

CREATING A BEST-IN-CLASS MANAGEMENT CULTURE

NOVEMBER 2023
EN:INSIGHTS FORUM
EXECUTIVE SUMMARY

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The November 2023

EN:Insights Forum discussed organizational best practices for promoting excellent people management. The session began with SHRM Commercial Research Manager Ragan Decker, Ph.D., presenting new SHRM research on people management in U.S. organizations based on a survey of HR executives, HR professionals, people managers and workers.



According to HR executives, people managers are:

Critical for their organization's overall success.

92%

agree or strongly agree.

Critical for accomplishing their organization's strategic objectives.

82%

agree or strongly agree.

However:

Just

25%

of HR executives make the development of people managers a high priority.

Only

24%

of HR executives say the well-being of people managers is a high priority.

People managers are vital for success:

Most HR executives said people managers are critical for their organization's overall success.

“This misalignment poses a significant risk to organizational health,” Decker said. “Neglecting the development and the well-being of people managers can undermine the foundation of a thriving workplace.”



Boosting performance, well-being and commitment:

SHRM Research found that effective people management positively correlates with workers' overall performance, their commitment to the organization and their understanding of how to progress in their careers. The research also found that effective people management negatively correlates with employees feeling stressed and leaving work exhausted.

How effective are people managers?

Nearly two-thirds of workers rate their managers as highly effective, while 70% of managers say the same about themselves. That alignment indicates the shared understanding of the level of managerial effectiveness.

The good news:

64%

of workers rated their people managers as highly effective.

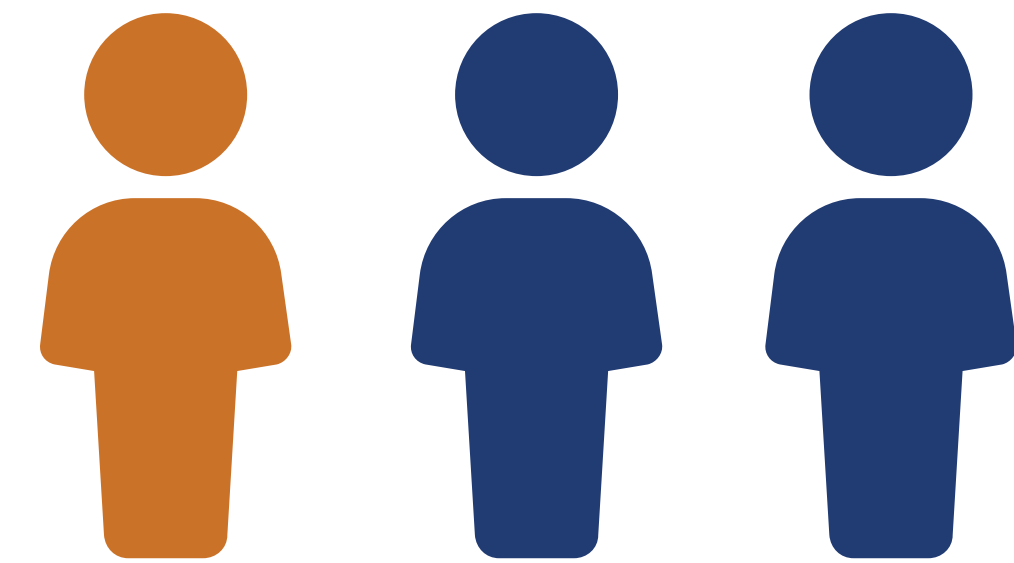
70%

of people managers rated themselves as highly effective.

The bad news:

1 out of every 3

workers worldwide say their manager can't lead a team.



