

Effective Performance Systems

A Review of Selected Literature

31 May 2015

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For:



CANADIAN COLLEGE OF
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LEADERS EN SANTÉ

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Executive Summary

This paper begins with an overview of the history and current challenges facing performance systems. While the paper speaks in some detail to the challenges of performance systems, we acknowledge that some readers may be familiar with and have implemented many of the practices described in the literature. Discussion includes ways to move from the challenges of current systems to higher effectiveness.

Throughout the paper we identify how use of the LEADS health leadership capability framework complements the literature findings on performance systems. The paper ends with a series of questions and recommendations that can be used to enhance existing systems or to customize the design of a new system to support unique environments.

The key messages of the paper are:

1. The LEADS framework does not measure leadership effectiveness, yet can guide the development of leading indicators of high performance leadership at all levels in an organization.
2. A shift in mental models about the purpose of performance management will have a greater impact on changing ineffective systems than implementing new structures, processes or tools.
3. Performance systems need to be clearly aligned with strategic goals.
4. Performance systems are best led and championed by leaders at the senior levels of an organization.
5. Performance management needs to be a core business expectation of all leaders who manage others.
6. Regular, ongoing, forward and developmentally focused performance conversations are more effective in promoting high performance and in engaging employees than widely spaced, rear-view feedback sessions.

Key Resources

Blackman, D., Buick, F., O'Donnell, M., O'Flynn, J., West, D. (2013). *Strengthening the performance framework: Towards a high performing Australian public service*. Canberra. <http://www.apsc.gov.au/publications-and-media/current-publications/strengthening-performance>

Buckingham, M., Goodall, A. (2015). Reinventing performance management. *Harvard Business Review*. 93(4), 40-50.

McFarlane, D.A.. (2008). Effectively managing the 21st Century knowledge worker. *Journal of Knowledge Management Practice*. 9(1) <http://www.tlinc.com/articl150.htm>

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Introduction

Many health systems across Canada have adopted LEADS in a Caring Environment (LEADS) as their leadership development framework; some are now looking for a complementary system that measures leadership effectiveness. Given the vision, mission and values of the Canadian College of Health Leaders, such a complementary system must be similar in approach to LEADS: leading edge and adaptive to the changing needs of health care organizations.

This paper is a review of selected literature on critical influencers in the success of performance systems, which in turn influence organizational success. The discussion is informed by current literature on high performance organizations, performance and talent management, engagement, adaptive leadership, neuroscience and positive psychology in both the public and private sectors.

The intention of the paper is to provide a systems view that can inform LEADS users who want a bridge between the development purpose of the LEADS framework and their needs to measure leadership performance. The authors understand this to be Part One of a two part process – discussion of possible tools and specific approaches are recommended to follow in Part Two.

Throughout this paper we use the term *performance systems* (PS) to include performance management, performance development, performance review and performance appraisal.

Can LEADS be used to measure performance?

The LEADS framework was designed for leadership development, as a comprehensive set of aspirational capabilities that leaders could use to improve their practice. The framework was not designed to measure effectiveness of leadership. The LEADS capabilities are not competencies and therefore do not clearly state the knowledge, skills and attitudes required of leaders. In many clinical professions, competencies are used to designate minimum entry to practice (and maintenance of practice) requirements. As a capability framework, LEADS offers reference points for leaders to reflect on their current practice, and to look forward, to adapt to change and to continuously improve their future performance (Fraser & Greenhalgh).

The distinction between competency and capability is applicable to discussion about nuances between performance measurement and performance development. Sargut and McGrath discuss the strategic use of information in complex systems. They describe information from the past as “lagging” data; and “leading data” as “information about where things could go and how the system might respond to possibilities” (2011, p. 74). While competencies facilitate measurement of current or past practice (lagging data), capabilities describe leading data, or possibilities for the future. Sargut and McGrath caution that using only lagging data assumes “that the future will be like the past” (p. 74). They suggest that using leading data, while “fuzzy and subjective” (p. 74), can prepare us for the future. The LEADS domains and capabilities outline leading data with which to plan development for the future.

The openness of the LEADS framework provides flexibility for the different organizational configurations within the health system, and the rapidly changing demands on leaders and organizations. For example, the Engage Others capability of *build teams* states that leaders need to “facilitate environments of collaboration and cooperation to achieve results” (LEADS brochure). The framework does not specify the particular theoretical framework nor specific teamwork or collaborative abilities required of leaders. Rather, the organization using LEADS can state the capacities required of leaders in their organization to facilitate collaboration, as required to meet the unique strategic objectives of their organization. The result of this openness to customization is that there will be no one-size-fits-all solution for using LEADS in performance systems.

What LEADS **can** do is provide guidance in the development of a performance system that supports individuals, groups and the organization to perform at the highest level.

Purpose of Performance Systems

What does a performance system need to do? When done strategically, it directly aligns human capital (all employees... their skills, knowledge and talent) with the strategic objectives of the organization.

Performance management means many things to leaders. One of the most succinct definitions is from Aguinis (sidebar). Table 1 summarizes a selection of typical intentions organizations have for performance management, as culled from the review. The organizational focus addresses the larger system needs; the developmental focus addresses strategies for building capabilities; and the employee and leader focus addresses customization to align individual performance with organizational objectives and culture.

...a “continuous process of identifying, measuring, and developing the performance of individuals and teams and aligning performance with the strategic goals of the organization” (Aguinis, 2009, p. 3).

