

4

Defining Performance and Choosing a Measurement Approach

You have to measure to understand

—Ginni Rometty

Learning Objectives

By the end of this chapter, you will be able to do the following:

1. Argue that performance involves both behaviors and results and that performance is evaluative and multidimensional in nature.
2. Prepare a list of the factors that determine performance, including abilities and other traits, knowledge and skills (including declarative knowledge and procedural knowledge), and context.
3. Propose a list of contextual factors (e.g., HR policies, organizational and national culture) that have a direct impact on performance.
4. Plan interventions involving deliberate practice and extreme ownership with the goal of improving performance.
5. Propose how to address and anticipate performance problems.
6. Create a performance management system that includes key performance indicators (KPIs) of each of the four types or dimensions of performance: (a) task, (b) contextual, (c) counterproductive, and (d) adaptive.
7. Set up a behavior approach to measuring performance (e.g., competency modeling), which basically focuses on how the job is done, as opposed to the results produced.
8. Set up a results approach to measuring performance, which basically focuses on the outcomes of work, as opposed to the manner in which the work is done.

This chapter marks the beginning of Part II of this text, which describes how to implement a performance management system. Whereas Part I addressed strategic and organizational and other macro-level issues, Part II addresses operational concerns. In this chapter, we begin with an issue that, at first glance, may seem simple, but it is not: What exactly is performance and how can we measure it? Answering this question is absolutely key if we want to implement a successful performance management system, because if we do not have a good answer, we will not be able to craft actual measures—a topic that will be addressed in Chapter 5. Let us begin by defining performance.

4-1 DEFINING PERFORMANCE: BEHAVIORS AND RESULTS

As shown in Figure 4-1, performance includes (a) behaviors and actions (what an employee does) and (b) results and products (the outcomes of an employee’s behavior).¹ Both of these components are important and they influence each other. For example, if a student allocates a sufficient amount of efficient time to preparing for an exam (behavior), it is likely that he will receive a good grade (result). In turn, receiving a good grade (result) will serve as a motivating factor for continuing to allocate sufficient time to studying in the future (behavior). So behaviors and results create a virtuous and self-reinforcing cycle that together constitute performance.

