



## Performance Management for Presidents

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A Performance Management System is a President's principal tool for leading and directing the business and for implementing organizational change. Yet many organizations have no such methodology at all. Finance, accounting, sales and production systems are usually in place. For most new Presidents these systems are obvious or commonly understood. But in these business' rush to produce and become profitable, they overlook the methodology to ensure that everyone is held accountable to do his or her job. This organizational design flaw restricts the growth and progress of these businesses and jeopardizes their Presidents' success.

To bring this message into the world of a President, the following is what I would like to send, if I was the Chairman of the Board, to my Company's newly appointed, technology-expert President.

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**INTEROFFICE MEMORANDUM**

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**TO:** IN-COMING PRESIDENT  
**FROM:** CHAIRMAN OF THE BOARD  
**SUBJECT:** PERFORMANCE EXPECTATIONS  
**DATE:** 07/14/2001  
**CC:** BOARD OF DIRECTORS

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Congratulations on becoming Company President. As you know, corporate leadership is more than just determining broad direction, creating a vision or setting organizational goals. Leadership also means making sure that our business succeeds. In other words, leading means not only making sure that the path to success is clear and achievable, but also that the path is followed and that our business does what it's supposed to. Inspiring visions and challenging goals are of no consequence if they're not achieved. And ultimately, it's the President who is responsible for the conduct of our business. Of course, we know that leadership is actually a function and not the sole responsibility of one person. You're not the only one who needs to provide leadership in the Company. Nevertheless, we've selected you to lead the Company into the future.

The Board and I are expecting that you will manage our resources appropriately and efficiently, including our money, technology and physical assets, but also all of our employees. An essential part of your job is to see that our people are all given the support they need to be successful, and that they're all managed properly and treated fairly.

The Board is of course concerned with the present and we want a good return on our ongoing investment. But we're also looking long term and it's our employees who are going to be the future of our Company. And so we entrust our present and future employees to you for their direction, support and development. We'd like you to let us know from time to time how well our employees are being managed, so you'll need to find some systematic way to measure, monitor and control this important aspect of our Company's functioning.

I've seen very few company presidents who have any real control over the way their employees are treated on a day to day basis. Incredibly, most presidents rely on people's common sense and loyalty to ensure that plans are understood and properly carried out, and that organizational goals are achieved. In other words, faith and intuition seem to be the forces keeping many organizations together.

Although we claim that our employees are our most important asset, it seems like the profession of management has been slow to bring basic principles of production management and quality assurance over to the critical realm of leading and managing people.

Whatever you want to call it, you're going to need a Performance Management System, to let us know that the Company is managing our employees effectively, and that you and your management team have the tools to make sure that your plans are being carried out as intended. You need to go beyond ensuring that appropriate results are achieved, such as goals. That of course is important. But you must also ensure that appropriate things are done to achieve those results, that our business is doing what its supposed to be doing and that our employees are behaving the way they should. You need to show us that the Company is in control of the way we achieve our results. Results are important to us, but how we achieve them is what is important to our customers.

To support you, I'd like to pass on a few observations and a bit of advice from my experience so that you don't fall victim to many of the myths of Human Resource Management.

## **Six Performance Management Myths**

### **Myth #1: Using Performance Appraisal to correct performance problems**

Don't let your management use Performance Appraisals to correct employee performance problems. Appraisals typically happen at the end of a year but by then it's too late to bring problems to an employee's attention. In fact, it is downright unfair. It is akin to training Olympic athletes after the medals have been awarded. It makes no sense, and it never has.

Instead, Performance Appraisals should be Reviews of how well each employee has performed compared to the mutually understood expectations determined with their supervisor at the outset. In fact, the Board's expectations are that all our employees will have received sufficient support, training and direction throughout a review period so that they fulfill all the expectations we have of them. That is what we're paying them for. So if an employee's Performance Review shows unacceptable performance, it's likely there's a problem with the supporting supervisor! Reviews are useful for planning but what you'll need to have are coaching procedures to make sure the right things are being done along the way and performance problems are nipped in the bud.

