *Driving Performance*—was developed to reinforce the structural, policy, and behavioral initiatives that were being implemented to drive the change. The name was intentionally selected not only to align with what we do, reflecting that we are a mobility company, but also to reinforce the expectation that team members will “drive” and take ownership of their own growth and development. This change was due in part to the feedback from team members that they did not feel they had a voice in their development. Our goal was to drive team members to be more proactive in determining how they would develop and pursue their interests.

The new PM process was also positioned as an extension of the business process Toyota already used to grow and develop people, OJD (On-the-Job Development). With OJD, the expectation had been embedded that managers grow and develop team members through Just-in-Time (JIT), all-the-time feedback. When practiced as intended, we saw the positive impacts that occurred when managers made their expectations clear through goal setting and provided feedback by having good OJD conversations. Both team members and managers who practiced robust OJD reported that traditional performance reviews were somewhat unnecessary as they already had a full understanding of expectations and how team members were performing against these.

Given the positive outcomes observed, we made the decision that OJD conversations, or *check-in discussions* as we named them for Driving Performance, would become the cornerstone of the new PM process. The goal was to ensure that each team member at minimum was having a check-in quarterly with their manager, discussing progress against goals, competency behaviors, and overall development.

We were fortunate that PM transformation was part of a much larger *One Toyota Cultural Transformation*, which was seen as a business imperative and had the highest levels of leadership engagement and support. We were in a time of massive change for all aspects of our organization in North America; thus, there was a large appetite for change.

PM Process Design

The PM design team consisted of a number of in-house experienced and talented individuals from the human resources (HR) team. The team was supported by strong HR leadership that continually reinforced living out Toyota's Cultural Priorities and Challenging the Status Quo during the design process. As such, the team was able to complete the design process successfully using in-house resources and support. External consulting resources were used to support initial system configuration and testing prior to implementation.

The design team used a multiprong approach to determine what PM would entail in the new, integrated organization. An important foundational step was surfacing perceived pain points from the previous processes. We conducted focus groups and forums and listened carefully to feedback, both positive and negative, on our legacy PM processes. We also reviewed insights from prior internal problem-solving efforts aimed at our legacy processes. For example, in a prior evaluation, our internal Toyota Production System Support Center (TSSC) group, which conducts time analysis and process improvement work, determined that one of our legacy PM processes was the most inefficient process in North America from a time-spent perspective due to a cumbersome system, lengthy self-assessments, and ineffective rating scale.

We coupled these internal reflection and data collection exercises with robust external benchmarking and best practice reviews, gathering insights from thought leaders and leading edge companies in the PM space. We specifically focused on collecting data and research concerning the next-generation workforce and what they expected with regard to PM practices.

To guide our efforts internally, we conferred with the following stakeholder groups throughout the design phase of the project:

- A cross-sectional group of about 30 executives from different parts of the business, most of whom expressed interest in wanting to change PM and were willing to provide input to the design team. This group was important both as a sounding board during the design phase and as champions of the process when we launched it. Because they had input into the process from the start, they bought in to the changes.
- A cross-functional HR group that represented all areas of the company.
- A formal approving group made up of our top HR affiliate leaders.

- A central One Toyota PM office work stream that we used frequently for feedback.
- Eventually our senior leaders up to the CEO provided input and buy off as did Toyota Motor Corporation, our parent company in Japan.

The design process followed a PDCA (Plan, Do, Check, Act) approach, which is consistent with Toyota's culture and methodology. Activities within each phase are summarized next.

Plan

- During the Plan phase of our PDCA cycle, we focused on internal and external benchmarking, spending approximately 3 months researching and benchmarking before ever asking the question, What should we do?
- Internally, we met with several of our global affiliates to more fully understand the processes of our Toyota counterparts and any work being done in the area of performance and talent management.
- We conducted a detailed review of what had been done in the past by the four different Toyota organizations that were coming together as One Toyota.
- We outlined prior processes in detail to identify what worked well and what had not, discussed customer feedback, and identified elements to keep and elements to change.
- We conducted research to understand the latest thinking on the topic of PM transformation, including looking at recent publications (white papers and articles) from the Society for Human Resource Management (SHRM), *Harvard Business Review*, Bersin, and other similar organizations. The goal was to understand the latest thinking and research on next-generation talent management and to identify which organizations were leading or using breakthrough solutions.
- We conducted benchmarking with companies that were doing something new in the PM area to understand how these next-generation talent management strategies and processes were being applied in real-world settings. These innovator companies included Zappos, Adobe, IBM, Google, GORE-TEX, Expedia, and REI.