Table 1: Aims of performance systems

Organizational Focus	Developmental Focus	Employee & Leader Focus
<ul style="list-style-type: none"> • Improve organizational performance • Link employees’ performance to organizational performance targets • Recognize performance • Monitor employees’ performance • Ensure individual accountability • Motivate staff • Improve morale • Increase engagement • Shape cultural identity 	<ul style="list-style-type: none"> • Ensure continuous improvement • Support self-directed development and engagement • Expand employees capabilities • Is a platform for managers to coach employees • Prevention of underperformance 	<ul style="list-style-type: none"> • Identify common understanding of expectations • Align individual performance objectives to institutional Purpose, Vision, Strategic Plan • Clearly see performance • Fuel future performance • Measure what employee accomplishes and how they do it

Organizational Focus	Developmental Focus	Employee & Leader Focus
<ul style="list-style-type: none"> • Plan talent development • Source of information for decision making about employees and the workforce • Differentiated distribution of rewards 		<ul style="list-style-type: none"> • Establish accountability • Customize employee development objectives • Enrich existing work • Communicate progress • Foster working relationships

Sources: Aguinis, Barr et al., Buckingham & Goodhall, Choudhary & Puranik, Horwitz, Ontario Network of Employee Skills Training Projects, UBC, West & Blackman, and World at Work/Sibson Consulting.

“When done well...employees report that performance management results in higher levels of employee engagement, increases role clarity, ensures consistent understanding of expectations and provides a focus for improving performance at the individual and organizational levels, and builds workforce adaptability through ability to understand and respond to change” (West & Blackman, 2015, p. 75).

History of performance management

Over the Ages what is expected of employees and their leaders has evolved to meet the needs of an organization and those they serve. This relationship has impacted the evolution of organizational cultures and the structures and processes of PS.

In the Industrial Age workers gathered together six or seven days a week to engage in tightly coordinated tasks paced by machinery (Galbi, n.d.). Organizations were hierarchical and leaders ruled through command and control role. The appraisal intention was to motivate through disciplinary action.

As we evolved to the Information Age and information rich environments, Mendelson and Pillai (1999) told us that employees needed to be able to transform data into decisions. Buford believed leaders in this environment needed to be facilitators to develop their employees. He spoke to the importance of appraising performance against specific, well-defined objectives rather than the more usual “vague, subjective and impressionistic” ratings (1990).

Today we find ourselves on the edge of the Age of Knowledge where in order to thrive and survive we must engage employees at their deepest level. The New Zealand Council for Educational Research’s publication *Shifting to 21st Century Thinking* (2015) shows how Knowledge Age employees are seen as knowledge and idea resources and the main source of economic growth. The leader’s role here is to provide an environment for continuous development that fosters self-directed learning. McFarlane tells us “The knowledge worker offers great hopes and prospects for the modern learning organization that is functioning in an environment of turbulence and change. Dealing with crisis and change is the key in propelling modern organizations to new heights, and quality human capital is a strategic imperative” (2008, 1.2).

McFarlane’s reference to a learning organization is likely built on Senge’s seminal work. “Learning organizations [are] organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together” (Senge, 2006, p. 3).

Senge described 5 disciplines that interact to create a learning organization: Systems Thinking, Personal Mastery, Mental Models, Shared Vision and Team Learning. The shift toward this integrated approach is foundational to any high performance organization. The disciplines take the whole dynamic organizational system into account rather than the focus only on the employee in isolation.

LEADS	5 Disciplines
Lead Self	Mental Models Personal Mastery
Engage Others	Team Learning
Achieve Results	Shared Vision Team Learning
Develop Coalitions	Shared Vision Team Learning
Systems Transformation	Systems Thinking Mental Models

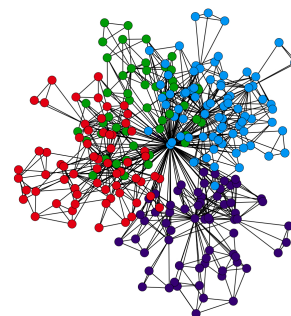
Despite shifts in the roles of employees and leaders over time, we still have residuals of old performance systems (underperformance focus, ratings and widely spaced reviews). Today’s workplace requires a performance system that matches its evolving culture and helps it thrive in the landscape that lies before us.

Context of today’s workplace

In a survey of global executives (2013), CEB reported that most executives anticipate that employees need to be more efficient and improve productivity, even though many employees report working harder and longer, and have challenges handling the stress of their jobs. CEB’s advice is to “adjust management approaches... to better enable high performance” (p. 7). It’s not about expecting more from employees, rather the suggestion is to change practices. To change practices we will need collaboration of the knowledge worker and leaders to think in new ways.

The complexity of today’s health care workplace, its fast pace, the frequency of change and pressure to reduce costs while meeting growing expectations means that organizations need employees who are productive and fully engaged.

The last decade has seen a growing body of literature describing 21stC organizations, and particularly health care, as complex adaptive systems. This shift in how we see organizations, from highly oiled machines to diverse, dynamic, interconnected systems characterized by nonlinearity, unpredictability, unintended consequences and emergence is challenging many linear control-based managerial approaches, including performance management (Sargut & McGrath).



Our work and social environment is increasingly described by the acronym VUCA: volatile, uncertain, complex and ambiguous. In dynamic, interconnected organizations living in an ambiguous and uncertain world, performance management needs a new approach.

Today's health system employees need to *manage themselves*, with the support of managers who *foster their development* to Achieve Results that are *strategically aligned with the organization's vision, values and evidence*, in *partnership with others*, committed to *continuous improvement and adaptation to ongoing change*, in the *service of the public*.

