
Performance Management: A New Era

by Patricia A. McLagan

Our transition to the twenty-first century is a time of major challenge for all organizations. For one thing, we face new challenges from globalization and the meeting of worlds with different philosophies and stages of development. We also have to manage more sober yet still compelling technology transformations. And we struggle to achieve the best way to operationalize worker involvement and unleash intellectual capacity. Alliances, increased virtual and contract work, attention to supply chains, and outsourcing call our old hierarchical and company-centric forms of organization into question. All this occurs as we recover from the late 90's wave of dot.com experimentation and deal with increased customer expectations for quality and service.

Many organisations struggle to respond to and to excel under the emerging new rules. Some try to do better what they did in the past. Others, keeping their fundamental structure and approaches, have cut back wherever they saw slack resources. Still others implement broad-based programmes to address such issues as quality, productivity, innovation, customer-focus, strategic planning, and cross-functional co-operation. Some of these actions have created change, stimulated better bottom line performance, and led to short-term successes.

But the question of achieving and sustaining high performance remains. And the answer, because of the rising knowledge component of work, appears to relate to how organization's engage their people. Quality, productivity, innovation, customer-

focus, strategic thinking, and cross-functional co-operation cannot long remain 'programs'. They must become part of the psychological and operational infrastructure of the organisation. Success in these areas may, in fact, require a real end to autocratic and paternalistic management practices and to co-dependent, blaming postures by employees.

How can this be done? At least part of the answer lies in the day-to-day people management practices of the organisation. This requires a new emphasis on management process and a major shift in our point of view about what management is and who does it. It requires a fresh perspective on the importance of personal discipline (i.e., self-management) to business success. And it demands a new connection between the people who set organisation direction and those who do the organisation's work.

The Next Generation of Management Process

The era of multiple and redundant levels of management – of the deep management hierarchy – is coming to an end. It's too expensive, increases response time, and often disconnects the organisation from its customers. Of course, as technology takes over much of the processing and aggregating that managers used to do, many layers of hierarchy are no longer necessary. But how can we assure that the needed integration, controls and exception management which multiple management levels contributed in the past will exist when

we give more discretion to the people doing the work? And, even more important, how can we ensure that what people do every day supports the many key values associated with strategic success? This is a particularly troubling question in view of the surging diversity in the workforce and the varying capabilities of people to self-manage and integrate their work for the best interests of the overall enterprise.

There are four broad issues that leaders must address as organisations move into the information age. First they must determine the role which technology will play in the management of the organisation. This will require going beyond the current mindsets about MIS. Technology will play a major role in managing, but the power and competitive advantage of that role will depend on whether it is a data processing or real management tool.

Second, it will be important to make self-management as much the norm as possible. It is expensive and wasteful to have people oversee, control and manage others. Since most people don't have the advanced skills required to manage themselves toward strategic priorities every day, it will take time to create the necessary conditions. But the investment will be worth it in the long run.

Third, organisations must clarify and communicate – and the people themselves must help define – the role of management. It consists of three functions: leadership (the process of changing the direction), 'managership' (the process of keeping the organisation's resources on course), and administration (the process of making the proceduralized events of the organisation occur as per plan). Leadership, the buzzword of the 80's and 90's, is only a part of a manager's role. Leadership was and continues to be an important area to emphasise, for it is the process which helps launch organisations and their people toward change. But, it will not replace disciplined follow through which we might call 'managership'. Nor is it likely that management will disappear in favour of leaderless groups. Organisations will continue to need people to fill the full array

of management functions: to co-ordinate work; to look broadly and futuristically at the organisation; to spearhead strategy; to structure and value decisions to ensure the optimal use of resources; and to help manage the inevitable noise and discontinuities which are part of life in a complex world. But the increased use of technology, self-management, and better management processes will change the scope and role of 'designated managers' and will undoubtedly drastically reduce their numbers. Also, many people will play dual roles: as individual contributor and manager. This is not a new phenomenon, but the management role must be more consciously designed in the future, to include the best blend of leader, manager and even administrator functions.

The fourth issue is one which I will expand on in the rest of this paper. Successful organisations of the future must create and sustain management processes which ensure that what people do every day supports the goals and values of the business and the needs of its customers. These processes must be appropriate to the competitive, information-filled, quality-demanding, and increasingly virtual and distributed environment in which we work and live. The processes must be imbedded in the organisation's DNA – a way of life for everyone, whatever his or her job or place in the organisation. And, these processes must help create an organisation in which people act in mature, responsible, synergistic ways without wasteful over-management. The key processes include those which ensure goal congruity, feedback and course corrections, customer relationships, resource optimisation, and speedy learning in individuals and among organisation entities.

