

### EDITORIAL: ORGANISATIONAL CHALLENGES IN MANAGING PERFORMANCE

In the late nineties, a study commissioned by the Chartered Institute of Personnel and Development showed that good people management and development practices contributed more to productivity and profitability than strategy, quality, technology and even R & D\*. Other studies in the UK and the USA show similar results. So why are organisations still finding the management of performance a substantial challenge?

Not surprisingly, the answer is a complex mixture of design and behavioural issues. The behaviours and attitudes of an organisation's founders and influential subsequent leaders will have had an enormous impact on the approach to managing performance. Those who have had a deeper belief in the value of management action will have encouraged and possibly insisted upon the development of proactive performance management. They will have set the best example by providing clear direction and engaging their senior managers in agreeing objectives and reviewing progress and results in the light of such objectives. Those organisations that still demonstrate some passivity towards developing effective managers are more likely to show a lukewarm approach to managing performance.

The manager's key priorities should include leading the generation of results from the efforts of their people. This means managers need to clarify what they expect of each individual from the outset. To support the implementation of the annual business plan, many organisations design a performance management process which establishes a common approach for all managers to adopt. When used properly, this will promote an active approach to managing performance and provide consistency in rewarding people who achieve results and improving those who fall short of expectations.

The management of the performance management process must be led by business line managers. The main purpose of performance management is to deliver high performance. This can, however, become obscured by the other functions of HR, such as obtaining derivative data for talent management, salary/bonus review and learning and development. In some cases, the end-of-cycle performance review or appraisal has been given prominence over the start-of-cycle objective setting. It is much more difficult to actively manage performance over the business year, and to assess dispassionately the results achieved at the end of it, if there was no clear agreement about what was expected.

*(Continued on page 3)*

#### INSIDE THIS EDITION

If you would like further copies of this newsletter, please ring or email us!

- **Editorial: Organisational Challenges in Managing Performance:** by Richard Nelson
- **Developing a Performance Culture:** by Richard Nelson and Kate Harrad
- **Northcliffe News**
- **Guess the Guru**
- **Quotes on Peter Drucker**

Welcome to the twelfth edition of our quarterly newsletter! The next edition of *The Column* will appear in February/March 2006.

### DEVELOPING A PERFORMANCE CULTURE

By Richard Nelson and Kate Harrad

In issue 10 of *The Column* we discussed the two main components of organisational culture: the espoused or 'official' culture and the underlying culture, which is the larger of the two. The espoused culture is articulated in the annual report, the documented strategies, the organisation charts and job descriptions. The underlying culture consists of such factors as individual personalities, alliances and rivalries, gossip, assumptions and interpretations of 'official' culture.

For an organisation to be effective and maximise results in the competitive external environment, it needs to sufficiently align the espoused culture and the underlying culture in pursuit of high performance. In making this alignment effective in practice, the organisation also needs to infuse its perceived culture – how the outside world sees it – with a reputation for performance.

The espoused culture is more likely to be performance-oriented than the underlying culture. However, some 'official' structures can be detrimental to

*(Continued on page 2)*

## DEVELOPING A PERFORMANCE CULTURE

*(Continued from page 1)*

performance. An over-rigid hierarchy may mean that not everyone will be recognised and praised for their achievements. In these cultures compliance with the hierarchy is emphasised more than taking the initiative and being innovative, often in spite of statements to the contrary by leading executives.

The management of performance can be arbitrary and send out the wrong signals. When performance reviews are endlessly postponed, or conducted in a perfunctory manner, employees will assume that high performance is not important and may react accordingly.

Setting tough performance objectives without providing the necessary context and resources can cause managers to lose credibility. An employee or a middle manager is likely to become disgruntled if they are expected to achieve results that are in fact impossible because they do not have enough resources to achieve success, or because the lines of communication or arrangements with other functions are unclear.

So for the espoused culture to be performance-focused, a variety of structures and behaviours need to be in place: communication between all layers and departments needs to be clear and honest; messages from the company leaders must be consistent; those who perform well should be rewarded in a timely and appropriate way. And equally, those who do not perform well should be offered advice and help very early on, and if they do not improve, they should not be allowed to continue performing badly, but moved to somewhere that is a better fit with their skills, or moved out of the company altogether. Poor performers are often left in place, generally because their manager has failed to address their poor performance for some reason.