“Let’s not lose sight of the fact that these percentages imply that approximately 30% to 40% of workers are working for people managers whom they do not consider highly effective,” Decker said. “And this is not just limited to the United States. In our 2022 Global Culture Report, one in three workers worldwide stated that their manager can’t lead a team. So together, these findings highlight a significant opportunity for improvement.¹”

¹ Strengthening Workplace Culture: A Tool for Retaining and Empowering Employees Globally, 2022. SHRM. <https://www.shrm.org/about/press-room/shrm-issues-new-global-workplace-culture-report>

The top 5 areas where HR executives would like to see their organization's people managers further develop their skills are:

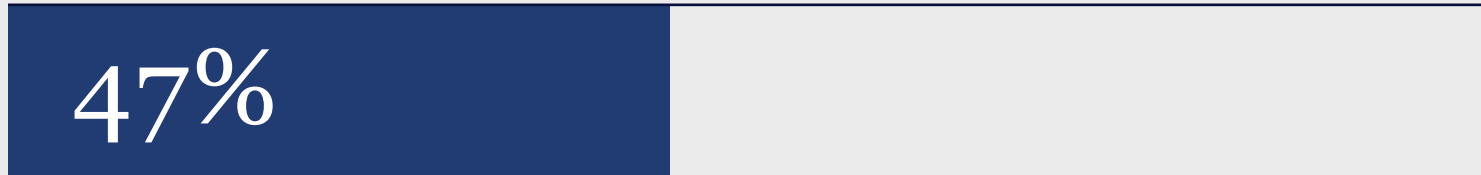
Coaching and mentoring



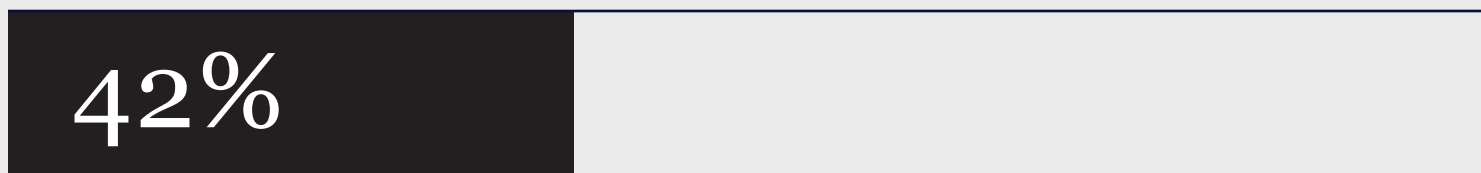
Effective communication



Performance management



Conflict resolution



Strategic thinking

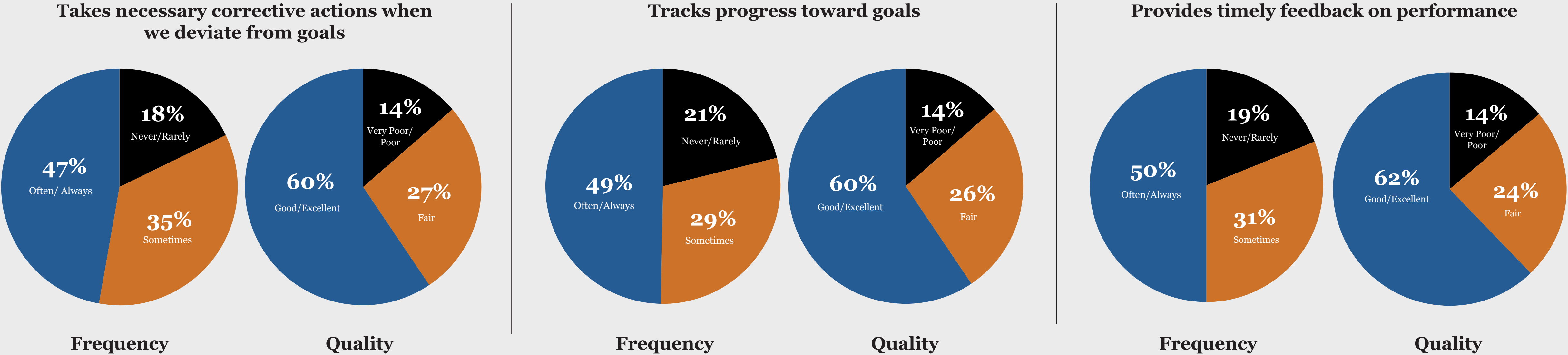


Performance management remains a challenge:

- 61% of HR professionals say less than half of managers at their organization effectively address underperformance or areas for improvement among direct reports.
- 41% of HR professionals say less than half of managers at their organization are effective at recognizing and rewarding exceptional performance.

