



## From Performance Management to Leading Performance

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Most companies want to be profitable, adaptable, and sustainable. Agile methods and good people management practices support that. However, the current core people management practices--performance management, individual appraisals and target setting--work against motivation, engagement, and innovation. These practices destroy trust between managers and teams, and make it difficult for managers to become leaders.

Improving development methods usually bring marginal improvements, at best. The benefits of agile--value to customer, engaged people, less waste, faster response to changing requirements--requires trust, transparency, and learning throughout the organization. This is a major change that calls for new thinking and new processes for managing people and performance.

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- impose hierarchical thinking, which increases fear and dampens transparency and trust
- reduce empowerment, responsibility, engagement, and creativity
- drive competition in teams and destroy teamwork

Organizations do need to align objectives, help people improve, pay people, and recognize people who have exceptional potential to take on more responsibility within the organization. We are discovering and inventing people management practices that enhance partnership and commitment between the company and its people.

### **Aligning and agreeing on objectives**

The traditional way to align targets is through cascading objectives top-down. Objectives and targets cascade down through the organization, with little dialogue or bidirectional information

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flow. Sometimes people do buy in, assume ownership, and engage with the work. But often, people feel that the objectives and targets are imposed on them.

When told to do something, people respond in four general ways:

- Fight. People resist openly. This response shows up in cultures where people feel more free to speak their minds and disagree with authority figures.
- Fake. People create the appearance of complying with imposed goals. But in reality, they are working on their own priorities or doing work they believe is more sensible. They may “meet the letter of the law,” but not the intent.
- Ignore. Ignoring a goal is more common among people in leadership positions. They nod their heads in agreement during the meeting, but leave with no intention of following through.
- Comply. People do what they are asked to do, but without enthusiasm or ownership.

Data from the Gallup Organization indicates that only about one third of US employees are engaged in their work. The rest are fighting, faking, ignoring or complying! This is an enormous waste of human intelligence, creativity and energy. Our instincts observations tell us that the traditional goal alignment process has something to do with this--and our experience confirms it.

We want people to think for themselves and apply their intelligence and creativity. Imposing goals do not achieve this. Mutual negotiation and alignment does.

Here are some ways we have found that help create more healthy, equal, productive relationships.

Both managers and team members can initiate an iterative dialogue for alignment, engagement, and partnership. Effective target setting is a dialogue between equals. When we treat people like responsible adults and partners, they will act accordingly. Establish a discussion--not a clash of positions.

Alignment begins with dialogue, not directives. Start by asking, "What is important to you? What do you want to achieve?" ...and really listen. Then, explain what is important to you, what you want to achieve and why. Once the facts are on the table you can look at them together. Look for areas to work together and support each other.

Sometimes, there is a gap between what the company needs and the individual wants. Making it visible allows people to find solutions together. Left uncovered, discrepancies cause problems, depressed motivation, and disengagement.

## **Defining success criteria**

Building a shared understanding of priorities --both of the company and the team member--is the first step. Next, discuss what success looks like so that both parties clearly understand what they are working towards. This can take the form of another dialogue, a process of building shared understanding and commitment.

Even when the outcome isn't easy to measure, devise a way to observe the results. If no one can think of a way to observe the results, it is a signal that the goal isn't clear enough yet. Keep exploring the benefits of the proposed goal.

We begin the conversation with questions such as:

- How will we know we've achieved this goal?
- What will we see that tells us things have improved?
- What will be different if we are successful?
- What are the tangible results we might observe?

## **Personal development**

In order to improve and develop, people need meaningful challenges and feedback on their work. Meaning comes from the connection between the work and the people who benefit from it--customers. Challenge comes from attempting work that is slightly beyond current skills and capabilities. Challenges that are far beyond current skills feel overwhelming and demotivate. As skills grow, so should the challenge. Without suitable challenge, work becomes boring, and then people lose interest.

Feedback is information. It's most effective when it is concrete, timely, and about issues that are in the receiver's control. People need a broad range of information to improve. They need to hear from all stakeholders (e.g. peers, customers, managers, product owners and interfacing teams). And, people aren't the only source of feedback.

Feedback directly from the work provides useful information about the consequences of work patterns and actions. Feedback from the work doesn't imply judgment from another person--which makes it easier for people to accept. One example is a visual signal that alerts the people when a code check-in breaks the build.

The quality of feedback improves when it isn't filtered through a third party, but given directly.

Feedback becomes more timely, too. Rather than have a yearly or bi-yearly feedback event, feedback comes when it's needed.

Congruent feedback is a skill people can learn in any culture--given the opportunity and support. People from different cultures find a way of giving feedback that fits their culture. Direct, respectful feedback builds trust. As trust increases, the amount and value of feedback will increase, too.

Some teams start the feedback process by asking each other:

- What have I done that helped you this week?
- What have I done that didn't help you (given that my intention was to be helpful)?
- What do you need from me? What makes that important to you?

In addition to feedback, people need support to process the information, to challenge themselves and to learn and improve. People need coaches. Team coaches can help them people make sense of feedback from various sources, understand implications, and build new skills and habits. Coaches can be either managers or other team members.

These questions can start that process:

- How do you feel about what you are doing?
- What sort of feedback are you receiving?
- What are you learning?
- What do you want to learn next?

We grow and develop when the challenge is slightly beyond our skills. Good teams support team members in stepping out of their comfort zone and in taking up new challenges. A team coach can help the team to learn this.