Do

- Using all knowledge gained, we identified and defined a proposed plan.

Check

We conducted regular reviews with the following critical stakeholders to solicit feedback:

- A team of about 30 executives, representing every area of the company across North America
- Members of the Toyota HR team, representing every area of the company across North America, which also included about 30 people
- Focus groups with approximately 150 team members across North America
- A final review and check with Toyota Motor Corporation, our parent company

Act

We used an iterative approach in which changes were made based on stakeholder feedback, and the revisions were reviewed again with stakeholders. This approach allowed crafting a methodology for Toyota that aligned with and reinforced all other elements of the cultural transformation we were implementing.

New PM System Features

Our “from” state varies by the legacy affiliate being discussed. Each had a unique PM process, and some had several legacy processes. Our internal evaluation process revealed that there were 12 unique processes across North America. While these processes were unique in many ways, we found several commonalities across teams, as follows:

- The legacy processes were administratively burdensome, requiring team members and managers both to spend hours entering and editing performance-related information as well as completing self-evaluations.
- Legacy rating scales were not popular and not easily understood. Some were numerical and cumbersome, requiring ratings of team members down to the tenth of a decimal point. Others were descriptive and somewhat arbitrary in their application.
- Previous processes were uniformly seen as rigid. They forced PM into once- or twice-a-year events in which the conversations were focused on ratings rather than meaningful feedback exchanges. Any feedback that was received was not likely to be timely.
- Team members expressed that they never had an understanding of how they were performing relative to their peers. They perceived lack of transparency into how ratings were determined and how that related to compensation.

Driving Performance is an agile and dynamic process that is focused on the growth and development of our team members through ongoing feedback and coaching throughout the year. While coaching via OJD is a common Toyota philosophy, we found its usage varied greatly by legacy organization, business unit, and location. We also found that most traditional OJD discussions were focused on work priorities and did not take competencies and development into account.

One goal of the new PM system was to get everyone on the same page and create expectations that good feedback discussions encompass more than just work priorities; competency behaviors and development are also important topics of discussion. Driving Performance was intended to build common understanding, develop baseline skills, and set uniform expectations among managers across the company regardless of the legacy practices to which they were accustomed.

When we initially communicated Driving Performance, we said that we were eliminating the traditional rear-facing performance review and replacing it with JIT feedback and coaching for development. As shown in Figure 2.2, Driving Performance includes four main components: goal/priority setting, check-ins, feedback and coaching, and ownership of development.



Figure 2.2 Driving Performance process elements.

- **Goal/priority setting:** Driving Performance promotes agile goal setting. Team members need to set goals during the start of the fiscal year, but there is flexibility to update, edit, add, and remove goals throughout the year to align with business requirements. The intent is for goal setting and tracking to be meaningful and helpful for the individual. While tools are provided to set and track goals, both online and offline, these are not mandated. If teams or functions are accustomed to setting and tracking priorities using a certain methodology, these can be retained and are encouraged. A key goal was to avoid creating *muda* (“waste”) for team members by requiring them to feel they have to track goals in multiple places.
- **Check-ins:** As mentioned, check-ins are the cornerstone of the process. If these do not occur regularly and are not robust, the rest of the process will struggle. A check-in discussion consists of a team member and

manager meeting at a cadence deemed appropriate by them (minimum of once per quarter) to discuss performance relative to goals, competency behaviors, and their development. It is important to ensure these conversations take place on a regular basis and that team members incorporate the feedback in a timely manner rather than waiting until the end of the year to receive performance feedback.

- **Feedback and coaching:** In Driving Performance, there is a large emphasis on JIT feedback and coaching. Delivering feedback in the moment is important for the feedback to be effective. Multidirectional feedback is an important part of the process, and team members are encouraged and empowered to give feedback to anyone in the organization. With this component, in particular, we are investing in education and skill building because we realize that capability and comfort giving and receiving feedback and coaching vary from person to person. In order to strengthen this component, we have created tools, such as introductory “toolkits” with best practices and tips for managers and team members on how to give and receive feedback as well as a system tool that allows team members to proactively give or request feedback from anyone in the organization. The feedback and coaching component area has the most opportunity for future growth and development within the organization.
- **Ownership of development:** This component emphasizes shared ownership of a team member’s development. Our goal is to create proactive and engaged team members who are actively working toward their own development with the help of their manager rather than waiting to be told how to develop. Team members are strongly encouraged to carefully attend to and use the feedback and coaching they receive toward their ongoing growth and development.