Clearly, many facets of organisational life are in flux. But they are changing at varying rates which reflect organisations' unique abilities to cope with and create change. It's probably safe to say, however, that those organisations which don't make major leaps forward in how they manage themselves will not be competitive in the long run. They will not be able to fully use their resources, and

their cost structures will be so high that they will not be competitive. Organisations which develop the best blend of technology, self-management, 'designated' managers, and management processes to manage the business will realise unbeatable competitive advantage – it will take both time and skill (scarce resources) to replicate.

Enter The New Era of Management

No strategy to fundamentally change an organisation can be successful if what people do every day does not support the business' objectives, values and competitive position. How can an organisation be customer-focused if its people do not talk to their customers about expectations and perceptions? How can an organisation be the quality leader if every employee doesn't pursue quality in his or her day-to-day work? How can a business achieve its financial goals if each employee doesn't accept ongoing stewardship of the organisation's assets and responsibility for short- and long-term financial health? And, how can a company be competitive if its people don't approach every decision as though they were part owners of the business, responsible for its continued growth and success?

These conditions are not natural states in most organisations today. They must be created and fostered through people management processes which go way beyond the appraisal and bureaucracy driven approaches of the past, but do not add procedures and bureaucracy. Managing human performance today requires a different mindset and changed emphasis on everyone's part. It is a key area of management process which, if done well, can make it possible to transform organisations. The key to success in people management are:

1. **Strategy Translation:** ensuring that all people know what the important goals of the organisation are and what the implications of these goals are for their personal work;

2. **Customer participation:** bringing the customer (internal as well as external) into the management process;
3. **Goals as Reality:** establishing individual and team goals which are powerful enough to propel people toward key strategies in spite of inertia and day-to-day diversions and crises;
4. **Shared Responsibility:** creating expectations that people will manage themselves while supporting others toward higher levels of self-management capacity;
5. **Use of Information:** providing continuous feedback and constructive performance evaluation and;
6. **Open Exchange:** installing an ethic of communication, learning and creative conflict so that problems and opportunities surface quickly and are address with dispatch.

Strategy Translation. Organisation strategies and goals are determined in many ways today. They may originate in corporate board rooms, behind the doors of key marketing, technical or financial executives, or they may result from the collective insights of people at all organisation levels and locations. Strategies may be created and then acted upon, or acted on and then recognised as strategies. Whatever their origin, strategies and goals can only have pervasive impact on what the organisation accomplishes if most/all the people know what they are. Individuals must also be ready to make the leap from broad organisation priority to their own jobs, for few strategies can or even should prescribe for individual jobs. Today's and tomorrow's management processes must ensure that strategy translation happens. It's too important to be left to chance – especially in view of the distortion that inevitably occurs when we aren't deliberate about what strategy is and what it should mean to those who must make it happen.

Customer Participation. Organisations and people who stay close to their customers

have many advantages. They are likely to sense emerging needs and changing expectations. They are able to detect areas of satisfaction and dissatisfaction (and thus to quickly fine-tune their products and services). And, they are more likely to develop relationships and reputations which make them the 'preferred supplier' even when the producer or service itself may be temporarily flawed or not be the best. These advantages are worth pursuing and can only occur if everyone in the organisation brings his or her customer into the natural ebb and flow of his or her work. Everyone has external or internal customers. Working with the customer becomes part of everyone's job. This requires major changes in how many people view their roles and their work boundaries. Day-to-day management and self-management process must ensure that the appropriate customer relationships occur - with everybody having a clear view of their value for the people who purchase products and services at the end of the value stream.

Goals as a Competitive Force. Goals, in many of today's organisations, do not have much power. They are often displaced by day-to-day routine, crises, and inertia. But strategic success requires us to bring new energy and resolve to goals. Organisations that want to create their future needs goals to act as powerful magnets to action day-to-day. Goals can help accelerate people towards strategies and divert them from routine and inertia.

In the new, more participative and thinking organisation, individual goals also help individuals work more independently. Goals stimulate agreement about priorities and responsibilities. They become a kind of glue or lubricant to connect people with each other so that they can pursue the important business of the organisation. And they provide a launching point for continuous improvement and innovation: in the customer-focused organisation, goal revision often means improvement rather than goal reduction.

Goals represent a major opportunity for today's strategy-driven, competitive

organisations. But goals must be managed as real forces in the day-to-day behaviour of everyone who works.