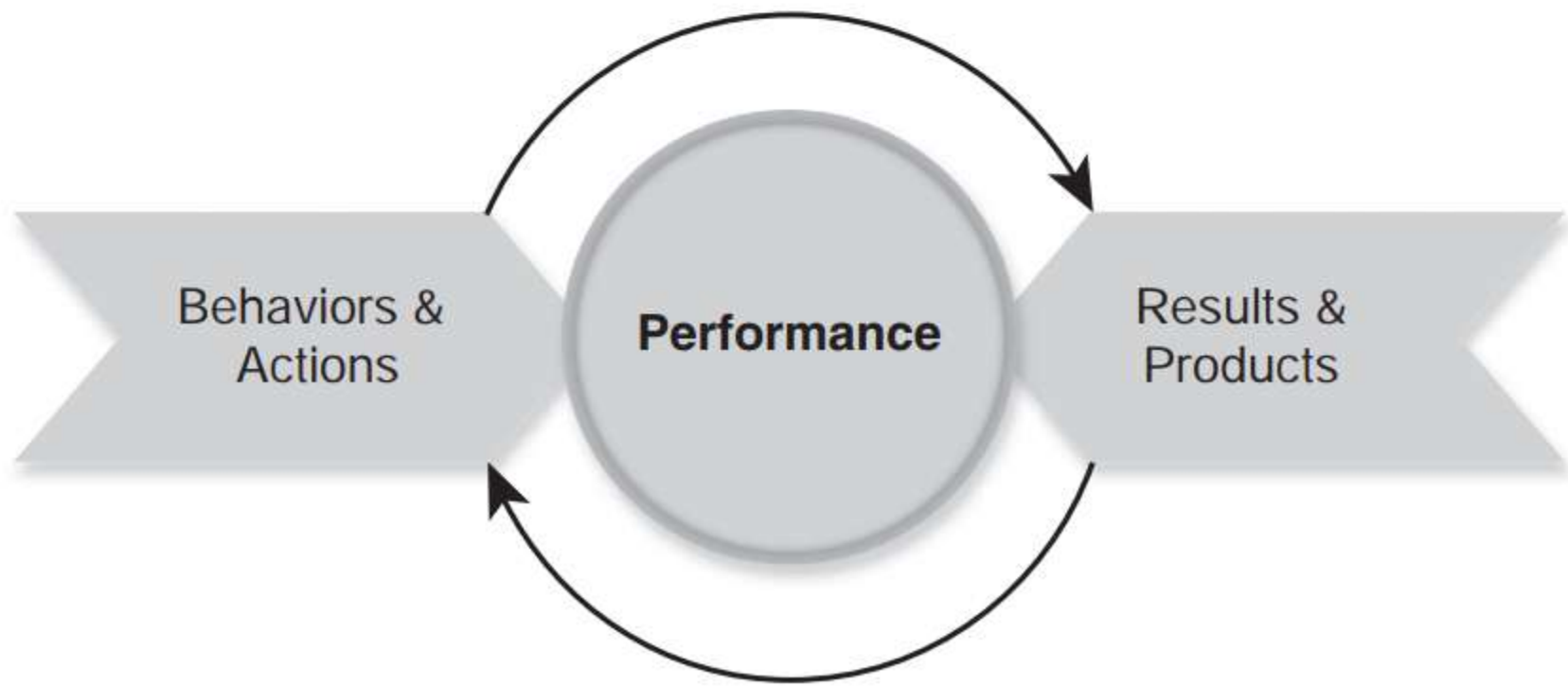
There are two characteristics of the behaviors and results we label “performance.”² First, they are *evaluative*. This means that they can be judged as negative, neutral, or positive for individual and organizational effectiveness. In other words, the value of these behaviors and results can vary depending on the extent to which they make a contribution toward the accomplishment of individual, unit, and organizational goals. Second, performance is *multidimensional*.³ This means that there are many different types of behaviors and results that have the capacity to advance (or hinder) organizational goals.

As an example, consider a set of behaviors that can be grouped under the general label “contribution to effectiveness of others in the work unit.” This set of behaviors can be defined as follows:

Works with others within and outside the unit in a manner that improves their effectiveness; shares information and resources; develops effective working relationships; builds consensus; constructively manages conflict.

Contribution to the effectiveness of others in the work unit could be assessed by using a scale that includes anchors demonstrating various levels of competence. For example, anchors could be words and phrases such as “outstanding,” “significantly exceeds standards,” “fully meets standards,” “does not fully meet standards,” and “unacceptable.” This illustrates the evaluative nature of performance because this set of behaviors is judged as positive, neutral, or negative. In addition, this example illustrates the multidimensional nature of performance because there are several behaviors that, combined, affect the overall perceived contribution that an employee makes to the effectiveness of others in the work unit. In other words, we would be missing important information if we only considered, for example, “shares information and resources” and did not consider the additional behaviors listed earlier.

FIGURE 4-1
Performance: Combination of Behaviors and Actions, and Results and Products



Performance management systems also include measures of results or products that we infer are the direct result of employees' behaviors. Take the case of a salesperson whose job consists of visiting clients to offer them new products or services. The salesperson's supervisor is back in the home office and does not have an opportunity to observe the salesperson's behaviors firsthand. In this case, sales volume may be used as a performance measure. In other words, the supervisor makes the assumption that if the salesperson is able to produce high sales figures, then she is probably engaging in the right behaviors.