### **Myth #2: Results are all that count**

The Board wants positive results, no doubt, but how we get results has to reflect our corporate values. Our stakeholders judge us by our behavior, right down to the individual manager and employee. So let's make sure we know what we're doing well so we can do it again. In the past, we've had presidents who said "I hire top quality people and give them the freedom to do their jobs as they see fit. I'm just interested in the bottom line -- results

are what count!" Unfortunately, we have had to live with the fallout from "how" those goals were achieved.

If you only stipulate results, you leave the means to that end (employee behavior) up to each individual's choice and therefore no one is in control of the business between goal designation and goal achievement. Each individual employee's interpretation or choice of work values and direction is left to chance. When our employees learn that what counts is only whether or not they achieve pre-determined "results" and not what they do or how well they perform their jobs, co-operation typically diminishes, political games flourish and the Company's disintegration begins.

### **Myth #3: The Normal Curve of performance**

Watch that the "normal curve" isn't used to inadvertently perpetuate mediocrity. This may seem like a minor detail, but it can infect the Company's beliefs and behavior concerning quality, customer service and fundamental performance expectations.

Consider all those rating scales we've used to measure employee performance. We split hairs and debate continually over the different ratings and whether an employee's performance has been less than adequate, adequate, good, average, above average, superior etc. ad nauseum. We try to assess job performance with the classic "normal curve." But in reality, there's no way we can discriminate between all those performance levels. Our Quality dogma says that quality is simply doing the job right; not average or above average or even superior. Yet we force these scales upon employee appraisals making performance ranges a self-fulfilling prophecy. What we want is for our people to do their jobs correctly. Sure, everyone does his or her work a little differently, but as long as it's within our acceptable tolerances, why discriminate between employees or pit one against the other.

Surely, the purpose of management practices such as training, supervision and selection is to intervene in the normal curve phenomenon and get as many employees as possible to perform at the top end of the performance scale. Management's role is to prevent employee performance from taking the shape of a normal curve. Why condone, or worse still, insist on a representation of poor and mediocre performance? It simply doesn't have to be that way. If it is, management is not doing its job.

If you expect a normal curve of performance, you are more likely to accept such a result as an unfortunate "given". Like a self-fulfilling prophecy, mediocrity will be condoned as natural, and excellence will be rarely expected or recognized.

The Board wants all our employees to do their jobs correctly; not a few less than acceptable, some just acceptable, some better than average and a few outstanding, etc. Excellence, or doing the job right, should be our standard, not the exception. We expect that with clear, specific direction and adequate support, all our employees will perform well. The "high flyers" will stand out in different ways. We don't need elaborate rating scales to identify them.

#### **Myth #4: Team accountability**

Although we organize ourselves in teams and encourage cooperation and invest in esprit d'corps, until the day we hire, promote and fire teams, accountability is ultimately individual. Incentive, recognition and performance problem-solving processes need to reflect this reality.

#### **Myth #5: Don't micro-manage**

Second-guessing an employee's every move and suffocating his or her freedom to perform is a waste of time and resources, no doubt. Why pay two people to do the same job? But watch you don't abdicate leadership and direction. Empowerment still requires clear accountabilities and even "freedom" is not the absence of structure — letting people go off and do whatever they want — but rather a clear structure that enables people to work within established boundaries in an autonomous and creative way.

Although you'll need to keep yourself focused on the broader corporate issues and longer term strategies, there is still a need to get down and dirty in some of the details. In particular, this will happen with the direction you give to your immediate subordinates. Misunderstood, incomplete or ambiguous direction to an executive can take half the Company off in the wrong direction. Never assume others are on the same wavelength as you. You probably do see the world a little differently. That's one reason why you're the President.

#### **Myth #6: Command and Control is politically incorrect**

As you've seen, over the past decade the "politically correct" movement has effectively censored free speech and intimidated many from addressing truths. In particular, trends away from personal accountability towards individual rights without corresponding obligations have reinforced the misguided belief that "management control is a dirty word." The Board doesn't agree. Control is being able to measure and compare results with plans and to take corrective action if necessary. The concept is even a foundation of Management Accounting.

