

# Why Traditional Performance Management Is Insufficient For Peak Performance

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## **Business is a dynamic competitive contest:**

The realities of today's business environment require companies to be fast, focused and adaptable in order to thrive. Business processes that hinder these organizational capabilities, that make it more difficult for companies to reach to their optimized levels of performance, are unnecessary, if not harmful. Business leaders need to abandon cumbersome processes and, working with others in the business, improvise different, more productive ways to get the job done.

Business is a dynamic competition, similar in many ways to the game of basketball. In such contests, the plan changes as the game unfolds; strategies evolve; new tactics must be developed to compensate for what doesn't work. The actions of competitors, the performance of teammates, and chance affect the dynamics of the game and thus, the requirements for success. The business team that quickly appreciates developments, improvises, and makes adjustments while still maintaining a focused approach is most likely to achieve peak performance in the competition. These winning capabilities require an infrastructure---think of it as a neural network---by which the members of the organization or team think well together. That is, the participants are able to make sense out of developing situations, share information, accurately understand implications, and translate their awareness into coordinated, effective action. These winning tactics do not result from reliance on the outstanding individual contributor, the single star performer around whom everyone rallies, but rather, they are the result of effective teamwork. They are collaborative thinking skills, which have to be built with training, mindfulness and practice.

## **Traditional performance appraisal and performance management systems are insufficient:**

Feedback, appraisal, and criticism are essential for any individual or group to improve performance. Traditional performance appraisal systems and performance management processes, however, are insufficient for supporting or sustaining the advanced levels of shared thinking required for high performing organizations. They can't deliver the results their advocates promise. There are several reasons why they're insufficient.

*They are too slow.* To be truly educational, feedback has to occur at the speed of business circumstances. It is most powerful when it follows directly on the heels of performance. When feedback is fresh it can be more deeply discussed, considered, and incorporated in a timely fashion. Feedback coming once or twice a year---weeks or months after it is critical to performance in a particular situation---is worthless for developing complex skills, including interpersonal skills.

*They are too remote.* Too often the voices of customers, teammates and co-workers are filtered and delivered through the manager. The manager has to speak for others and share events that s/he only knows about second hand. Managers can't effectively explain or clarify issues and situations with which they aren't familiar. Placing the manager between teammates often reduces the ability of teammates to talk directly to each other. It can also strain the relationship between the worker and the manager.

*They are too vague.* Useful feedback is specific, focused, actionable, and relevant to a particular situation or set of circumstances. This requires a level of explicitness that is seldom reached with current performance management systems, which rely on annual, or bi-annual performance reviews. The events of six or nine months ago are colored by memory lapses and misunderstandings. It is even more difficult to clearly recreate the contexts in which those events unfolded. Evaluated dimensions are often broad behavioral categories such as "responsible," "reliable" and "industrious." Such terms open the door for heated debates about their exact meanings in specific situations. Holding these conversations is like mucking through a swamp of ambiguity. Most line managers dread them, as do most employees. Once an effective tool in a time when business circumstances unfolded much more slowly than they now do, individual performance reviews as most companies practice them have devolved into nearly useless ritual.

*They are too emotionally laden.* The mind is best prepared to grasp new information, think effectively and learn when it is clear and focused. Understanding, thinking and learning are more complicated when a person is anxious, self-conscious, angry or defensive. Under such circumstances, the individual's goal is to protect the ego, not to become more vulnerable. Tying long-term performance feedback into a process that also affects salaries, promotional opportunities, and ultimately, one's job security creates a situation in which the manager and the worker are emotionally at odds and the conversation is more about managing HR processes than about improving worker performance on a day-to-day basis.

*They are too focused on each individual alone.* This is the single, most damning aspect of traditionally practiced performance management systems. Optimizing your own performance without regard to your impact on others, or the synergies required for effective teamwork, is insufficient today. A successful company isn't a collection of individuals performing independently; it is a networked, interdependent system that operates as an organic whole. Feedback has to relate to individuals, but within the context of the whole interdependent system. Systems that don't aid in developing shared understandings about effective team performance are simply inadequate to meet the challenges found on the playing fields of today's business competitions.

### **Winning businesses are fast, focused, and adaptable:**

**S**haring information, providing actionable feedback and offering constructive criticism are vitally important in organizations pursuing peak performance. Getting the right information to the right people at the right time is necessary for success. The easier, the

more frequent and the more naturally occurring these information-sharing processes are, the better. Conversations about performance should be about real time, on-the-job performance and nothing else. These conversations have to happen between and among the team members who are working together to produce winning performance. They have to occur among people who act as interdependent parts of a complex group or team, and should include discussions about goals, potential game plans, the tactics required to make those plans work, and shared understanding about the dynamics of the game itself.

To create effective teamwork capabilities, management has to establish and sustain the expectation that people can and will talk together about the work on an on-going basis. The leader's role is that of the coach---to ensure that these conversations keep the appropriate focus within the game plan. While participants need a coach, there is no substitute for the individual players having the judgment and skills to communicate necessary information about evolving circumstances on the **pitch**. When this type of timely, on-going team performance management is built into a company's overall operating style, it has built the capability to be fast, focused, adaptable and winning.

### **An Illustration:**

Let's imagine that there is a basketball tournament approaching. The varying coaching styles of three competing teams are described below. As you compare and contrast each team's approach to competition, consider which team presents the strongest likelihood for success.

**Team One:** The coach reviews the performance of each player only at the end of the season. He looks at their relevant statistics and compares them to others in the same position on teams across the league. He gathers comments about each player from their teammates. The coach rates each player on key dimensions as well as their overall performance. At the beginning of the current season, the coach sits with each player and delivers his judgment of last season's performance. This coach, being quite enlightened, asks the players to rate their individual performances from the prior season as well, although those ratings never really effect the coach's evaluations all that much. The coach then explains his assessment, the player debates or discusses and a rating is settled. The lowest rated players are dropped from the team and new talent is recruited. Salary adjustments and roster positions are determined. Although this coach has hung many motivational sentiments around the locker room, and often repeats classic sports clichés to the team, his coaching strategy is done for the year.