High performance

In an extensive review of performance management in the Australian public sector, Blackman et al. (2013) asserted that organizations require high performance at all levels: governance, organization, group and individual. While this might seem obvious, they found that performance management was not seen as a core business activity at all levels of the organization. They recommended that an integrated high performance system includes a shared understanding of high performance throughout the organization, is aligned with strategic goals at all levels, is meaningful for employees, is adaptable within the changing organizational environment, is based on useful performance data, is pragmatic and is supported by managerial competence (Blackman et al., 2013).

The LEADS capability *purposefully build partnerships* supports the creation of connections within the organization to build shared meaning of high performance at all levels.

In a 2014 report of a survey of 1,369 respondents about high performance characteristics, the American Management Association found that “the single largest gap between these [highest and lowest performing] groups was due to whether organization-wide performance measures matched the organization's strategy” (AMA, 2014).

The LEADS capability *strategically align decisions* outlines the importance of aligning (performance) decisions with the organization's vision, (strategy), values and reliable evidence.

An extensive review of the characteristics of high performing organizations is beyond the scope of this paper: the literature is wide and varied. A selection of success factors is listed in Table 2.

Table 2: Success Factors – High Performing Organizations

High Performing Organization Success Factors	
<ul style="list-style-type: none"> • Clear, well thought out strategic plans • High quality of management • Widespread leadership capability • Culture shaped to achieve strategic goals, vision, mission and values • Adaptive to ongoing change • Openness and action orientation • Long term orientation • Continuous improvement and renewal • High quality employees • Lean structure • Employees pursue corporate objectives • Creativity and well considered risk is encouraged 	<ul style="list-style-type: none"> • Practice is ethical • Expectations are clear • Employees like to work there • Employees work well together • Problems are solved collaboratively • Performance management is effective • Invite and use stakeholder and customer information to improve service • Employees are empowered; they contribute from multiple perspectives • Strategy is customer centric • Talent is a corporate asset • Every employee is seen as a leader

“We face a future in which permanence and stability become less important than flexibility and creativity, in which one of the few certainties will be the presence of continual change” (Duderstadt, 2000, p. 35). While the quote is directed to academic environments, the cultural climate is comparable to health care.

Blackman et al. (2013) speak to the importance of enabling adaptation by having ongoing conversations with employees regarding changing goals, roles and responsibilities. Continuous improvement, experimentation, opportunity to recalibrate and learning from experience are paramount in our increasingly complex environments.

The LEADS capability *encourage and support innovation* promotes the creation of a climate of continuous improvement and creativity.

Why Change is Needed

Dissatisfaction

While there is evidence of good performance management practices in some organizations, many executives, managers and employees are dissatisfied with either the process or the results of existing performance systems.

Edward Lawler, distinguished professor of business at the University of Southern California, says he first encountered condemnation of performance management processes in 1963, when he began his study of performance management. Yet 50 years later, performance systems remain deeply entrenched in the vast majority of organizations. There are many factors hindering the advancement of performance systems. Leaders in all health sectors can describe personal experiences of what does not work in delivering and receiving reviews.

In many workplaces managers see annual performance reviews as a nuisance (West & Blackman, 2015). The systems for conducting the reviews are seen as awkward, bureaucratic and time consuming (Lawler, 2014). Further, with the fast pace of the work environment, the wide span of control of managers, 24x7 operations, and ongoing reorganization, it is hard to collect accurate information on employee performance (Lawler, 2014).

Employees and managers often perceive performance management as a means to manage underperformance, with a focus on controlling poor behaviour rather than on high performance or development (West & Blackman, 2015). Organizations can inadvertently create a culture of performance review as criticism if performance conversations are more about checking up on work done and correction than on future development.

There are times when underperformance needs to be addressed. This process is often difficult for both parties. Ideally, processes for addressing underperformance are conducted separately from strategic developmental conversations. Human Resources departments usually support these conversations as they often involve employee relations systems.

Few organizations address rater reliability in their rating systems, leaving them open to the subjectivity of individual raters. Scullen et al. (2000) completed a meta-analysis of studies to review factors that influence performance ratings in multirater feedback. They describe halo and leniency effects and rater-ratee interactions as idiosyncratic effects that cause variation in ratings. In two large data sets they found that idiosyncratic effects accounted for “the major source of variance in observed ratings for every rater perspective and every performance dimension... the average rater effect was 62%” (p. 963). They summarize that their “findings parallel Lance (1994, p. 768), who concluded that “ratings were stronger reflections of raters’ overall biases than of true performance factors” (p. 966). This suggests that performance ratings, though popular, may not be very reliable indicators of the performance of the person being rated.

While some ratings may be useful for salary administration and in a few talent management processes, too often ratings narrow the view of performance to a single number that does not represent the complex behaviours necessary for individual and organizational success.

Rock et al. (2014) describe unintended consequences of performance ratings, including the tendency of employees to become more conservative with their goal setting to avoid future negative feedback. Further, employees may push back against stretch goals, and ignore feedback with which they disagree.

At its worst, the performance review process has a destructive impact on the relationship between the manager and the employee (Lawler et al., 2012), and negatively impacts the performance it is trying to improve (Rock et al., 2014).

At its best, performance management programs have mixed results. The lack of shared agreements on the purpose of performance reviews and the expectations of high performance often result in uneven implementation of performance programs, minimizing the benefit to the organization as a whole. Further, the organizational impact of performance management is often obscured behind quantitative data about completion of performance reviews, with no data on the effectiveness of the program overall (Lawler et al., 2012).