The bedrock of company culture is the

company's values. It should be clear what those values are, and they should be reflected in both the espoused and the underlying culture. The leading executives need to ensure that high performance is included among the values. Crucially, the management process must demonstrate those values: e.g. providing honest, regular performance feedback shows that the company values its employees' achievements, will help them to overcome difficulties, and is aware of their individual strengths and weaknesses. Studies have shown that productivity improves when employees feel that they are being paid attention to.



***“Employees who believe in what their company is doing will want to perform well.”***

The process of managing performance should not just examine performance averages across the company, but focus on local variations - a lot depends on individual management and local teamwork.\* This also shows employees that the company is aware of the different challenges people have to overcome in different areas of the business.

*Built to Last* (James C Collins and Jerry I Porras, 1994) examines 'cult-like cultures', which indoctrinate employees with the company's core values. The successful combination, they conclude, is to find or create employees who buy into the core values, and then allow them autonomy

within the context framed by those values. In other words, people who are effectively informed and motivated are likely to perform well without constant supervision. Employees who believe in what their company is doing will want to perform well. When the core values become part of the perceived culture, the reputation of the company will attract people who should already be a good fit.

By its nature, the underlying culture will be much harder to control, and more likely to be occupied with issues such as interpersonal relationships and interdepartmental rivalries than with performance. However, if the espoused culture is successfully designed and implemented, the underlying culture will respond by respecting and acknowledging good performance.

Ultimately, in order to perform well, people must be motivated not just by material rewards such as pay rises and promotions, but by getting satisfaction out of achievement itself, either through enjoying the work, or through knowing their effort is seen and appreciated, or ideally both. From a management perspective, this means paying close attention to individual performance, offering consistent feedback, picking up on problems before they occur, and providing an environment in which successful and efficient working is possible, desirable, respected and recognised by managers and colleagues.

Performance cultures develop from an organisation's people approaching their work in a purposeful and results-oriented manner. Those responsible for ensuring that the organisation is effectively designed will make sure that the business goals and performance measures are reflected in accountabilities at executive and managerial levels. The values and core behaviours that fashion how people will approach their work and apply their knowledge, skills and behaviours will be part of the overall management process and underpin people development.

The performance management process itself will form a critical part of the means by which the organisation is led and managed. Executive development will focus on the importance of enabling success and high achievement and embrace the necessary skills to help new managers be successful in enabling high performance among their people.

*\*See "Managing the Human Sigma" by John H Fleming, Curt Coffman and James K Harter in Harvard Business Review July/August 2005*

# ORGANISATIONAL CHALLENGES IN MANAGING PERFORMANCE

By Richard Nelson

(Continued from page 1)

The leadership and design issues in relation to the performance management process are important aspects when analysing an organisation's success. However, they do not fully explain whether or not a manager will deliver high performance: that has more to do with their confidence and skill in engaging their people in performance discussions. There are still social and cultural barriers that can only be overcome with learning and development. Ironically, organisations that employ highly qualified people can often demonstrate poor performance management, since there is sometimes a view that professionals do not need direction and engagement. Underlying this can be awkwardness, even embarrassment, about speaking to individuals directly about their performance.

The main answers to addressing managers' lack of confidence and skill in

managing performance lie in two main areas; the leadership guidance they receive from their managers and the management development they undertake. In order to maximise performance they must have leadership and care demonstrated by more senior managers. If senior managers demonstrate the importance they place on high performance by setting a positive example:

- setting objectives and standards at the beginning of the business cycle,
- actively managing and supporting the achievement of high performance on an ongoing basis,
- undertaking performance reviews, and
- coaching their people to improve performance and develop potential,

then their managers will see positive role models. However, even with positive role models, managers need to be confident and skillful in communicating performance information.

At Nelson Consulting we recommend development that



***“Without development, it can be awkward to speak to individuals directly about their performance.”***

includes placing the management of performance at the core of the manager's role. High performance should be the focus of managers' leadership and coaching activities, both of which deserve development.

