
Performance Management: Process Perfection or Process Utility?

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Pulakos and O’Leary (2011) argue that the vast majority of organizations should not be involved in the practice of goal cascading, and they also argue against the use of SMART goals in the vast majority of work situations. Arguments against the use of these two performance management-related processes, as well as other arguments presented by Pulakos and O’Leary, we feel, are based on the assumption of *process perfection*. We have learned after numerous performance management system implementations—and subsequently managing those implementations in several organizations as internal industrial–organizational (I–O) professionals—that *process utility* should take precedence.

Why Process Utility Over Process Perfection

For example, what is wrong with lofty organizational goals, if at a minimum, they provide a basis for goal-setting conversations to begin? We can’t see why that is bad. Furthermore, what is the problem with cascading a good set of organizational goals, even if only 30% of the organization does that well and the other 70% not so well? What do you think most CEOs would prefer, given the choice of a 30–70% outcome versus not cascading goals at all? Well, if you are a proponent of *process perfection*, you would argue that the above are failed

attempts because they were not perfect or 100% effective in their implementation or outcomes. Assessed, however, from the perspective of *process utility*, or understanding and valuing the extent to which they accomplished intended objectives, you would be more satisfied than not and, from an action research perspective, positioned to understand how to improve the efforts during the next performance management cycle.

To be clear, we don’t argue for the blatant and nonreflective use of new performance management system features and processes. We do argue for, however, ensuring that formal performance management features and processes are in place to support the ongoing manager–employee conversation about performance and development. Furthermore, we contend that even if this support is not 100% perfect, it will be helpful and quite often appropriate from a strategic organization development perspective. We offer two particular insights that serve to advance our argument and that can provide direction for others as they consider how they will enhance the value of performance management as a business process within their organizations.

Consider More Than Organizational Culture

Regarding our first insight, Pulakos and O’Leary make reference to it in part when stating that performance management practices are often enthusiastically adopted without considering what it thoroughly takes to implement them and their *fit within the organizational culture* (italics added

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by the authors). From the process utility perspective, we argue that practitioners should consider not only culture but also the organization's mission, vision, core values, strategies, and overarching goals, as well as any key transformational change events underway. We suggest that it is important to consider how performance management practices can serve *to move forward any important organizational initiative or objective, even if not perfectly*. For example, in fall 2010 we decided to use a goal cascade approach, in combination with other far-reaching employee communication strategies (e.g., global town hall sessions with senior leaders, manager communication toolkits, etc.), to direct and refocus performance efforts and contributions in support of an organization-wide transformation. This change initiative was designed to position CA Technologies, an IT management and software solutions company with more than 13,000 employees globally, as the leader in serving the cloud-connected enterprise. What was the outcome? To date, we can say that although participation in the goal cascading process was voluntary, more than 90% of CA Technologies managers cascaded goals in their organizations. In addition, the anecdotal feedback—from HR business partners, senior leaders, and groups of high-potential managers—about the education, direction, and guidance provided by cascading the organizational goals during our midyear appraisal cycle (midyear appraisals are voluntary and positioned as a measure of progress and a way to ensure goals and performance are on track) has been extremely positive, further demonstrating its utility as a performance management process. Our next step is to use our annual employee opinion survey, launching in January 2011, to gain further insight about the effectiveness and value of goal cascading as a practice.

Mirror the Informal and Formal Processes

Our second insight is to use formal tools and processes that *mirror* the natural, informal

conversations. We were recently reminded of this “mirroring” lesson when orchestrating the company's succession planning process (see Mone, Acritani, & Eisinger, 2009); the more the formal process matched the informal process, the more effective were the outcomes. Process utility, not process perfection, was the ongoing challenge. We suggest, therefore, that formal performance management tools and processes should be designed to mirror the natural, informal performance conversations. Next, we illustrate this idea in the context of goal setting.

Success With Cascading Goals and Goal Setting

Having a set of organization goals, of course, is not only a critical step in the goal cascading process but generally accepted as a best practice for achieving business results. However, our success with the cascading process was based on how we formally set goals, which, overall, mirrors the informal goal-setting conversation. Similar to Pulakos and O'Leary, we are not in favor of the simplistic SMART approach to goal setting. Instead, we utilize and recommend a goal-setting approach (Mone & London, 2002, 2010) that involves identifying in brief the output expected—a goal statement—then defining how that goal will be achieved in the form of strategies and tactics, and how progress will be evaluated through a set of measures. Our corporate (organization) goals are written in this format and cascaded, with the expectation that the senior-most leaders will interpret and align their goals with those of the corporation and then cascade them throughout the organizational hierarchy. Managers and employees set goals using the same process and format.