Lessons from Neuroscience

Rock et al. offer a neuroscience perspective that most performance management practices are ill suited to the conversations required to support learning. “Evidence is mounting that conventional approaches to strategic human capital management are broken” (2014, p. 2).

“Typical feedback is not motivating, rewarding or pleasant” (Rock et al., p. 8). Employees often perceive feedback and ratings as negative. This usually generates a fight or flight response, thus narrowing perspectives and possibilities for learning.

...the main objective of any performance measurement system is to encourage proactive rather than reactive management.
(Bititci, 1994 as cited in Yadav and Sagar, 2013).

When feedback on past performance engages a fight or flight reaction, conversations are more likely to move to defense of past behaviour and dispute of assigned ratings or comments than to proactive development plans. The result is a degree of disengagement, with a future focus on protection, often stifling growth. This aligns with Lawler’s (2013) view that when performance reviews look back at past behavior, there is the danger that they motivate yesterday’s right behavior rather than tomorrow’s right behavior.

To be more successful, Rock et al. advocate more frequent growth (learning) oriented conversations and training for both managers and employees about how to talk about expectations, performance and fostering growth mindsets for all parties.

Process Challenges

“Effective performance management is difficult to do consistently and well” (SHRM, 2012, p. 7). A frequent finding in the literature is that managers are poorly prepared to conduct performance management. Training often focuses on the tasks of form completion and management of underperformance. Less training is available on the conduct of ongoing performance conversations oriented towards high performance.

Similarly, employees are not often oriented to the purpose, format and mutual responsibilities and opportunities of performance conversations. Employees are often passively responsive to the performance review, rather than active partners in the process.

Compliance Focus

West and Blackman called performance management a “process without a cause” (2014, p. 80). Focused on compliance, performance management was a set of activities appreciated by only a few, that made little contribution to the aspired outcomes of the organization.

Human Resources departments drive most performance management systems, with a focus on completing performance reviews and plans. Forms are often generic and are seldom connected with the organization’s strategic plans. Performance management of individuals is rarely connected with performance of the organization overall. Managers see performance management as a yearly (onerous) task to complete rather than a core aspect of their role in contributing to organizational success.

Moving to Effectiveness

“What’s measured gets done”, or “what’s measured improves”, quotes attributed to Peter Drucker and others are often stated as the overarching intentions for reviews. Experienced managers are usually familiar with similar quotes: “not everything that counts can be counted, and not everything that can be counted counts” and “measure the wrong things and you will likely get the wrong behaviours” and “what gets rewarded gets repeated”. While these colloquialisms may bear some truth, they provide oversimplified performance management guidance for today’s leaders.

Mental Models... More than tools... A new way of thinking

The Systems Transformation capability *demonstrate systems thinking* informs leaders that the highest leverage for change happens at the level of mental models, versus structures, policies or procedures.

“Mental models are deeply ingrained assumptions, generalizations or even pictures or images that influence how we understand the world and how we take action. Very often, we are not consciously aware of our mental models or the effects they have on our behavior” (Senge, 2006, p. 8). Not only do we all have mental models, we also share them. Shared mental models in organizations shape strategies and internal ways of working; in essence, shared mental models create culture.

What mental models assist us in advancing our performance systems to meet today’s and tomorrow’s aspirations? What mental models derail us from highly impactful performance systems? Mental models drive our behaviour. To shift performance systems we need to begin with examination of our beliefs and assumptions about managing performance.

The Lead Self capability *self awareness* guides leaders to examine their own assumptions and mental models about performance management.

Mental models to advance our thinking

In this section we review both literature and organizational approaches to shifting the way leaders, managers and employees think about performance systems.

In UBC's message to its Administrators on conducting performance processes they introduced a new mental model: "We are also beginning to make a conscious shift to a place where the traditional model of "performance review" is evolving to become part of a thoughtful and productive two-way conversation about an employee's career development, where both supervisors and employees can discuss what has occurred and how career developments may be fostered and supported over the coming years" (n.d.). This approach demonstrates a conscious shift to a two way, continuous process.

The performance development process is ongoing and largely driven by the employee, with the supervisor as coach and partner. (UBC, n.d.)

Ramirez (2013) describes a new approach at Adobe Systems: to look forward, not just in the rear view mirror when reviewing performance. After an annual survey where employees expressed their disdain for the performance review process, a shift was made from dwelling on workers' shortcomings, to focus on goals, objectives, career development and strategies for improvement. This has had a positive impact on a number of key indicators. Adobe shifted their thinking from the rear view mirror to the front windshield.

Pink (2010) examined research on motivation and informed us that employees are motivated more by the intrinsic rewards of autonomy, mastery and purpose and less by traditional rewards of salary (carrot) or by discipline and control (sticks). Twenty years earlier Buford asserted, "Productivity of knowledge workers relates more to quality than quantity of work. The critical factors for productivity are attitudes, relationships, and job enrichment" (1990). If leaders and managers believe that intrinsic motivation is more powerful for creating high performance, then how are they adapting performance systems to demonstrate these beliefs?

Control leads to compliance; autonomy leads to engagement (Pink, 2010, p 108)

Buford concludes his discussion of working in the Information Age: "If agents and specialists are allowed to have more discretion over how they do their jobs and experiment with new ideas, some will fail; in fact, some will fail spectacularly. But what's the alternative? It's not "business as usual. The best people will leave, while those remaining become experts in following procedures and not rocking the boat" (1990). This provocative approach pushes against our comfort zones and requires organizational guiding principles that create environments for safe experimentation, rather building only on past practices.