Specific topics to be included with leadership and coaching development are: influencing capability, interpersonal skills, communication and giving and receiving feedback. The development is maximised if undertaken in a practical workshop situation with colleagues at a similar managerial level. In this way, appropriate discussion can take place, as well as extensive relevant practice, preferably with real business cases.

*\*Sheffield Institute of Work Psychology, 1997*

## NORTHCLIFFE NEWS

We are pleased to see that our work with Northcliffe Newspapers Group (part of the Daily Mail and General Trust) has been recognised.

Northcliffe Newspapers Group has been awarded a Greater London Regional Training Award in the Government's National Training Awards, supported by the Department for Education and Skills, for its Management Development Programme. The development programme consisted of a series of training programmes for managers at different levels of the organisation.

The training for senior managers, the Advanced Management Programme, was delivered by Nelson Consulting. Graham Beesley, Development Training Advisor, said: "Our aim in developing a management programme was to engender a cultural change, away from the old-fashioned management culture towards an inclusive, participative style. Our bi-annual Employee Opinion Survey shows that we have already moved a long way down the road and that process is continuing, with the help and support of Nelson Consulting."

## OUR SPECIALITIES

### Organisational Diagnosis:

Quantitative Questionnaires and Qualitative Research - focus groups, semi-structured interviews

### Organisational Development and Design:

Advice, consulting and facilitation

### Performance Management:

Advice, process design, consulting, education and learning

### Management Development:

Development assessment, coaching, learning and development,

including

Personal Development and Coaching Programmes

and

Learning and Development programmes, workshops and seminars.

## Nelson Consulting would like to wish you a Merry Christmas and a happy New Year!



### GUESS THE GURU

Can you match the statement with the management guru who made it? The answers can be found on our website, [www.nelsonconsulting.co.uk](http://www.nelsonconsulting.co.uk). And some of the quotes have been featured in our previous newsletters - have you been paying attention?

#### QUOTE

1. "We now accept the fact that learning is a lifelong process of keeping abreast of change. And the most pressing task is to teach people to learn."
2. "The essence of competitiveness is liberated when we make people believe that what they think and do is important - and then get out of their way while they do it."
3. "The question, 'Who ought to be boss?' is like asking, 'Who ought to be the tenor in the quartet?' Obviously, the man who can sing tenor."
4. "People don't resist change. They resist being changed."
5. "The bottom line for leaders is that if they do not become conscious of the cultures in which they are embedded, those cultures will manage them."
6. "All leaders have the capacity to create a compelling vision, one that takes people to a new place, and then to translate that vision into reality."
7. "Leaders, managers, and employees usually all relate and commit more to models that bear the stamp of authentic experience."

#### GURU

- A. Jack Welch
- B. Edgar Schein
- C. Peter F. Drucker
- D. Henry Ford
- E. Dave Ulrich
- F. Warren Bennis
- G. Peter M. Senge

### PETER DRUCKER, 1909-2005

Some quotes from the recent media after Peter Drucker's death at age 95.

"It is a fitting tribute that this year's survey of more than 1,000 senior executives confirmed what we already suspected: that Peter Drucker, who died this month at the age of 95, was the world's most respected thinker and writer on management.

Lesser gurus come and go, their ideas in vogue for a time then falling from favour. Equally, the reputations of practising chief executives wax and wane with the fortunes of the companies they lead. But Drucker had staying power. The acuity of his insight and the breadth of his learning spoke to generations of managers."

*Financial Times, 17 November 2005*

"Peter Drucker, whose death, aged 95, was announced this week, was a man who persistently stayed ahead of his time. As begetter of the science of management he towered above the imitators he spawned. Long before the computer revolution he predicted a society moulded by knowledge and information."

*The Guardian, November 17 2005*

"The arch-mentor of the great sages of the business world certainly got a phenomenal number of things right during his long life. He made predictions about the future that in retrospect seem totally obvious, but at the time were seminal."

*David Bolchover in the Telegraph, November 28 2005*

"He was the creator and inventor of modern management. In the early 1950s, nobody had a tool kit to manage these incredibly complex organisations that had gone out of control. Drucker was the first person to give us a handbook for that."

*Tom Peters*

"The world knows he was the greatest management thinker of the last century."

*Jack Welch*



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