How do workers grade their people managers?

Most previous research has focused on the frequency of managerial behaviors when evaluating managerial effectiveness. Yet, it is critical to consider the quality and frequency of the behaviors exhibited by managers. This approach allows for organizations to make more informed decisions about developing and supporting managers. The new research looked at the quality and frequency of specific performance management behaviors, such as taking necessary corrective actions when deviating from goals, tracking progress toward goals and providing timely feedback on performance.



“Here, we can see that 50% or less of people managers are engaging in these performance management behaviors on a regular basis,” Decker said. “Despite this, about 60% say that their managers are doing a good or excellent job at these behaviors, regardless of the cadence.”



Quality matters most:

Which is more important: the quality or frequency of managerial interactions? To answer this question, the researchers conducted a relative weights analysis based on U.S. workers' ratings of their supervisors. They found that both the frequency and quality of performance management behaviors are significant drivers of managerial effectiveness, but quality has a larger impact.

“Overall, the quality of performance monitoring is a more important driver of managerial effectiveness than frequency, although they are both important,” Decker said. “In other words, when managers engage in these performance management behaviors, they need to make it count and really hold themselves to a high-quality standard.”

There's a lack of training and data resources for performance reviews:

Ensuring people managers provide high-quality feedback and performance management is much more difficult than simply ensuring they're doing it regularly. Ensuring these behaviors are done at a high level of quality might require more training than most people managers are getting now.

43%

HR professionals who say their organization does not provide sufficient training and resources to people managers for performance reviews.

60%

HR professionals who say their organization does not provide people managers with data-driven insights for performance reviews.

A missed opportunity for enhancing manager effectiveness:

Unfortunately, this inadequate investment in performance management carries over to the development of people managers overall. **More than half (51%)** of the HR executives surveyed say their organization doesn't invest enough in developing people managers.

Bringing in training from outside sources is a widespread practice, but less than half of the HR executives surveyed said their people managers received regular training in management skills.

69%

HR professionals who say their organization covers the cost of external training.

40%

HR professionals who say their people managers receive regular training to advance their management skills.



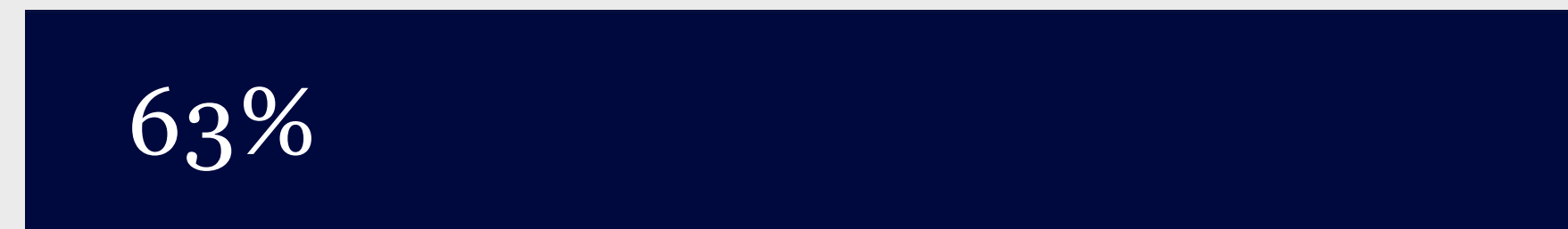
RAGAN DECKER, Ph.D.
Commercial Research Manager, SHRM

“This is a missed opportunity because our results show that HR executives who say their organization invests adequately in the development of people managers are much more likely to say that their people managers are effective,” Decker said.