Avey et al. (2011) reviewed literature in the emerging fields of positive organizational scholarship and positive organizational behavior. They found a positive, significant relationship between psychological capital and performance. Strong positive relationships also exist with “job satisfaction, organizational commitment and psychological well being at work” (p. 146). These effects seem to be stronger in service work, the cornerstone of the health system. This suggests that it is important for performance systems to build confidence (efficacy), create a positive sense about success (optimism), focus on goals (hope), and promote adaptation (resilience). Current approaches and language often reduce confidence, optimism is impacted by infrequent feedback, which often comes only when something is wrong, hope is threatened by constant change, and resilience is impacted by work overload and unclear direction.

Advancing organizational change demands particular qualities of leadership and a wealth of other human relations-based strategies. “However, if an organization’s culture stymies change, then any amount of good will or ideas will most likely fail” (Tierney, 2000, p 3). A mental model that embraces change as ever present, versus episodic events will open the path to creating a performance system future that is more flexible and innovative.

Table 3 is a summary of new and old ways of thinking and their impact on performance systems. It demonstrates mind shifts with complementary behaviors. In a transition phase we need to move strategically to ensure we do not throw out the old that may be good.

Table 3: Example of Mental Model Impacts

New thinking	Impact	Old thinking	Impact
Driven by the employee in partnership with the manager	Employees develop themselves Adult-adult model of behaviour	Driven by the manager	Employee relies on the manager to lead Parent-child model of behaviour
Emphasis is forward focused	Planning for the future	Emphasis is focused on past (rear view)	Correcting the past
Intrinsic rewards	Sustained personal and meaningful engagement	Extrinsic rewards	Only works until new extrinsic rewards are needed Not sustainable
Discretion over how people do their jobs Experiment with new ideas	Open minded and strategic risk taking Innovation	Top down direction on how the work should be done Build on the past practices only	Same old thing with new variations
Strong positive relationships based on mutual respect	Job satisfaction, psychological wellbeing and high level of engagement	Strong hierarchal relations based on organizational structure	At best low to mid level of engagement

Link to Organizational Strategy

West & Blackman advocate another “fundamental shift in thinking”, to be “clear as to the strategic direction such a process [performance management] is going to support” (2015, p. 73). In her review of the Australian Public Service, Blackman found a disconnect between the espoused and actual use of performance management.

The Achieve Results capability *strategically align decisions with vision, values and evidence* supports the imperative to link performance management systems with organizational strategy.

Lawler et al. (2012) described changes between surveys in 2002 and 2012 about performance management. They found that “organizations in 2012 are less likely to... have performance goals that are driven by business strategy” (p. 194).

The Achieve Results capability *set direction* supports leadership of performance management at all levels in the organization. Setting direction includes communicating clear and meaningful expectations and outcomes.

“High performing organizations are characterized by high performance work practices” (Blackman et al., cited in West & Blackman, 2015). Blackman et al. (2013) advocate articulating high performance behaviours necessary to achieve organizational strategy at each of four levels: governance, the organization, the group and the individual. Once this is done, there can be a clear link between high-level performance goals and individual performance goals. Lawler et al. (2012) support this, stating that it’s important for employees and groups to see how their performance contributes to the success of the organization. This also supports employees to understand the organization beyond their work unit (Blackman et al., 2013).

From a systems perspective, the alignment between strategic goals and individual goals also needs to be supported by integrated people management practices, including job design, recruitment and selection, probation, performance agreements, learning and development, rewards and recognition and workforce planning.

Measure both results and behaviours

While an increased emphasis is needed to tie reviews to organizational strategies and

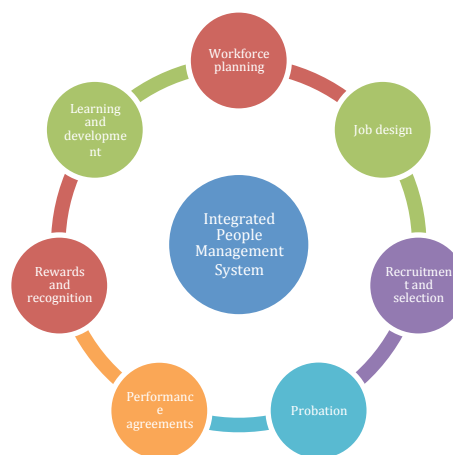


Figure 1: Integrated People Management

results, weighted too far in that direction could cause serious derailment. Hewitt Associates (2010), describe how performance was measured in their study – against results, behaviour (competencies) or both. They caution that a singular focus on measuring results in an age of “doing whatever it takes at all costs” has led to costly mistakes and unsustainable results. This suggests the need to measure behavioral expectations as well as results to sustain high performance.

Senior Management Leadership

Lawler et al. (2012) described the most significant decline in their surveys between 2002 and 2012 was the “degree to which senior leadership exists with respect to performance management” (p. 199). They speculate that this decline may be due to constant criticism of performance management and fatigue with poorly functioning systems. They further suggest, “the irony is that by pulling back from supporting the system, they are responsible for the decline of the system” (p. 199). In their view, leadership includes senior level advocacy and support and “line management ownership” (p. 194).

The LEADS capability *set direction* coaches leaders to champion performance systems as a meaningful and relevant priority in the achievement of a high performance organizational vision.