These components take place throughout the year. In the final quarter of the year, an additional process is carried out in which managers answer three summary questions about performance; these questions call for a direct summation of the check-in discussions that have been occurring throughout the year: (1) a goal/priority question, (2) a competency question, and (3) a development question. A descriptive rating is then entered by the manager. This descriptive rating is taken into a “calibration” process in which talent by job level within divisions and business units is comparatively evaluated. The scale includes four descriptive rating points (Figure 2.3).

PERFORMANCE SCALE
FAR EXCEEDED
EXCEEDED
ACHIEVED PLUS
ACHIEVED

Figure 2.3 Driving Performance rating scale.

In addition to these standard ratings, designations of *Below Expectations* and *Unable to Rate* are optional rating designations that are used as needed.

The single rating was intended to cover both goal achievement and competency behavior in a single judgment that would drive both merit and bonus. The rationale for a single rating was that while achieving goals and priorities is important, they need to be accomplished using the Team Toyota Competency behaviors. The single rating was used to strongly communicate that you cannot achieve the highest ratings at Toyota without both. Hence, the balance is important.

The scale was implemented with a robust distribution guideline that provides a comparative evaluation within job-level pools, which is then discussed during the “calibration” process. We share the distribution guideline with all team members in the organization in order to promote transparency of our process. Use of a comparative distribution guideline addressed feedback from team members and leaders that prior systems lacked information and transparency about how the process worked and how team members stacked up against their peers—both of which they wanted to know. Using a robust distribution guideline provides transparency to Driving Performance. As an example, if a team member is rated Far Exceeded, the member now has the transparency to understand that he or she is among the top 10% in their calibrated group by job level. While distribution guidelines are not entirely new for Toyota, previously they were not widely shared or closely followed. This led to ratings losing meaning and being perceived as demotivating. System designers felt that without a strong distribution guideline, the ratings would lose their meaning entirely—to the point that they may as well not have ratings at all.

There is some flexibility in how calibration is carried out in our various business units and plants because nuances do exist, but we have common calibration and rating practices to which everyone is asked to adhere:

- Consider the distribution guidelines: The rating distribution guidelines provided are critical to the process working as intended and need to be followed.
- Performance ratings should be considered independently from promotion readiness: These are two separate decisions that require consideration of different criteria. It is possible to have high performers that are properly placed, just as it is possible to have average performers who are ready for promotion.
- Rating is situational: Differing from legacy rating practices, we no longer assign “automatic ratings” to newly promoted or new-to-role team members. We rate them based on their actual performance against the expectations and competency behaviors for their job level.
- Performance is a snapshot of the current year: We want to get away from carryover “halo” and “horn” effects.
- Do not reserve the higher ratings for the higher job levels: The distribution guideline should be utilized equally by job level to ensure proper use of all ratings.
- Make performance decisions, then manage merit/bonus: As a people leader, send the appropriate “message” during performance and then focus on the compensation piece as a separate event.

After calibration is completed, people leaders update comments in feedback summaries based on discussions that took place during calibration. The initial rating is then entered into the automated system and matched against the rating determined during calibration. The calibrated rating is the “final rating” that the team member will receive. This is done as a quality check to ensure that the manager understands what the final rating is and has a chance to ask questions if he or she was not part of any calibration discussions that resulted in rating changes. Because the manager must “own” the rating and discussion with their team member, it is imperative that the manager understands any changes made.

Once everything is finalized, managers hold year-end check-ins with their team members to review the feedback summary and provide a rating. We encourage our managers to go “light” on written comments and focus the

bulk of the meeting on discussion. We have found that more meaningful development comes from rich discussion rather than reading performance comments. Based on the year-end check-ins, the goal is that team members understand where they stand, how they performed relative to others based on the distribution guideline, and what concrete development items to incorporate into their goals for the next year. Table 2.1 summarizes key system changes.