But in the area of managing people, like many other executives, you may feel a loss of control and want to have a firmer hand on how your people perform. I can almost predict that your biggest frustrations will be related to people issues, such as impatience with employee performance, being "too soft hearted," and unable to get others to follow through.

This is why I believe you'll need to implement processes and procedures (a methodology) into the Company so that the way people are managed becomes a systematic tool of the President's office. As a result, our employees will be empowered to manage their own performance while you will have a powerful tool to direct the organization. That methodology is a Performance Management System.

## **Five Performance Management Tips for a President**

### **Tip #1: Don't lose touch with what is actually happening in the business.**

You may find that there is a wide gap between policy enunciated at the executive level and what actually happens throughout the rest of the Company. Filters such as fears, perceptions, organizational levels and personal, political motives will remove or distort information going to and from the executive suite. Make sure you get out of your office and make yourself genuinely visible. Go out and listen. You're the leader and people expect you to fly the flag from time to time.

More formally, use your Performance Management System to institutionalize an upward flow of information so that all management can be more in tune with the activities and concerns of their employees and especially so that senior management know what is actually happening in the business. Don't always hire an outsider to find out the feelings of the staff.

### **Tip #2: Manage your managers.**

Even executives must be managed, given clear direction and control. We simply can't hire executives and managers and "turn 'em loose to do their own thing" -- and then punish them for doing just that. Our senior managers deserve personal support, attention and recognition just as any other employee, and your relationship with them is fundamental to developing and maintaining their confidence to take the risks of executive leadership.

### **Tip #3: Be the role model for your executives and expect the same of them.**

How you treat your executives is how they'll treat their managers and so on through the Company. Start with yourself and set the tone -- be forthright, honest, fair, compassionate, continuously striving for excellence, and gracious. Know when to step forward to lead or be accountable, and when to stay in the background to celebrate the success of others.

Moreover, recognizing the importance of executive behavior as the model for the conduct for others, be very aware of what behavior your executives are modeling. You may need to coach a senior manager quickly if the wrong or mixed messages regarding conduct are being sent out.

**Tip #4: Implementing organizational change requires your attention to detail.**

Your principle responsibility is to keep the Company relevant -- in our industry, in the economy and with our customers. That's going to require continuous organizational change, which you'll be driving. Two of the secrets for a president's success at implementing change are "attention to detail" (contrary to the role perception we've encountered with many presidents) and "gentle relentless pressure." One of your essential levers to do this is the Performance Management System. Make sure you don't lose control or abandon that system, or you'll be working twice as hard to implement change.

**Tip #5: Don't expect unless you inspect.**

This is an old chestnut as I'm sure you know, but it's such a fundamental management concept, its worth repeating. You're not the only one who wanted (or wants) to be Company President. Don't get paranoid, but you can't expect that everyone's priority is to have you succeed in your job -- one of the reasons why you shouldn't expect that your directions, requests and challenges will automatically be followed. And since everyone understands the world through his or her own senses, miscommunication must always be anticipated. So, never issue directives to others without first establishing a process for those people to report to you what they've done. Don't count on others following through. People will let you down and it will be a major headache of your tenure as President unless you build accountability into your day to day procedures.

For example, I've mentioned the importance of ensuring that your managers manage their employees properly. You can talk about it with the managers and even pinpoint the specific behavior you'd expect from them as they supervise and support their employees. And I expect you will. However, don't assume your managers will do it unless you ask for specific evidence of the desired behavior. If not, how do you really know how management is treating their employees? It's not that you can't trust your managers and executives, although there are those who prefer to tell you only what you like to hear. It's more to convince them that you really do want them to do what you've asked. It makes your direction much less ambiguous. If you do this, you'll sleep better at night knowing that the work's getting done. If you don't, you'll fret away your time, over-supervising and likely prematurely availing yourself of our Health Plan.

Good luck in your new career. Remember the Board's role is to support you, so let's meet when you're ready to go through this in more detail.