Risher (2013) identifies a vicious cycle that can develop when “executives and mid-level managers downplay or in some cases ignore their responsibility for managing performance” (p. 128). This perpetuates a lack of leadership as new leaders and managers follow the role modeled by their superiors. He further suggests that adopting a new performance management system will not improve results until senior leaders make performance management a priority for the organization.

A study by World at Work and Sibson Consulting concluded that once “the groundwork is set for performance management, ... the value comes when organizations look beyond the challenges, engage senior leadership and use performance management as a tool to differentiate performance and drive business results” (2010, p. 8).

Leadership of performance systems by senior and line management leaders were two of the top three practices that correlated with their success (Lawler et al., 2012). This suggests that performance management is more effective when owned by managers rather than HR. It would be reasonable to realign leadership of performance systems with managers, and disciplinary processes related to underperformance with HR.

Core Business Expectation of Managers

Australian research “confirmed the importance of performance management as a core management activity” (Blackman et al. cited in West & Blackman, 2015, p. 75).

The Engage Others capability *foster the development of others* supports the role of all leaders and managers to create conditions for others to achieve professional and personal goals.

Managers (at all levels) need to see the value of performance management in achieving the goals of their unit, rather than an add-on process driven by HR. To perceive value, managers need positive experience in both roles – as supporting others to improve their performance, and in being supported to improve their own performance. Unfortunately managers who have negative experiences of their own, and who lack the skills to shift to more positive experiences for their staff maintain the ineffectiveness of the system.

Risher (2013) speaks to the importance of holding managers accountable for performance management. Lawler et al.'s (2012) research adds that the factor that correlates most positively with successful performance systems is measurement of the effectiveness of the system (i.e., how performance management contributes to achieving organizational outcomes) versus collection of compliance numbers of performance reviews completed.

The Achieve Results capability *assess and evaluate* supports measuring effectiveness and holding managers accountable.

"Our view is, if you hold the leaders accountable, they are going to be holding their teams accountable and that's what we've been seeing" Ramirez (2013).

LEADS supports relationship building in *Engage Others* and *Develop Coalitions*, change and innovation in *Systems Transformation*, networking in *Develop Coalitions* and task completion in *Achieve Results*.

Key Considerations – Implementation

While specifying the design of an effective performance system is outside the scope of this paper, there are some key considerations in the design of performance systems for leadership. Here we will speak to four key considerations: articulating leadership-specific high performance expectations, developing skills at all levels, using a coach approach to performance conversations and adopting a continuous rather than episodic process.

High performance expectations at all levels

The focus of the paper is to examine how LEADS may be used to guide leadership performance management. The following examples of expectations are leadership based.

Organizations will have other performance domains (managerial, technical, etc.) that could be addressed in a parallel fashion.

As noted previously, Blackman et al. (2013) advocate articulating high performance behaviours necessary to achieve organizational strategy at each of four levels: governance, the organization, the group and the individual.

LEADS capabilities can be used to craft leading indicators for high leadership performance at each level in the organization.

These capability-based indicators should be those that will provide the most leverage for achieving the strategic directions at each organizational level. It is not necessary to use all 20 LEADS capabilities at one time, rather it is suggested to focus on the top three to five capabilities that would provide the most leverage for success. It is probable that the indicators will be different, but complementary, at each level, given the different foci of governors, senior leaders, managers and employees.

Once capability based leading indicators are identified, managers and employees at each level can develop action plans and measurable outcomes with which to monitor progress.

Expectations of the Governance

Achieve Results – Set direction

The governance level is expected to set “the system-wide architecture that enables high performance across organizations” (Blackman et al., 2013, p. 9). In a most general sense, the capabilities of *set direction, demonstrate commitment to customers and service, purposefully build partnerships to create results, and championing and orchestrating change* are typical expectations of governors. More specifically, governors would identify leading leadership indicators for each strategic direction, for their level, and support the development of comparable indicators for other levels in the organization.

Expectations of Senior Leadership

Achieve Results – Align decisions with vision, values and evidence

The expectation at the senior leadership level is the integration of practices central to “building capability and enabling the management capacity necessary for enhancing organizational performance” (Blackman et al., 2013, p. 10). Typically senior leaders could be expected to *communicate effectively, strategically align decisions with vision, values and evidence, assess and evaluate, navigate socio-political environments and encourage and support innovation*. The leading indicators for senior leaders specific to strategic directions would probably be partly the same and partly different from those of governors and middle managers.

The lack of shared agreement between hierarchical levels may lead to managers and employees having very different expectations regarding performance that result in quite different approaches to employee performance assessment. Employees may think they have demonstrated high performance while their manager may believe that their performance merits a ‘fully effective’ performance rating. (Blackman et al., 2013, p. 12).

Expectations of Managers

Engage Others – Foster the development of others

Larson et al. state “the strongest predictor of engagement was derived primarily from supportive leadership” (2013, p. 31). That is, when employees were connected to their leader, this created the condition for higher levels of work engagement. At this level, leading indicators focus on the role of managers to *create a healthy environment, take action to implement decisions, assess and evaluate, foster the development of others, purposefully build partnerships, mobilize knowledge and demonstrate systems and critical thinking*. Again, indicators specific to managerial responsibilities for implementation of strategic directions might be shared or independent from the foci of senior leaders and employees.

Expectations of the Employee

Lead Self

At the employee level (and thus for everyone in the organization, at all levels), leading indicators are grounded in Lead Self: all employees are expected to be *self aware, to develop themselves, to manage their performance and health, to demonstrate character, to communicate effectively, to take action to implement decisions, to demonstrate a commitment to customers and service and to contribute to the creation of a healthy organization*. According Matta (n.d.) in a survey by the American Psychological Association, feeling valued is a key indicator of job performance.