During the design process, three issues generated considerable debate:

- Use of a single rating: Some legacy PM processes used multiple ratings to drive different compensation components (results drove bonus, and process rating drove merit), while others utilized a single rating. There was a lot of internal debate about how many ratings should be used.
- Definition of the rating scale: There was a lot of debate about the rating scale concerning the number of rating points and rating point definitions. Some leaders wanted only two ratings (pass/fail). Others wanted more ratings than the four we decided on; yet others wanted no

Table 2.1 Key Performance Process Changes

Who	Previous	Current
Manager	Told what to do by HR. Only had to focus on performance during midyear and the end of the year. Often would copy-paste team members' self-assessments into the manager assessment.	Responsible to ensure that check-ins occur throughout the year, responsible for giving ongoing feedback and coaching, and "own the rating" for the team member at the end of the year.
Team member	Followed the cadence set by HR using mandated tools; begin year, midyear, end of year. Did not receive regular feedback on performance throughout the year.	Encouraged to give and seek feedback throughout the year. Given optional tools to support performance. Team members receive more regular feedback throughout the year during check-in discussions.
HR	Acted as "performance police." Created a strong "push" environment for all performance activities. Would audit and ensure completion of activities.	Moved to a "performance consultant" role. Main objective is to aid the business in performance and support supervisors by giving them advice, tools, and support. Main goal is to help the business see the benefit of ongoing performance discussions for development.

ratings at all. The decision not to define the ratings beyond four anchor words was also controversial. The rationale was based on the belief that the organization was too broad and the jobs too diverse to be able to define the ratings in a way that would apply meaningfully to everyone. Instead of defining the ratings, a strong distribution guideline was implemented to drive scale use.

- Use of a transparent distribution guideline: Although transparently sharing the distribution guideline prompted debate, feedback thus far has been largely positive. Even when team members are not satisfied with their rating, they appreciate knowing their standing. One of the pillars of the Toyota Way is continuous improvement. This is baked into everything Toyota does, and Driving Performance is no exception. Rating transparency via sharing the distribution guideline is not a magic fix, and there are pros and cons to increased transparency. While this was determined to be the best approach for Toyota at this time, in time we may again kaizen and change direction.

PM Pilot Studies

Because the company was simultaneously implementing multiple complex change efforts, the Driving Performance pilot was limited to groups that requested to roll out the new methodology sooner than the company-planned rollout. Recall that the new PM process extended and further codified an already-embedded OJD process in which leaders were already trained. Hence, it was within reach to have the management team lead the pilots and rollout, rather than HR. This was also consistent with and reinforced positioning of the new PM system as a business process, not an HR process.

Pilot groups consisted of Production Control, Information Systems, Toyota Logistics Services, and R&D divisions. The pilots lasted about two full quarters, and none of the groups had the opportunity to go through the end-of-year rating and feedback components. To facilitate the pilot, leaders were trained on the new approach and expectations first.

We used feedback from the pilots to make updates to our tools, but we did not make changes to the approach because it was already aligned with the Toyota Way. The final process we rolled out is shown in Figure 2.4.

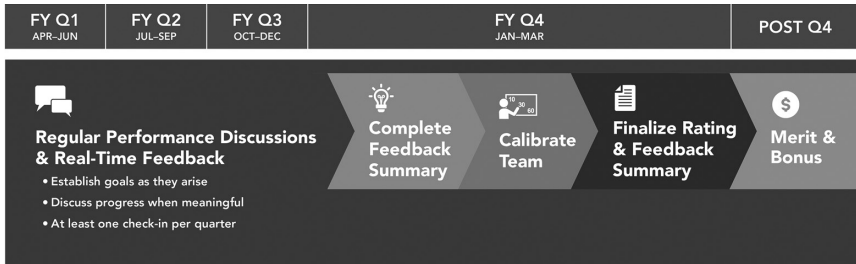


Figure 2.4 Driving Performance annual timeline. FY, fiscal year.

PM Process Implementation

We initially rolled out the year-end calibration process ahead of a more robust rollout of all of the main components of the process. This was due to the need to get our newly integrated organization on a harmonized process for ratings and pay. This rollout was accomplished through a comprehensive training, change management, and communications plan that was targeted to our people leaders because they are the primary users of the PM system.

Comprehensive communications about the system were prepared, including FAQ packets, FACT sheets, trainings (process and system), videos, website and leader messaging, and digital signage around the campus. The key messages centered on linkages between Driving Performance and other elements of the One Toyota Cultural Transformation. We leveraged the work being done with the Cultural Priorities and the Team Toyota Competencies, integrating our messages into those communication streams. We focused on branding Driving Performance as a process that was continuous, agile, and focused on the growth and development of our team members.