Percentage of HR executives who say their people managers are effective:

Inadequate investment in development



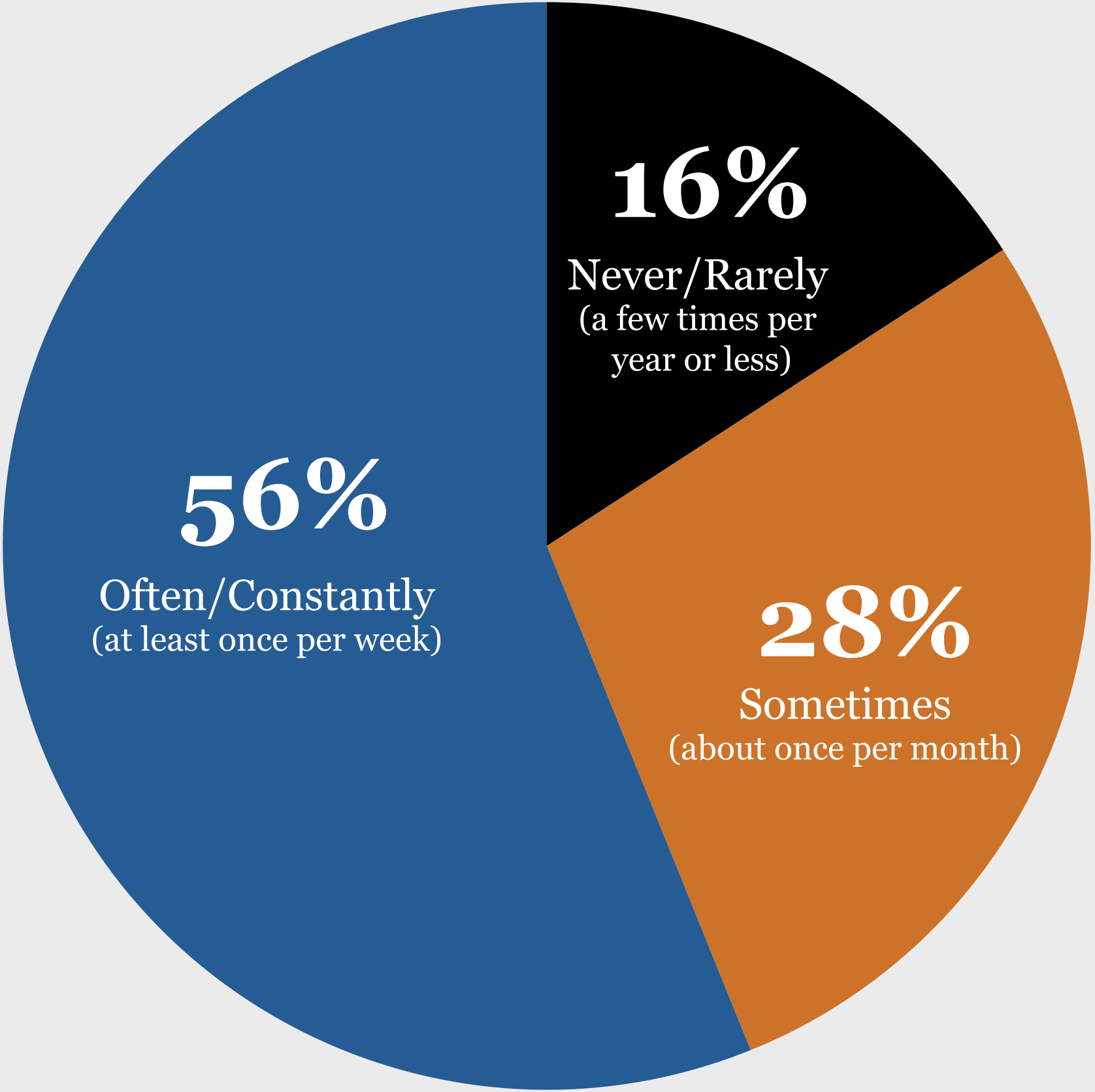
Adequate investment in development



High-quality mentoring can help:

While many organizations don't have the budget to engage in extensive managerial training and development, mentorship can be a great way to provide managerial development on a budget. Among HR executives who engage in mentorship activities with their direct reports, 56% say they do so often or constantly. But quantity isn't everything.

