

Alaska SHRM State Council 2017 State Conference

**Is It Performance Management
Or
Managing Performance**

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Al Bolea



Performance Management

New oil field performance metric flat lifting costs

- Labor, supervision, supplies, chemicals, electricity, repairs, and maintenance
- Flat means not increase year-to-year

Videoconference between three SVPs and CEO

Issues:

- 30 year-old oil field
- Production declining 6% per year
- Costs increasing because of increased maintenance, repairs, and chemicals

CEO Statement: *"I don't think you heard me, the target is flat lifting costs."*

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Performance Management

**No Trust
No
Empowerment**

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Performance Management

Performance Assessment Is Not Managing Performance

Kimberly-Clark
Coca-Cola
Accenture
GE
Goldman Sachs
P&G

Performance management systems affect the behavior and culture of an organization to maximize the capture of potential and minimize interference

Behavior = actions employees taken + decisions that they make

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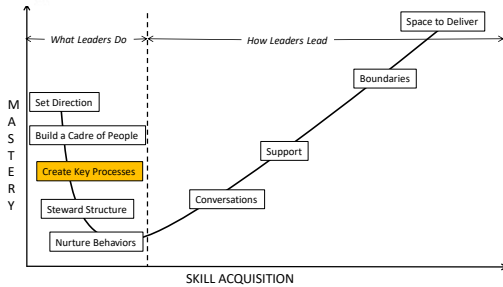
Performance Management



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J-Curve Leadership Model



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Performance Management Is Boring!

"... a system for aligning purpose, identity, and performance in an organization" *Dennis DeWilde*

Accountability is the thread that ties together purpose, identity, and performance

- Not only is it the leader's job to set direction, it's also their job to assure that the direction is achieved efficiently and effectively – **they own it!**
- Needed wherever people interact with their environments to produce effects – desired or undesired (e.g. *Brian Williams - Deepwater Horizon spill volume – FRTG 62,000 bpd*)
- It's the only (ethical & moral) way to get employees to "align" personal goals with organization goals (*Cattle Prod*)
- Cultures are different but behavior is the same worldwide

Performance management is the system by which leaders hold individuals and teams accountable for their responsibilities

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Gallwey's "The Inner Game"

$P = p - i$ Performance = Potential less any Interference

Potential	Interference
<ul style="list-style-type: none"> • Capable of being or becoming • Defined by internal and external environments...<i>in the moment</i> • Constantly changing as environments shifts and through learning • Shaped by what people think is possible 	<ul style="list-style-type: none"> • An overwhelmed mind, flooded with signals – neuron limited to 2000 signals per second • Pessimism • Conflicting goals or messages • Competition for limited resources • Disorganized field of play

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Six Laws of Performance Management

Law #1
Transparency
Visibility of inputs relative to outputs, creates tension within people to be efficient and effective

- Themes:
- Metrics focus and align behaviors on objectives
 - Metric can be an output or an input
 - Behaviors = actions + decisions
 - Accountable people (gatekeepers) must experience the tension of balancing inputs relative to outputs

wife's credit card

Too late if "someone in accounting" catches a problems

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Six Laws of Performance Management

Law #2
Measurement
If you can't measure it,
you can't manage it.
If you don't measure it,
it won't be managed

Themes:

- Managed = Intervention
- Without measurement a metric is worthless

Interventions are the course corrections accountable people make from the measurement of metrics

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Six Laws of Performance Management

Law #3
Frequency
More often the measurement,
more effective the management

Greater frequency of measurement:

- More often accountable people will experience tension of balancing inputs and outputs
- More often they will observe changes in their environments and challenged their reality
- More likely that they will make interventions to keep organization on target
- Must consider the inherent volatility of what is being measured – not just the accounting cycle

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Six Laws of Performance Management

Law #4
Unintended Consequences
People will do whatever you incentivize them to do
They won't do anything else even when it's the right thing to do

Themes:

- No such thing as a perfect metric
- *Dark side* is some feature that causes people to behave in a way not intended

Top *dark sides*:

- Wrong Message
- Goaladicy

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Wrong Message

Role of Messaging in "Unintended Consequences"

- It's reported that, "He beats his wife."
- He shouted, "I'm going to beat you up."
- The Wall Street Journal reports that, "The DJIA fell 10%."
- The CEO said, "I want to cut operating costs 20%."

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Wrong Message

Role of Messaging in "Unintended Consequences"

- It's reported that, "He beats his wife...*at playing chess.*"
- He shouted, "I'm going to beat you up...*the stairs.*"
- The Wall Street Journal reports that, "The DOW fell 10%...*after a two week run up of over 100%.*"
- The CEO said, "I want to cut operating costs 20%...*by investing \$10 billion to upgrade our plant to the latest technology.*"

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Wrong Message

Role of Messaging in "Unintended Consequences"



You don't take things "out of context"
 You take things "into your context"

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CEO From Opening Story

CEO Statement: *"I don't think you heard me, the target is flat lifting costs." And I want you to track all cost saving initiatives that were not implemented because of safety and integrity risks for the operation. I will take them into consideration when assessing performance."*

What is:

- Content?
- Context?
- Message?

Leaders manage content and context to ensure that congruent messages about performance exist from the top to the bottom of the organization

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Goalodicy

Goalodicy:

- Derived from *Theodicy* – refers to effort to maintain belief in a benevolent god despite the prevalence of evil in the world
- More fixated on an endpoint, the more it becomes not just a target but part of our identity
- The endpoint becomes a sense of ourselves – the goal becomes us

Issue is when evidence emerges that a goal is unwise, people tend to ignore the evidence as their identity is tied up in the goal – "We will be number 1."

