INNOVATION IN ACTION
JUNIPER NETWORK'S CREATIVE NEW APPROACH TO TALENT MANAGEMENT

On June 22, 2011, Mercer presented "Innovation Conversations: People at the Heart of Performance," a video simulcast featuring panelists from American Express, Juniper Networks and Wal-Mart.

Viewers from around the world were enamored with the innovative ideas presented by the panelists. In this edition of *Innovation in Action*, we focus on Juniper Networks and its paradigm-shifting efforts to redesign its talent management system to better align with the company's high-growth, high-performance agenda.

We sat down with Juniper's Greg Pryor, Vice President of Leadership and Organization Effectiveness, and Vineet Walia, Vice President of Global Total Rewards and HR Service Delivery. Both were instrumental in architecting and orchestrating the new talent management system that they say now aligns squarely with their organization's vision to "Connect Everything. Empower Everyone." Some of the firm's unique approaches include leveraging cutting-edge brain science, peer group clustering, manager empowerment and, yes, abolishing traditional performance ratings.

To view Mercer's Innovation Conversations and other related materials, visit www.mercer.com/people-at-heart-of-performance.

MERCER: *Greg, following the June 22 discussion in which you were a panelist, we received a lot of interest in Juniper's unique, out-of-the-box approach to talent sourcing, motivational initiatives, rewards and more. People were fascinated by Juniper's "disruptive innovation," posing countless questions about performance management. They wanted to know "Did they really get rid of ratings?" and "How do they actually decide pay?"*

So, you completely got rid of ratings?

GREG PRYOR: Yes, no more ratings, which we came to realize were marginalizing and demotivating employees. In its place, we engineered a completely new concept that we believe is ideal for Juniper and includes relative laddering and alignment with brain science, peer groups and manager discretion and which leads to colleagues who are 100% aligned with our culture and business strategy.

MERCER: *There are a number of concepts to delve into here, but would you mind first providing a bit of the business context?*

PRYOR: Absolutely. In 2009, CEO Kevin Johnson articulated Juniper's strategy to build a new network that would transform the economics and experience of networking. We would do this through innovation, scaling and rewarding people's aspirations. Our CEO then partnered with the HR team to renew our values and culture in line with marketing's efforts to reimagine our brand and market positioning.

The executive team did global tours to help colleagues imagine the dream. We renewed our values and culture, and promoted our brand vision: Connect Everything. Empower Everyone. It was a great success, and by late 2009 and early 2010, colleagues were starting to live the values and deliver the brand, and conversations started hovering around those issues.

Kevin also pointed out an important distinction about our talent that made us think differently about how we source and manage it. He said that Juniper didn't need "the best and the brightest"; rather, we needed the best and the brightest talent for our organization. He said we need employees who have a commitment to what we're trying to do in the world, those who are inspired by our vision and who share and practice our values.

Juniper Networks at a glance
Founded: February 1996

NYSE: JNPR

Market cap: $22.07 billion

CEO: Kevin Johnson

Founder and CTO: Pradeep Sindhu

EVP HR: Steven Rice

Headquarters: Sunnyvale, California

Employees: 9,000+ employees and offices in 47 countries

Revenue: USD $4 billion (2010)

Along the way, our colleagues told us that the traditional five-point grading structure no longer aligned with our values. The labeling system – for our particular organization – was marginalizing and demotivating our talent. Our business strategy is about being disruptive innovators, so we set out to ensure that our talent strategy – with an emphasis on people aspirations – enabled us to reach those business objectives. Now, we are reimagining all our systems to dovetail with this context.

MERCER: *So, what do you have against performance appraisals, and how do you evaluate performance and, in turn, determine pay?*

VINEET WALIA: Traditional forms of measurement are fine for most companies, but we discovered that it was counterproductive for us. Some of this is explained by brain science and supported by groundbreaking work in neuroleadership. It wasn't the catalyst for change, but it helped reinforce that we were going down the right path. For example, in brain science, we learn that performance appraisal fires up a threat state in the brain and limits the ability to hear messages. Performance discussions are not the time for shutdown.

"…instead of ranking employees, we look to develop 100% J-Players."

–GREG PRYOR, JUNIPER

PRYOR: People were demotivated by ratings and traditional methods of goal setting, and assigning performance ratings was part of compensation planning and not a part of talent assessment. We retained the elements that delivered on our principles of meritocracy and career growth and removed the elements that distracted from innovation and engagement.

MERCER: *Can you walk us through a sample process of goal alignment and how you determine employee performance and relative pay?*

WALIA: Let's look ahead to calendar year 2012. In November and December 2011, from the CEO on down, we will set personal goals and measures of success that support and align with our business strategy. Colleagues will establish how their goals will support their managers' goals and managers will do the same for their leaders.

By January, colleagues will know what the goals are for the entire year – not months into the year, but on the very first day. Managers will have thoughtful, deliberate conversations among themselves and with talent in the context of the four key attributes of what we call the "J-Player": contributions, connections, careers and capabilities.