In summary, the effectiveness of expectations is only possible if they are in a functioning system that integrates the four levels of this model (Blackman et al., 2013, p. 10), and that each level understands their expectations and those of the others.

Skill Development

Performance management skill development falls not just to managers, but also to employees. Managers need the skills of articulating clear expectations, gathering appropriate data, hosting frequent performance conversations based on learning and providing recognition for achievements. Employees need to be able to express their thoughts and ideas within a collaborative approach.

West et al. (2015) cite Yukl (2013) and his argument for four categories of leadership behaviours: task skills, relationship skills, change orientation and external networking. These “interpersonal skills are vital: understanding the needs and feelings of followers, monitoring the effects of own behaviors and being aware of emotional reactions to others are essential” (West et al., 2015). As the authors of this paper have witnessed in their work in leadership development and coaching, the relationship orientation seems to be the most challenging.

The Engage Others capability *foster the development of others* supports managers to help employees gain skills to participate positively in performance management processes.

Employees often face performance management conversations with dread. Supporting all employees to learn how to improve their performance, including alignment with organizational strategy, focus on continuous improvement and engaging in learning conversations with others will support more open and engaging performance discussions.

The Lead Self capability *develop self* supports individuals to develop a learning plan to actively seek skills to engage in performance management conversations.

If managers are skilled and effective in their day-to-day communication and leadership abilities, there wouldn't be any need for formal performance reviews, says Lawler (2013). The benefits would have already been realized through ongoing feedback, guidance, goal-setting, and development activities. However, Lawler believes the vast majority of managers don't possess the skills or motivation required to make performance reviews unnecessary.

Coaching

Key findings in the Hewitt survey (2010) indicate that 65% of the respondents ranked managers' abilities to coach as one of the top three process improvement areas they see in their organizations. This applies to the day-to-day interaction between a manager and employee as well as to formal performance conversations.

Coaching engages 3 LEADS capabilities: It is a means for the manager to *communicate effectively* with employees; and it supports employees to *develop* and *manage* their learning and performance.

Johnson (n.d.) states that coaching requires managers to transition from the traditional role of controlling and monitoring employee performance to a more consultative role. Coaching is a means for developing a partnership between the manager and employee that creates a shared understanding about what needs to be achieved and how it is to be achieved. It invites employees to think creatively and expand their thinking. This creates a genuinely motivating climate for performance as it improves the match between an employee's actual and expected performance and increases the probability of an employee's success by providing timely feedback, recognition, clarity and support.

Continuous vs. Episodic

Blackman et al. (2013) point out that adaptability of performance in a changing environment requires processes that are flexible and open to review. In the public sector, "Organisations are encouraged to develop systems that support the measurement of progress towards organisational and government goals throughout the performance cycle and not just at the completion of the cycle" (p. 7). It's reasonable that employee progress

would also be addressed on a more ongoing basis, rather than yearly. An illustration of this approach is highlighted in Figure 2, below.

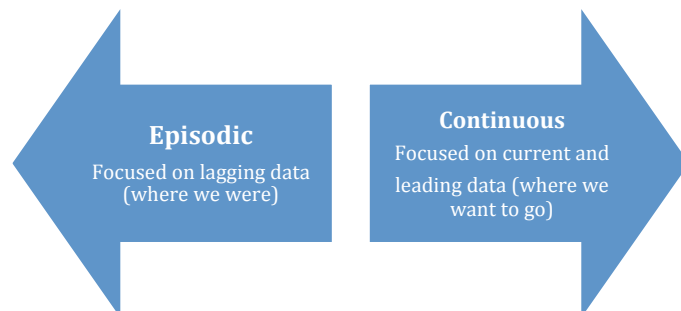


Figure 2: Episodic vs. Continuous Processes

The ability to have real-time feedback presents valuable opportunities recognize success and to course-correct, on a timelier basis than in a traditional "rear-view mirror" performance-review process.

Private sector organizations are experimenting with replacing more formal performance review meetings with frequent, ongoing conversations. Adobe replaced their stacked ranking system with less formal "Check-Ins" in 2012 (Ramirez, 2013). These conversations are more real-time with employee work, and are focused on improvement. Deloitte introduced "performance snapshots" (Buckingham & Goodall, 2015, p. 46) at the end of each project as well as "*radically* frequent check-ins" (p. 48), initiated by team members rather than team leaders. When the check-ins are based on a coach approach to improvement, team members are more likely to request check-ins.

Overall, guidance is that shifting performance management to a core business expectation of managers, and supporting more frequent conversations based on high performance and improvement will contribute more to organizational success than existing performance systems.

Performance System Overview

The following diagram is a snapshot overview of key considerations in planning a high performance system. It identifies four phases of concentration. The first is the overarching organizational picture upon which strategies are built. The second is planning to identify what systems, resources/services and infrastructure are needed. The third is implementation and processes required to activate high performance. The fourth is to ensure effectiveness and sustainability of the system are examined against expectations and then recalibrate for continuous improvement.