When goalodicy shapes the collective identity, it will take a crisis or crises to refocus an organization.



"You are what you measure" Michael Corbat, Citi CEO

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Measuring for "A" but hoping for "B"

Margaret Wheatley, *"No form of measurement is neutral—every time we measure something we subtly interfere with what could be possible." e.g., cost of lunch today*

Illustration: 5 key factors that could influence success – a, b, c, d, e

- Performance metrics for a, b, c
- Consequences:
 - Managers who do well on a, b, and c get recognized by awards, promotions, special projects
 - Other managers see this and adjust their behavior (actions & decisions)
 - Long term the core competency of the company becomes a + b + c
- Unintended consequence:
 - What happens if d & e were actually more critical for success?
 - What happens if they were required as a foundation for a, b, c?

The selection of metrics is absolutely critical because they will shape the identity, purpose, and long-term viability of an organization.

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Goalodicy “Busts”

- Ford Pinto (1971-1978) – Goal: Cost Control
- Tepco Fukushima (1978-2011)– Goal: Cost Reduction
- Lucent Technologies (1997-2015) – Goal: Market Value Growth
- GM (2002-2013) – Goal: Cost Control
- VW (2005-2015) – Goal: Environmental Leadership
- Toyota (2005-2010) – Goal: Capture Market Share
- Yahoo (2010-2016) – Goal: Recapture Market Share
- Valeant Pharmaceuticals (2010-2016)– Goal: Growth

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Goalodicy “Busts”

Wells Fargo Bank (2016-17)

- Goal: Most valuable bank in US
- Metric: Cross Sales
- Measure: Accounts per household
- Target: 6.4 per household

Impacts:

- Became most valuable bank in US
- 2.1 million fake accounts
- 8500 retail employees fired
- CEO & SVP resigned
- Four mid-level executives fired
- \$185 million fine
- \$183 million incentive comp forfeited

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ABCs and DEs “Top Ten”

ABCs	DEs
1. Costs	1. Morale
2. Revenues	2. Innovation
3. Profit Margin	3. Employee Behaviors
4. Cash Flow	4. Competitiveness
5. Customer Satisfaction	5. Organizational Learning
6. Productivity/Efficiency	6. Employee Satisfaction
7. Quality	7. Employee Training Effectiveness
8. OSHA Safety	8. Customer Value Added
9. Employee Attitudes	9. Continuous Improvement
10. Customer Retention	10. Technology Adoption

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Six Laws of Performance Management

Law #5
Make It A Promise
 The act of accepting responsibility is a promise – a commitment to do something

- Themes:
- More formality associated with promise, more likely it will be honored
 - Speech act and written performance contract
 - No free passes for missed targets
 - No Acts of God – just poor contingency planning
 - Integrity of leader and performance management system

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Six Laws of Performance Management

Law #6
Performance Conversations
 Conversation is the vehicle through which leaders take accountability in a delegated organization

- Themes:
- Accountable person promises to deliver the targets
 - Leader promises to support, delegate authority, and otherwise help
 - Leader has apportioned responsibility, but retains accountability for delivery
- Performance Conversations, e.g.
- Monthly reporting
 - Quarterly face-to-face

Conversations about performance creates the interventions, i.e., the possibilities

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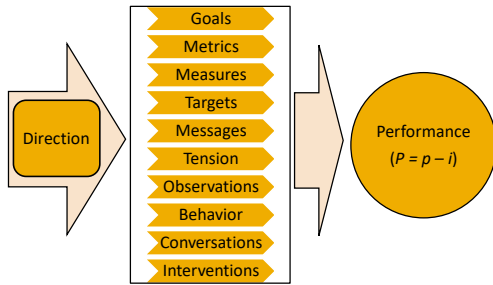
Performance Conversations

<p>“Bad News” Story</p> <p>Boss Surprised</p> <ul style="list-style-type: none"> • No time to recover loss • Hate having options taken away by employees <p>No Intervention</p> <ul style="list-style-type: none"> • Always mitigation option • Expect employees to be aware <p>No Learning – no tolerance for people who make same mistakes</p> <p>Not Accountable – blaming issues on others or situations</p>	<p>“Good Outcome” Story</p> <p>No Surprises – earliest possible “heads up”</p> <p>Intervene</p> <ul style="list-style-type: none"> • Describe actions taken • Explain options considering <p>You Learned and are Accountable</p> <ul style="list-style-type: none"> • Learning from 10000’ level • Acknowledge errors and ask for forgiveness
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It's a Performance Causation Process



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Summary

- Performance management is not just about performance – it shapes the identity and purpose of an organization
- It's about accountability - and people must feel the tension of inputs relative to outputs
- Over time an organization becomes what it measures – all other possibilities are lost
- Management = Intervention
- More often people feel the tension, the more likely they will observe a need to intervene
- Message about performance = Content + Context
- When goalodicy shapes the collective identity, it will take a crisis to refocus an organization
- The act of accepting responsibility is a promise
- Conversations about performance create the interventions, i.e., the possibilities

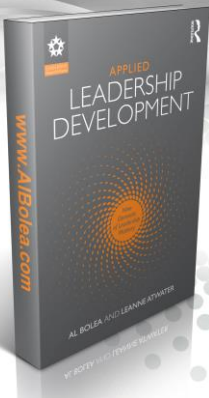
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Four Questions

1. What context is needed in your organization to make messages about performance clearer?
2. What could you do to enhance accountability ?
3. What performance conversations are missing in your organization (i.e., not having but should be having) with employees?
4. What are your organizations ABCs? DEs?


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Al Bolea
Applied Leadership Seminars
907-529-5020 •
albolea@appliedleadership.co
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