PRYOR: I'll also add that instead of ranking colleagues, we will begin with the goal of having 100% J-Players. These are colleagues who match the attributes of our J-Player framework – those whose contributions enable Juniper to capture the market, who have the capabilities and skills that enable them to operate in their career stage and continue to scale, those who create energy-generating connections by practicing our values and those who have career aspirations that are aligned with our company's vision.

WALIA: In February, based on goals and rich conversations around the four J-Player attributes, we will make deliberate and thoughtful decisions about promotions and compensation. These decisions are based not only on the past but also on the future in the context of the set goals. In trying to reach a unified perspective on talent, we will sit down with colleagues and talk about all four J-Player attributes.

From there, we will paint a vivid picture of where J-Players stand rather than use a label. To help our managers, we will take the four attributes and look at them against 10 talent scenarios. Instead of labeling a person in a particular way, we will consider the 10 scenarios and use them as context in which to consider where that talent is. Examples include key talent with unique skills and high-potential individuals who are promotable and well placed.

PRYOR: We will then consider the four attributes in columns and the 10 scenarios in rows and describe those intersections on a single page. So, managers consider the capabilities of someone with high potential, but what does that look like? What would be the indicators of success? What would be some of the investments in pay or development I might take? This is a single, unified perspective. From the field of brain science, this is more like looking at "covergence" rather than divergence – looking at things as connections. This puts the brain in a reward state rather than a threat state.

WALIA: To complete this, we will map areas where colleagues fall, based on the four aspects. There is a cutoff point, where those above are considered J-Players and those below can still scale and come back on their feet based on manager involvement. However, some, based on this exercise, will find a graceful and respectful exit.

MERCER: *Tell us about relative laddering, which you use instead of ratings.*

PRYOR: We break up the company into 250 peer groups consisting of colleagues who share similar career stages, geographies, roles and work. In this month-long process – what some may call calibration, but what we call relative laddering – we hold multiple sessions throughout the world and create a one-over-one ladder. Each peer group has between 30 and 50 people. Based on two of the four attributes, we divide the J-Player population into three contribution tiers to assist managers in determining merit increases, bonuses and equity. The relative contribution tiers inform the manager but are not stored in any system or applied as a label.

MERCER: *How much do you empower managers?*

WALIA: Each manager has full discretion, and his or her manager has final sign-off. One of our values is "we are about trust," so we need to train, prepare and give world-class guidance to our managers and then trust them to do what's right in the global context and situations.

> "We're not saying what we've done is ... right for any other organization. But, there are lessons that organizations can take away. ... Take a step back and unconstrain your thinking ..."
>
> –GREG PRYOR

PRYOR: Again, we've moved from the threat of performance appraisal to the reward of Conversation Day, when we conduct dialogues in this unified framework. This shifts our employees from "you are labeled this" to a broader conversation that really lets people know where they stand. In our conversations, we start with things that are brain rewarding, such as careers, and then move onto capabilities, connections, contributions and, finally, compensation. During our first year, a post-survey revealed 93% participation, which far exceeded performance appraisal discussions. And of those people who participated, 66% said they found Conversation Day "helpful" or "extremely helpful."

There are two to three meetings per peer group, but this is not simply an HR exercise. Business leaders take full ownership of the process. They may spend the same amount of time as they did before, but they find that they are focused on the things that are materially important to the outcome of the organization and the growth of its people.

MERCER: *Are there preset targets on how many J-Players there will be?*

WALIA: No. We broke the old paradigm that states there will be "X% excellent, X% good and so on." Companies can expend countless hours and wasted energy on rating people and divvying up percentages. What we need is a rigorous process whereby people can get thoughtful feedback and set and work toward their goals, with each person accountable for goals that drive the most positive value to the company.

MERCER: *Can you provide an example of the compensation planning process?*

WALIA: Sure. Take a peer group of 50 colleagues. After managers meet with employees, let's say five colleagues fall into the non J-Players category, which means that 45 are laddered and five are not. For the 45 who are laddered, we divide them into three groups for compensation guidance. I say guidance because managers are free to give all identical pay raises or have wildly differentiated outcomes. That said, managers receive extensive training and coaching by video to prepare for and respond to many different scenarios. Funding is based on company performance and individual compensation is based on relative performance. We trust that our managers will do the right thing regarding compensation decisions in the context of the four J-Player attributes, 10 talent scenarios and guidance. At the end of the day, our managers delivered and the distributions were better than what we saw under the legacy five grade-forced distribution design.

MERCER: *What can other organizations learn from this?*

PRYOR: We're not saying what we've done is a best practice or right for any other organization. But there are lessons that organizations can take away. For example, take a step back and unconstrain your thinking and think about what you would do differently. What could you do to add value and what should you not do to detract from value? Focus on things that add value and tie in with the business, and find the right talent for your organization. For us, ratings were distracting from value. We want 100% J-Players, the best talent for Juniper, people who stretch goals and raise the bar. We strive to create a meritocracy and deliver value, and we're excited about the early buy-in from colleagues and about the future implications for business results. Our business is about innovating "disruptive technologies" and/or talent systems and culture that are designed to maximize that innovation.

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