We provided in-person training on both the process and the system, often in separate sessions, to all people leaders in the company. While we conducted some virtual training sessions, we held most training sessions in person. This was done intentionally as part of our change management strategy. We recognized there was a need for forums that allowed for open dialogue and extensive questions and answers (Q&A) due to nuances that were unique to each group and location that simply could not be captured well by e-learning. Additionally, we were sensitive to the fact that team members were being put through substantial change. We felt that face-to-face discussions with them would be the

most respectful way to roll out Driving Performance. Certainly, e-learning is important, and we use it regularly, but considering the situation and content we were conveying, we opted for in-person versus e-learning sessions.

Process training consisted of background information regarding why we were making the change and summarized feedback that had been collected from team members about our previous performance processes. An overview of the new process was presented that highlighted changes from previous processes. In addition to the live training, we provided leaders and team members with the FAQ packets, FACT sheets, and videos to explain the changes.

System training was a refresher of the main process components, coupled with how they would function in the system. Our HR system was new to the company, so system training also provided an introduction to platform use overall, such as how to log in and update personal information. Aside from live training, we designed quick reference guides (QRGs) to guide people leaders through each system step and how to complete them. Because we were adopting a new process at the same time we were implementing a new HR system, the system learning component was critical.

Status and Outcomes to Date

We have completed two cycles for five of six of our main business pillars and one cycle for our manufacturing pillar. Additionally, our co-ops and interns are now using Driving Performance.

Evaluation of the PM changes leverages two different methods. First, we conducted robust reflection sessions with all of our Human Resources Strategic Partners (HRSP) groups. The HRSPs are our “arms and legs” in the business, so their insights and reflections have proved invaluable in the kaizen of our process and system.

Second, we embedded several questions into our team member experience survey to evaluate the impact of change. This is a biennial company-wide morale survey that goes to all Toyota team members in North America. Specific questions relevant to the PM process included the following:

- I receive clear and regular feedback on how well I do my work.
- I understand the results expected of me in my job.
- I receive recognition when I do a good job.
- My goals/work priorities are challenging but reasonable.

We use these data to ensure not only that check-ins are occurring but also that the discussions are robust and yielding meaningful feedback versus merely a status update.

In addition, if these items are shown to have high frequency, we would expect to also see increased levels of engagement throughout the company. Ultimately, we understand that a key to having an engaged and enabled workforce is to have an effective PM process that drives effective conversation and development, so we are working to help embed that through tracking these survey metrics.

Lessons Learned from Implementation

The value of the in-person training. We knew that implementing a new PM process was a large and somewhat sensitive change. We felt this would be aided by looking our team members in the eye and providing an open forum to ask questions, challenge, and discuss. Our approach was consistent with the Toyota Way pillar Respect for People, and we took this into account in all aspects of our design and implementation process. We also understood that the change to Driving Performance carried different meaning and impacts, depending on the legacy organization and location from which participants came. It was important to speak to the unique and nuanced changes the new system imposed on those from different locations. We heard time and time again how appreciative our field locations were that we came in person to train them and to answer questions versus being a faceless entity from headquarters instructing them over the phone on what to do.

Strategies to manage resistance. No matter the change, it is not uncommon to encounter some resistance to PM process changes simply due to the inherent sensitivities in rating and paying employees. Toyota's legacy processes were much more prescriptive than the new process, in which room was created for manager discretion and business unit ownership. While these were intentional changes, they brought some resistance. By taking a robust approach to change management and partnering with senior leaders and our HR partners to create a united voice and identify champions in the business, we were able to effectively explain rationale for the new process and own the direction for our team members. Additionally, we learned that providing forums for team members to ask questions, challenge, and vent frustrations helps them process large changes.

The importance of HR system configuration and testing. We learned the importance of thorough HR system configuration and testing ahead of moving into production and going live with our team members. We worked with external partners initially for system implementation, and we learned that, for us, it is better to have our in house Human Resources Information System (HRIS) team support configuration and testing. Our HRIS helped us to build credibility with the businesses and HRSPs that we work with for performance.

The value of simplification and efficiency gains with technology. Our HRSPs and people leaders have reported appreciation for the simplicity of our process and system, especially concerning calibration. Calibration had been part of Toyota's legacy PM processes, and we encouraged the normal cadence of activities to continue. However, three changes yielded significant improvements: (1) simplification of the rating scale; (2) the distribution guideline; and (3) a new technology-enabled tool that allowed real-time movement of team members on a digital calibration board, showing impacts on the target distribution guidelines. Previously, this process had been much more cumbersome, using Excel documents, manual calculations, and a lot of toggling. Our R&D group in particular reported decreases in the time required for calibration from multiple 4+-hour meetings to a single 60-minute meeting.