People in management roles need feedback, too. Effective managers seek feedback about how they are holding up their end of the working partnership. They share what they have learned and what they are learning. Simple questions such as, "What can we learn together? How can I help you learn?" Start the conversation and joint learning process.

### **Raises and Recognition**

Deciding individual pay increases, rewards and recognition is one of the most difficult management tasks. This cannot be done through an automated performance management system. Such systems provide the illusion of objectivity and rationality. In fact, raises and recognition always involve combination of measurable factors and judgment.

In many US companies, merit pay is the mechanism for recognition and rewards. Merit pay assumes that it's possible and desirable to distinguish individual contribution to interdependent work. However, there are other rational ways to allocate increases that don't rest on this assumption, and don't drive competition.

People want to be treated fairly. This is a basic human need. When the process is transparent and consistently applied, people are more likely to trust it. People understand neither absolute objectivity, nor perfect fairness is possible. People in management roles can acknowledge the inherent imperfection and talk about it openly. This helps people come to terms with an imperfect result.

Most people in our experience feel it's fair to differentiate pay on span of control and responsibility, skills and competencies.

Other criteria that you might consider are:

- Market rate for skills
- Cost of living
- New skills learned
- How critical skills are to company success.

Another option is to take the focus away from individual raises and instead, focus on company success. Profit sharing emphasizes improving the whole system, provides a feeling of ownership, and reduces internal competition. Individual incentives have the opposite effect--increasing competition, sub-optimization, and divorcing people from the company mission.

Raises and bonuses are not the only way to recognize people. Rather than assume that money is the primary motivator for all people, find out what is truly meaningful for them. Sometimes a well-chosen and meaning gift or special event has more lasting emotional impact than a raise. However these can never be a substitute for equitable pay.

Separate discussions about raises from conversations about goals and personal development. Combining these the two discussions takes intrinsic motivation associated with meaning and challenge and ties it to extrinsic rewards. This is a one-way transfer that redirects effort to getting the raise rather than the work itself. The end result is disengagement.

We believe that for most cases managers will decide compensation for the foreseeable future. However, there are at least a few instances where teams have handled compensation decisions. This level of self-management depends on the team's trust, maturity, and skills. It would be foolhardy to ask a team to administer their own pay without significant skill building and the team's consent.

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## **Promotions and Talent Recognition**

As with criteria for increases, be clear about the criteria for promotions. One company created a clear 10-year path from novice to master software developer. At each step has clear criteria involving new tasks, coaching, and systematic improvement.

A 10-year path doesn't fit in every organization. Articulate criteria that are relevant and connected to actual work--attending training or passing test and hurdles isn't sufficient. Since teamwork is a desired outcome in an agile team, include teamwork, collaboration, and helping others in all promotion criteria.

Other companies are using broad job categories that encompass many skills and tasks. This makes it easier for people to ask "How do we fix this?" rather than "Who should fix this?". They've reduced the number of hierarchical levels to only a few. The span of the levels reduces jockeying for promotion, and makes it clear that moving to the next level is a major step.

Some companies have eliminated titles, ranks, and levels completely. This may be a shocking notion, and may not fit for you. But the companies that have gone this route are constantly learning, and considered excellent places to work.

## **Dealing with Poor Performance**

There's one question that always comes up: "What do to with slackers and under-performers?"

Self-organized teams, when coached to give feedback, can deal with much of this on their own. They give each other feedback and help each other learn and improve. Sometimes that is not enough and the team needs help from the manager. Regular personal development discussions (as described above) enable managers to address problems.

When there is a performance issue, discuss it without a punitive tone. Start from the assumption that everyone wants to do a good job--and is doing the best he can, given his skills and the work system. Open with your concerns. Phrasing is important. You might say something such as:

"I get the impression that this job doesn't allow you to do your best."

Then, ask if the team member shares this perception. Often we discover that the other person does share the perception. People often sense when they aren't doing a good job.

We've also have encountered people who are unaware of how others perceive their performance. When this happens help them review existing data and gather more feedback.

When there is a shared understanding of the data, uncover the issues and discuss what needs to change. It isn't always the person who must change. Sometimes changing the environment, the job or moving to another team creates a better fit and improves performance.

Training, skill building and, coaching may fix the issue. But sometimes the situation cannot be fixed.

Treating people with respect in these situations builds trust. When people feel that the company will exhibit some care--recognizing that the company is not a charity--people will be freed to be creative and open to change, even when it means leaving the company.

Performance issues need to be tackled immediately. Delay demoralizes the team and does a disservice to the person who is struggling.

### **Conclusion**

Creating a high-performing company requires system systemic change, including improving people management practices. More and more companies are exploring options and inventing new practices that support creativity, engagement, and responsibility at all levels of the organization.

Changing corporate level people management practices may seem like an impossible mission for an individual. Even though we may feel powerless, we have more much power than we realize. We can work with other people to adjust practices and influence those who enforce policies.

Don't wait for the system to change--start changing the system where you are. Talk openly with the people you work with. Agree on how you will work within the current system to meet the needs of both the people and the organization. Minimize the negative effects of the current system. Pledge to do your best to change it.

The time to change dysfunctional people management systems is now. Companies are wasting too much talent, effort, and money. Let's not be victims a day longer. Things are this way because they evolved to this state. We can help them evolve to a different state.