How often HR executives mentor their direct reports:



“Executives need to make sure mentorship moments are of high quality to really maximize the return,” Decker concluded.

SHOPIFY'S BRIAN GASPAR: BUILDING A GREAT CULTURE (WITH HELP FROM AI)



BRIAN GASPAR
SHOPIFY

Brian Gaspar, vice president of technology at Spotify, and his team are already deploying AI to reduce tedious, repetitive HR tasks and empower employees and their managers to get answers to their questions right away. But Gaspar also stresses the human side of management, especially building and reinforcing a healthy company culture.

“I’ve been involved with a bunch of cultural shifts over my career, and it has often not landed because people didn’t understand it or they didn’t understand why it mattered or the value of it,” he said. “If you’re going to drive cultural shift, the first thing is to understand how to communicate what that shift is, what’s needed, and get the buy into it. The second piece is around critical mass. You need to get people who have brought this culture shift to a critical mass so that it becomes part of the company’s fabric? And you can’t, if you don’t have a critical mass, no matter how hard you try, you’re never going to shift the culture.”

Q: What's your personal approach to people management, and what experiences inform it?

I want to build high-performing teams that are connected, that they're motivated, and that they get things done. We look at management here at Shopify as managers needing to opt in to being a manager. Managing is hard work, takes a lot of effort, is time-consuming, and people really need to opt in to it.

When I first got into management, I was a 23-year-old kid managing 64 people, and as a first-time manager I was like, "I don't get it. Management's not that fun. I'm going to go back and do some other work and get some maturity underneath me so that I can be a proper manager." Those experiences as a young manager really drove my thinking on how to motivate teams: how to be a proper leader, how to let people stand out and lead themselves, and how to be comfortable with it.

Another thing, in my experience, is that you need to earn the trust of your team. People are smart. They smell if you're not authentic or not. Also, they look up to you to be an expert in your craft. Can they trust that you understand what they're doing? Can they come to you for help? Another thing as a manager is having your team's back and giving them support, but also promoting them when they do great stuff and allowing them to shine, which means being comfortable enough as a manager to let your team shine.

Finally, as you move through different companies in your career, companies have very different cultures. And what is that management style of the culture, how do you fit into it, and how do you represent the culture with your authenticity as a manager? I'm at Shopify now. I was at Amazon, and those are very different cultures. How do you fit into those cultures as a manager and lead what could be drastically different teams?

Q: How did you adjust to these different cultures?

A lot of it was getting feedback and getting it early. Shopify explains its culture as a crafter paradise, a collection of individuals who are there to do great work and be fantastic as a coder, marketer or salesperson. It is not what I would call a manager's paradise. If they could not have managers, they probably would not have managers. And that's not a bad thing.

In my first month, I shared some feedback with my team and got a phone call from a longtime Shopify employee. In the first three seconds, he asks, "Hey, how open are you to constructive feedback?"

This person was two levels underneath me. We talked for two hours just about what a manager is here at Shopify. What is it like, and what's needed? I think



that kind of openness to teams to get that feedback, and to realize what the different culture is and then being able to either match it and accelerate your team or, as a manager, you decide maybe that's not the culture for me.

Q: You've said twice now that part of the manager's role is to let your people shine. It's not about you shining; it's about how to let your people shine. Why?

As a manager, your team either makes you look great or bad, and you want to give them every opportunity to be recognized for their great work. That goes into generating high-performing teams. If they feel ownership of it, as a manager, you've given them ownership of it and made sure they're free to do that work. Then they're much more highly motivated to do the work and to put what could be a lot of hours in to get things done.

As a manager, you need to understand the pulse of the team. You can't work a team 80 hours a week for the long term. You need to understand the pulse of the team and ask, "Are we going too fast?" because people can get burnt out.

That goes back to my original conversation with the person who called me and talked for two hours. I call him my Shopify conscience now. We talk about how things are going and where we can improve. It's important to understand that if you lose your team, there are certain implications around retention, not getting work done, having to rehire, and all those things. It's much easier to take a second and talk to the team, see what's happening and unlock them than it is to spend cycles replacing them.