**Team Two:** This coach breaks down the performances of the players individually and for the team as a whole to create a context for his feedback sessions. He gathers comparable statistics from the same player's performance last year, from other players in the same position and from the coaching staffs' educated opinions. The coach focuses feedback on critical skills and competencies for each player. He works to have each player play his position as well as possible. As a part of this process he develops a SWOT analysis to frame the discussion. He and the player discuss strengths, weaknesses, opportunities and threats. For example, the coach tells one player that some of his teammates don't really

feel that he is always trying hard enough and to work on that in the coming year. The coach and the player collaborate to create a developmental plan for the player to work this year, including drills and practices. The player sets performance goals for himself. The coach offers ideas for improvement. The coach and the player shake hands and the coach says that they'll revisit this conversation in six months and see how it's going.

**Team Three:** This coach has his players meet everyday as part of practice. Before games they gather as a team and discuss their competition, evaluate their current performance and consider the implications against what they must do to win today. They develop a game plan and consider various scenarios that could develop within the game and assess the implications. They discuss early indicators they might use to recognize developments and adjust their strategies as the game plays out. In the course of on-going practices, this coach has individual players work on their skills as a matter of course. However, this coach also helps every player understand how developments on one part of the **pitch** will require adjustments elsewhere. He has his players think about the game from the positions of other players, until the players understand how the rhythm of the game affects the whole team, not simply themselves. He teaches players how to communicate what they see, think or need to the relevant teammates. This coach trains his team to observe and interpret the unfolding game through the lens of his team's assumptions and capabilities. They can adapt to changing conditions, compensate for the tactics of competitors and recover from unanticipated events that could throw them off track. Everyone learns to think as a team---not just the coaches, not just the captains, not just the star players. The team can anticipate, compensate and improvise together.

Which coach managed team performance most effectively? In which team were all the players trained to be instrumental to the success of the team as a whole? Which team would you bet on?

### **Creating competitive businesses:**

**C**reating a competitive business that regularly produces peak performance requires two main elements; the individuals who make up the business must see themselves as a collaborative team, and must have the skills to compete effectively in a fast, focused and adaptable manner. Building competitive advantage is all about creating and reinforcing a company-wide infrastructure that supports on-going, focused conversations about the work among the people sharing in the work. It is no longer possible to achieve this level of performance within an organization by using outmoded management tools, such as individual performance reviews. Rather, on-going timely feedback relevant to current circumstances is critical. Without such conversations becoming commonplace, the company will operate more slowly than it needs to, with conflicting agendas that prevent true collaboration, and be more constricted by old processes than is healthy for it.

Successful companies are going to be the ones who have evolved their traditional performance management systems into a more sophisticated set of real time conversations that focus on collaborative rather than individual performance. Such conversations help individuals understand that how they work together is as important as

how they work independently. Individuals need to adjust their contributions to meet the changing circumstances and needs of the business as a whole. The business needs to ensure that the workers have adequate, timely information that allows them to perceive when they need to adjust or adapt to enable the success of the team effort. Individual performance remains critical, but it needs to be referenced against the changing requirements of the team. Businesses can expand from an individual to a collaborative focus by including the following elements in the on-going conversations about the work:

- Creating a shared understanding among all involved of the changing nature of the business environment, and its implications for the company. Are customer expectations changing? How so? Are emerging technologies creating new opportunities for us? Are the basic assumptions on which we built our business plan changing? Which conditions are changing in ways that require us to adjust our thinking?
- Creating a shared understanding, at a deep level, of our business plan and the thinking behind it. Why did we choose the current strategy? What advantage do we expect it to give us? What occurrences do we need to watch for that would cause us to change it?
- Developing the ability to anticipate and interpret the implications of competitor maneuvers in the marketplace. What are people learning from customers or suppliers, etc., that is relevant to our current thinking? How do we act to keep competitive advantage?
- Building a shared recognition of evolving developments within the marketplace and their implications for how the team must adjust to compete well as a whole. Ensuring that the whole team understands the business well enough to recognize how developing scenarios and unfolding circumstances affect us today and how we must think differently about business tomorrow.
- Encouraging and supporting the ability of everyone to communicate effectively with each other as the business plan unfolds. Communicating across functions, levels, and boundaries of all sorts.

### **Conclusion:**

The realities of today's business environment require companies to be fast, focused and adaptable in order to thrive. Business processes that hinder these organizational capabilities must be reworked and updated. Processes that pass information rapidly, that foster communication among the people working interdependently, and that help every individual reference their efforts against the company's strategic aims are vital. If a business aspires to be fast, focused and adaptable it must have the infrastructure to act that way.

The most effective way for a business to create this infrastructure is to remove the barriers that prevent individuals from talking together, and minimize delays in providing feedback. Create and reinforce the expectation that coworkers and collaborators will talk directly about the quality of their collaboration. Remove the long delays between performance and feedback by ensuring that dynamic conversations about the work are happening continuously rather than on occasional, predetermined dates. Expand employees' understanding of their roles from thinking of themselves as individual performers to being able to think about their performance from the perspective of the company in action.

There is an old Chinese proverb that states, no matter how far you've walked down the wrong road, stop! If, as with the first two coaches described above, you are trying to improve the performance of your team by using outmoded individual performance management systems, the results will be disappointing. On the other hand, by helping your people work together for greatest effect, you will create an unassailable competitive advantage and evolve the very nature of the game itself.

Cheers!