Key Process Considerations in Designing a High Performance System

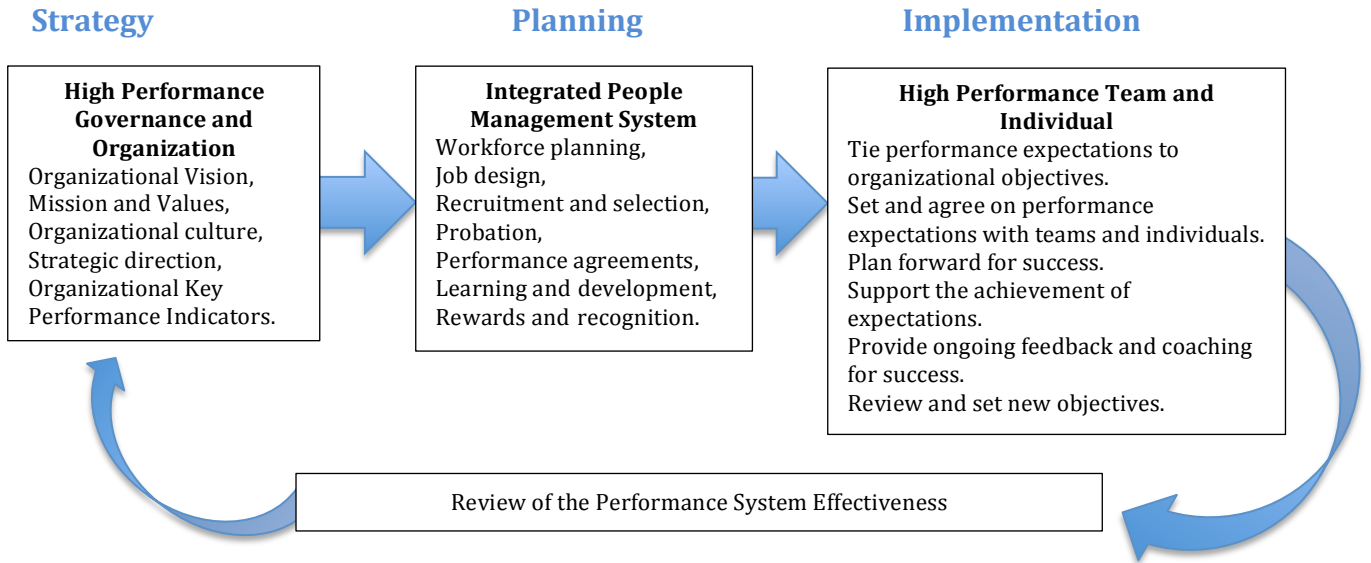


Figure 3: High Performance System Considerations

Creating the Future

What needs to be considered to fine tune an existing system or design a system that is meaningful and stimulates high performance? The high level questions below are meant to make use of the findings in this review and inspire creative reflection and dialogue that will customize a performance management approach to leadership that fits your organization.

The intention is future focused on creating a desired future not the rear view mirror approach of looking at the past. We invite you to start with a future vision of a leadership system that is vibrant and effective and which results in creating a culture where continuous improvement is the intrinsic motivation.

Question	Objective
1. What are the shared assumptions / beliefs / mental models about performance systems? <ul style="list-style-type: none"> • Executive leaders • Senior level • Manager level • Individual level 	Clarify beliefs about performance systems; use evidence to shift mental models as necessary.
2. How can we use a Performance System as a means to achieve strategic objectives?	Integrating performance systems directly with organizational strategy as a starting point for design.

Question	Objective
3. What is the vision of the senior leadership team for the organization's leadership performance system? How will the team enroll leaders and employees in this vision?	Setting direction with a clear and compelling vision is a key expectation of senior leadership.
4. In addition to senior leaders, who will need to champion a new performance system?	Naming the key influencers, vision holders and those who will execute the plan will identify the stakeholders who need to be involved.
5. What does high performance look like for achieving our strategic directions: <ul style="list-style-type: none"> • Governance level • Senior level • Manager level • Individual level 	Identifying high performance behaviours at all levels engages everyone in contributing to strategic outcomes.
6. How can we capitalize on the LEADS framework to integrate the individual, managers at all levels and the organization as leaders?	Optimizing and integrating the LEADS framework to complement leading performance systems.
7. What will our organizational culture look like (what do we see people doing) when we focus on high performance and continuous improvement?	Linking high performance expectations into the culture shifts towards intrinsic motivational drivers.
8. What infrastructure, resources and systems might we need to drive success?	Identifying infrastructure, resources and systems will assist in building required support for the process.
9. How will we measure the effectiveness of the performance system (vs. compliance)?	Measuring effectiveness of the performance system supports the achievement of strategic objectives and aligns with the continuous improvement intention of high performance systems.
10. What strengths do we have that can be useful?	Identifying and building on strengths optimizes what already exists.

Question	Objective
11. What ideas do we have that will get us to our desired results?	Invite creative thinking to move away from current mental models of trying to build on what is not working.
12. What might get in the way and how can we mitigate that?	Naming blocks and then exploring how to address them will assist in identify strategies needed for success.

Recommendations

The following recommendations are based on our key findings. Customization is critical for a successful system; it must fit into organizational culture and involve strategic stakeholders in the design of a high performance indicators.

1. Take an integrated system view of performance management: governance, senior leadership, managers and employees.
2. Identify the shift in mental models that will be needed about performance management to have a greater impact on changing ineffective systems and implementing new structures, processes or tools.
3. Align the performance system with strategic goals.
4. Ensure that performance systems are led and championed by leaders at the senior levels of an organization.
5. Use the LEADS framework to guide the development of leading indicators of high performance leadership at all levels in the organization.
6. Provide support to ensure performance management is a core business expectation of all leaders who manage others.
7. Incorporate regular, ongoing, forward and developmentally focused performance conversations to promote high performance and engaged employees.

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