Better understanding of feedback and coaching gaps. Finally, implementation illuminated gaps in feedback and Coaching and hence the need for continued work in this area. We found that the extent to which feedback and coaching are embedded and performed efficiently varies greatly from organization to organization, group to group, and individual to individual. Some practiced feedback and coaching as part of OJD for years, while others never practiced OJD. Previously, some have had little personal ownership in PM due to HR driving it, while others have taken pride in developing their team on an ongoing basis. As a result of One Toyota, some remained in homogeneous groups, while others were fully integrated with legacy affiliate groups, creating challenges in merging culture and social norms. Finally, a high proportion of Toyota's workforce is in technical roles. Many team members have been promoted for their technical competence and had little formal education/training in feedback and coaching. All of this is to say that we understand an important first step in leveling up our organization in feedback and coaching will be to create baseline understandings and expectations.

Continued Improvement

Given the challenges associated with embedding effective feedback and coaching in any organization, our primary goal was to create baseline expectations and gather feedback about current behavioral effectiveness in order to develop a more robust strategy to help the organization mature. The team member experience survey results indicated that team members understand what is expected of them; however, many are not receiving meaningful feedback during regular check-ins as expected. At the same time, people leaders have reported that they do not fully understand what is being asked of them with regard to having check-ins and giving feedback.

These results have prompted plans to recommunicate expectations and find new ways to communicate and share best practices. This initiative, Driving Performance 2.0, will reinforce expectations through traditional channels, identify champions within the business units to help drive effective feedback, and find unique media to communicate, such as scenario-based videos and podcasts. Additionally, we plan to roll out a feedback and coaching course that will be led by our HRSP group. This will focus on setting expectations and providing opportunities for practice through role playing.

Additional plans being considered are to look to reinforce and retell the “why” of Driving Performance: reminding our team members about why we have adopted this approach, how it ties back to the Toyota Way pillars of Respect for People and Continuous Improvement. We also plan to begin to share insights gleaned from the team member experience survey and the importance of creating an engaged and enabled workforce. Finally, as we build out other Talent Development programs (Career Development, Mentoring, etc.), we will look for ways to embed and reinforce Driving Performance in those programs.

Summary and Directions for Future Work

Overall, we deem the implementation of Toyota’s PM process to have yielded some substantial improvements, increased efficiencies, and higher satisfaction. At the same time, more work is needed to embed behavior change to support effective feedback and coaching. We realize that upskilling a large organization like Toyota in these areas will not occur overnight, but we also understand the criticality of this component to success of our overall PM

process. For example, we have observed ripple effects from lack of feedback and coaching skills in other Talent Development areas. Managers sometimes request administration of an assessment or external coaching to help manage a “trouble” team member. Often, further investigation reveals that these managers never attempted to address performance issues as part of Driving Performance through feedback and coaching. While assessments and coaching are useful development tools, these cannot replace sound feedback and coaching on an ongoing basis.

Future PM work at Toyota may involve applying agile development and scrum methodologies to other business and people processes beyond just software development. As organizations become more networked and restructure their talent and teams in more cross-functional ways, work will be needed to understand impacts on PM. Will team performance become more relevant than individual performance? Will multirater performance ratings be more appropriate than the traditional performance hierarchy? How will we ensure rating consistency among multiple raters? Will performance and compensation also become *agile* processes that adapt to the new rhythms in which we work (e.g., sprints vs. annual cycles). Moving toward more networked organizational structures puts even more urgency on skill building in giving and receiving feedback and coaching. Fast-paced teams without traditional hierarchies will need capabilities to provide feedback up, down, and across in the moment, when it is most beneficial, to mitigate risk and deliver effectively as a team.

Performance management has the potential to change dramatically in a rapidly advancing, data-rich digitized workplace, and some significant challenges exist. As digitization produces more and more data, it will become increasingly important to carefully select and refine how these data are used. The question becomes how to use data most effectively to drive engagement and to enable performance in organizations. Data-driven metrics and analytics could substantially contribute to PM by painting a more robust picture of employee performance without the flaws and biases inherent in human raters, but finding the right balance between data-driven methods and traditional approaches will be key and may vary from organization to organization. Determining the appropriate mix that is needed to drive high levels of motivation, engagement, and enablement in the organization will be essential in organizations showing a return on investment for their PM approaches.