Q: Initiating hard performance conversations typically isn't a strength of managers. What are your thoughts on communicating accountability to the managers on these messages?

Not every manager is comfortable giving feedback, for sure. We have 360 reviews, and part of what we do is use Google PaLM so we can have AI analyze the data and give recommendations to the managers to have constructive conversations. We give them five bullet points, we say they should stop, they should correct this, they should keep on doing this, and here's your summary of how you should start your conversation.

This is all individualized and based upon all the 360 reviews and it's been highly effective. A lot of managers have followed it as an initial script to get discussions going. It's giving them a playbook. What we've seen so far is that we're having a much higher success rate by being able to do this.



Q: What organizational traits make it hard for individual managers to do exceptional work?

Being able to be authentic to your team, being able to get them the support they need, and being able to clear roadblocks for them. It's also important to think about having them connected to the business, being able to have the right performance conversations as they come up, the good and the bad, and being able to get them promoted. As a manager, you need to be about your team and you need to unlock your team, and if you're not able to unlock your team, you're not going to have a good team and you're not going to be an effective manager.

Q: You have a lot to say about AI and what AI is doing for you. Can you tell us a bit more about that?

The premise behind AI is, “How do you take away a lot of the administrative burden from folks and make them smarter or help them complete work faster?” That’s accelerating in everything we do at Shopify. We have released our own version of ChatGPT internally. We released it in September, and we have 90% of the organization using it on a daily basis now, and 100% have used it at some time.

We’ve learned a lot of things about how AI helps and doesn’t help, especially around becoming a better manager and how to be more effective as an HR person. Here’s an example: We just went through our performance cycles. This is the second time I’ve led the teams through that. The first cycle, we had more than 5,000 questions that each had to be answered by an actual person. Basic things like, “How do I rank somebody?” or “What’s the definition of this ranking?” or “What’s the minimal budget reward?” Then we embedded ChatGPT into our product. This time, we had more than 4,000 questions, and not a single one of them was escalated to an actual person to be resolved.

That kind of benefit is huge because AI unlocks the workforce so that as they need something in the moment, there’s no excuse not to be able to get it. They don’t have to wait for somebody to respond. They can go get it right away. Beyond HR, our engineering sales and marketing groups use this tool. They can type in something, get a code generated, and be able to start a project. It’s been very meaningful from a productivity standpoint.

Q: Do you have any concerns with providing ChatGPT with private information to answer a manager's questions?

Yes, 1,000%. We've definitely seen ChatGPT improving productivity for folks being able to get things done faster. We've also used it to automate jobs here, to the point where we've eliminated 35% of our administrative jobs for HR through ChatGPT and a few other things. So that's been fantastic.

Besides the security issue, which is who should see what information, there's also the question of whether the information is good or bad. If you give a manager bad information and they communicate bad information, that's not great. In terms of security constraints, we do set context and we have different deployments of ChatGPT. One is for our business



partners, where they have unlimited access to data, they can see performance reviews, and all that stuff. And then we have a public view that goes out to every employee. We actually have two different version of ChatGPT, depending on your role in the company.

Q: What specific HR tasks have you eliminated using ChatGPT and AI?

We've eliminated a lot of administrative work, simple stuff such as generating an offer letter or transferring an employee, plus a lot of tasks around data exploration, such as getting a headcount report. When business partners need to give a VP an overview of their organization, they can use AI to get a review of a specific team, headcount performance, any issues that the team has come up with, and so on. Chat has automated what would've been a high administrator burden to put those things together. Now they could just go into the tool itself and do it themselves.



Q: With ChatGPT, have you reduced headcount, or is it more that you're redeploying humans to more impactful work?

It's redeployment. A lot of tier-one questions and processes that used to be done by humans are now handled by ChatGPT and the autonomous solutions we get out of that. Now HR professionals can work on the harder problems, such as a tier three problem or tier two problem. We also see that other organizations outside are looking at these solutions and thinking they instead of 5% operational staff or administrative staff, they can redeploy those positions in engineering, sales or whatnot. We're seeing benefits across the board on this stuff.

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