In Table 1, we show the mirroring parallel between the informal conversation of a manager and employee in the left-hand column and the formal documentation (a requirement of the process) of the goal statement, strategies, tactics, and measures in the right-hand column. Due to space limitations, only the organization's goal statement

Table 1. *Mirroring the Informal and Formal Practices: A Goal-Setting Example*

Informal employee–manager conversation	Formal documentation
<p>Manager: One of our company goals for the upcoming 2011 fiscal year is to accelerate growth, especially in existing markets. An area I think we can really align our efforts and support this goal is by focusing on improving our customer relationships.</p> <p>Employee: I agree! If I really focus my efforts on strengthening customer relations for key positions with my top five accounts, I'm sure it will have a positive impact on sales and align well with our company goal.</p> <p>Manager: That sounds like a good performance goal, how do you plan to achieve it?</p> <p>Employee: Well, I could develop a better understanding of the customers' businesses and put more effort into helping them to understand the products and service offerings we provide.</p> <p>Manager: In addition to what you have stated, you may want to consider revising your current communication approach as well. It would go a long way towards helping you achieve your goal. How do you think you can do that?</p> <p>Employee: That's a good idea. I will modify my approach so that I maintain regular personal communication with those accounts in a number of ways.</p> <p>Manager: Those are great strategies. Have you thought more specifically about what you can do to achieve them?</p> <p>Employee: There are a number of ways I can accomplish these strategies. First, I can research and review customers' corporate quarterly reports and read industry journals to expand my knowledge of their businesses. To increase communication with them, I can establish a schedule of quarterly site visits and monthly check-in-calls with business leaders. During these visits and calls, I could deliver presentations about our new and existing products and create a forum to discuss appropriate matches between their needs and our products.</p> <p>Manager: Those sounds like good tactics and should help you achieve your goal of strengthening customer relationships with your top accounts. So how will you measure your success? How will you know that you have achieved your goal?</p> <p>Employee: Because my communication approach will be critical to the success of this goal, an adherence to the schedule of site visits and quarterly calls is paramount. As my manager, your ongoing feedback in addition to customer feedback about my demonstrated knowledge of these accounts will be important. I would also like you to review and assess the quality of my customer presentation for depth of analysis.</p> <p>Manager: I would be happy to help you prepare for your presentation and provide feedback on your customer knowledge. Once you draft up a communication schedule, be sure to send it to me so that I know which days you will be offsite. I would also suggest as a measure that you aim to increase your customer survey score by 5% on knowledge of business and quality of relationships. Does that seem fair?</p> <p>Employee: Absolutely, I am confident that I will be able to increase that score and really enhance the quality of relationships with these accounts.</p>	<p>Organizational goal: Accelerate growth by increasing revenue and profits</p> <p>Performance goal statement: Strengthen customer relationships for key positions in my top five accounts</p> <p>Strategies:</p> <ul style="list-style-type: none"> • Develop a better understanding of the customers' businesses • Increase the customers' understanding of our products and services • Develop an approach for maintaining regular communication with key contacts <p>Tactics:</p> <ul style="list-style-type: none"> • Research and review customers' corporate quarterly reports, industry journals/news, and so on to expand knowledge of their businesses • Deliver presentations that provide product overviews/updates, and create a forum to discuss appropriate matches of our technology for customers' needs • Establish a schedule of quarterly site visits and monthly check-in calls with CIO, CEO, technology business leaders (identify names and titles for each account) <p>Measures:</p> <ul style="list-style-type: none"> • Adherence to the schedule of site visits and quarterly calls • Manager observation and customer feedback on my demonstrated knowledge of my top five accounts • Manager assessment of the quality of customer presentations and depth of analysis for our company • Customer survey items: knowledge of business, quality of relationship. Increase scores by 5%

is displayed in the table. However, one can easily see that a natural, informal conversation about goals can readily be translated into a goal-setting format and methodology that can be captured in a formal system.

This goal-setting approach would seem to address several concerns raised by Pulakos and O'Leary, particularly the idea that three to five high-level goals will not ensure the desired outcomes because they "need to be translated into more specific plans, activities, milestones, and so on." In addition, we find that, at least at CA Technologies, it is important to go beyond informal discussions with managers and leaders to gain "a common understanding of direction, roles, and boundaries, so that work can proceed in an organized manner." Finally, even if goals do change in the performance year, which is also one of the criticisms of goal setting expressed by Pulakos and O'Leary, those changes can be accommodated easily within this approach.

Closing Thoughts

As we recounted our experiences, one of the authors remembered reading the following passage almost 30 years ago in Wayne Cascio's introduction to a chapter on performance appraisal:

Although technical problems (e.g., the choice of formats) and human problems (e.g., supervisory resistance, interpersonal barriers) both plague performance appraisal, they are not insurmountable. (1982, p. 309)

What was also remembered in discussions led by an I–O professor at that time was how most of the research of the then past 10–20 years focused on finding and perfecting the right measurement format. In fact, each of the other authors also recalled similar experiences at different times during the past 10 years.

We will be the first to agree that performance appraisal research has informed our practice and that we continuously focus our efforts on trying to apply critical findings to

our current performance management process. As you might guess from your own practice, not everything will apply, and frankly, not everything touted will work.

We argue, in conclusion, for the importance of formal performance management processes and tools to support the informal performance management conversation between managers and employees. In many ways the formal process contributes to promoting greater degrees of fairness and equity across the employee population, as well as to providing critical input to performance management-related processes, such as high-potential identification, promotability decisions, and succession planning.

In the end, it becomes the I–O practitioner's challenge to create a formal process that is valid and reliable, even if not textbook perfect. The right answer, we have often found, requires shaping and remolding that perfect answer to fit organizational needs without diminishing the underlying science. To that end, when determining which formal processes to use, introduce, or change, we also focus on process utility—how far the process will take us to achieve organization-wide, higher-level objectives. We then learn from our successes and mistakes; we try again. Perhaps, this is one way to deal with those not so insurmountable problems we all face because we are all trained to strive for process perfection.

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