Shared Responsibility. In old-style hierarchical and militaristic organisations, the prevailing relationship between managers and workers is paternalistic. Procedures, controls, and reward systems encourage little risk and innovation and elevate 'approval by the boss' to almost mystical levels. We now know that upward-looking organisations have trouble moving quickly in a competitive market. We're also aware that parental relationships in organisations are very expensive in the redundancy and extra work associated with excessive approvals, power-plays and organisation levels. The new style organisation encourages high levels of personal responsibility and outward focus in all its people. Everyone is the CEO of his or her job - united to serve customers and carry out the strategy and values of the larger organisation. Individuals in new style organisations do spend time being coached and guided by others who have more experience and expertise. But this dependent relationship is situational - not a permanent state. And, it is not necessarily or even frequently top-down.

The net effect of shared responsibility relationships is that the organisation receives the benefit of everyone's thinking and energy - most of the time. One of the greatest challenges of new era management processes is to get the full thinking power of everyone, provide support when and where it's needed, and keep everyone moving toward the strategy. A place to start is with a commitment to creating the expectation that everyone is the CEO of his or her job with all the rights and responsibilities associated with that role. The organisation's management (and selection) process must embody that assumption.

Use of Information. Feedback and evaluation are controversial topics today. Generally, they have not had the intended 'performance management effects'. People play games with evaluation and

appraisal processes, avoid tough decisions, feel more bruised than supported, and even lie rather than share information that could benefit the larger good. Some performance management experts long ago threw up their hands in frustration even advocated an end to individual 'evaluation'. But organisations, and the people in them, are open systems functioning in very complex, changing environments. Such systems need – require – all kinds of feedback, including evaluative feedback. What the 'anti-evaluation' camp is actually expressing is a revulsion at the effects of individual appraisals in a hierarchical command and control organisation. We must not let this revulsion interfere with our resolve to keep information of all appropriate kinds flowing into the organisation and its people, so that the organisation can quickly learn and adapt.

Hierarchies have fewer and fewer jobs available at the top. Somewhere in the evolution of command and control organisations, feedback became a vehicle for sorting out who would move up and who would not. It (feedback) became a way to close the system. In the new organisation, feedback and evaluation are forces which keep organisations open, learning, creating, adapting and competitive. In the new organisation everyone must receive positive, negative and neutral information about his or her performance in a network that is more complex than what the organization chart shows.

The new organisation has also begun to reshape itself so that it is more organic than the hierarchical pyramid. There are other 'career moves' than up; it is possible for everyone who delivers quality to be evaluated as "quality." Today's and tomorrow's management processes must ensure a constant flow of information to individuals and groups, and must separate the evaluation that relates to day-to-day performance (where evaluation relates to goals and is not zero-sum) from that which feeds selection and 'promotion' (where there are winners and losers).

Open Exchange. Old style organisations depended on controlled creativity. Assembly lines, economies of scale, monopolistic and regulated and trade-advantaged practices all depended on predictability in many areas. But this required organisations to subdue creativity and conflict and to control the rate of innovation based on the cost of response.

Today, there is a competitive advantage to innovation, flexibility and even conflict – as long as the organisation can quickly turn the new ideas and responses to competitive advantage. The basic requirement here is for communication – at high levels of expertise – and lots of it. Today's well-managed organisations are staffed with people who can communicate with each other at much higher levels than in the past. They can hear other viewpoints, express their own ideas and opinions, explore ideas when answers are not obvious (and refrain from too-early conclusions), build increasingly higher levels of trust, and engage in disagreements and idea sessions where conclusions are better than individual contributions (including their own!). These are capabilities that all employees have as co-managers of the business. They are not reserved for an elite.

Conclusion

So, times are changing in and around organisations. The changes are affecting the view and importance of management. On the one hand, management must assure the constant alignment of the organisation with the environment and the superior use of resources. On the other hand, the management role is being taken over by technology, management processes, and by employees themselves. The new norm is 'self-management', and the definition of management is broadening to include both 'leadership' and 'managership'.

Management processes provide an especially powerful way to ensure competitive advantage.

These processes must guide and ensure the following conditions:

- *Strategic translation*
- *Customer participation*
- *The use of goals as a competitive force, where goals really play a role in day-to-day decisions and resource allocations.*
- *Shared responsibility*
- *Use of information for self-corrective purposes.*
- *Open exchange of ideas, opinions and solutions.*

Few organisations are prepared to change their management approaches to create these conditions. The changes require behaviours, skills, and assumptions from both employees and managers. Everyone must be willing to help each other become increasingly more capable and

independent. And the organisation as a whole must replace its old management and human resource systems with processes that ensure the six conditions above.

When these actions occur, organisations can finally move themselves into positions of real competitive advantage in the new economic game that faces the global, information-glutted organisation of the 90s and beyond.

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