4-2 DETERMINANTS OF PERFORMANCE: ABILITIES AND OTHER TRAITS, KNOWLEDGE AND SKILLS, AND CONTEXT

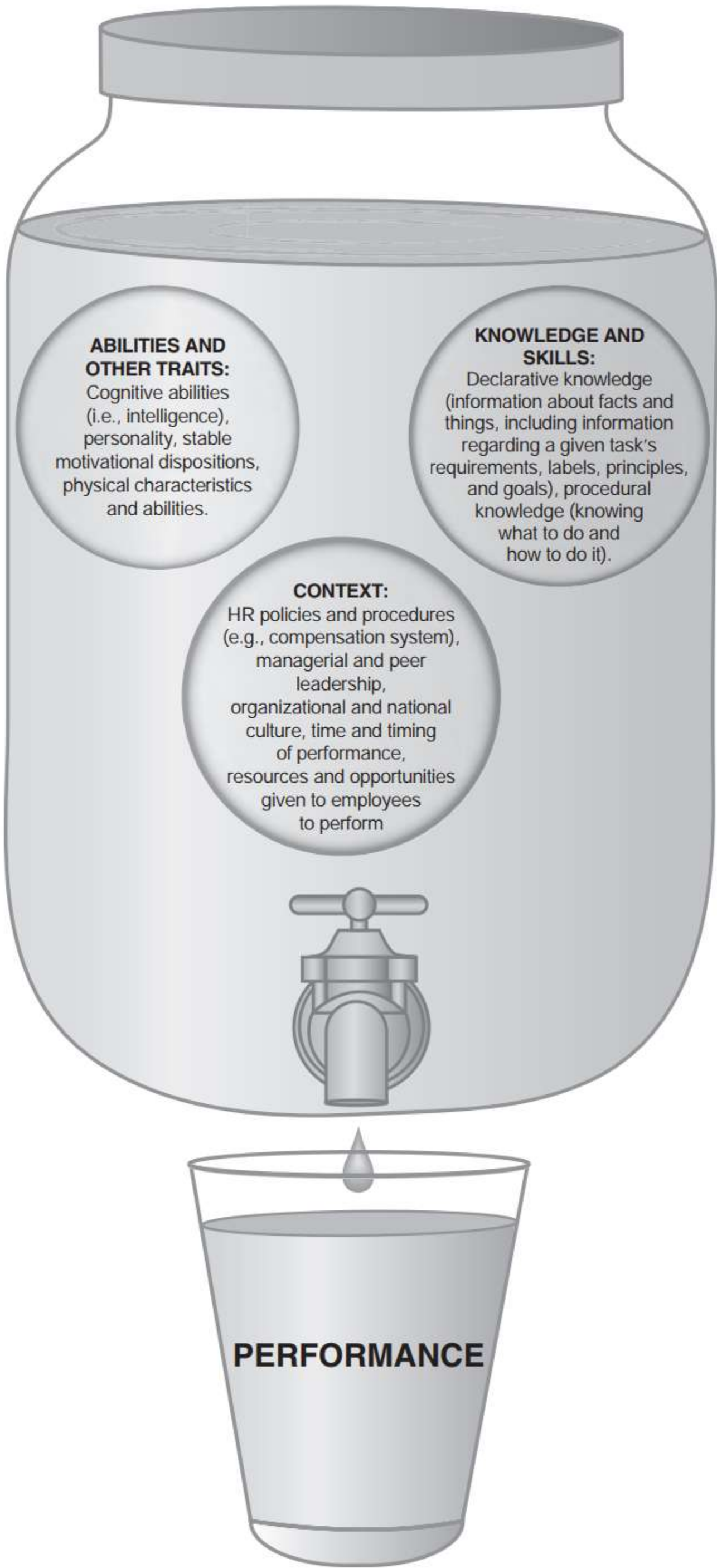
Why do certain individuals perform better than others? What factors cause an employee to perform at a certain level? A combination of three factors allows some people to perform at higher levels than others: (1) *abilities and other traits*, (2) *knowledge and skills*, and (3) *context*.⁴

Abilities and other traits include such things as cognitive abilities (i.e., intelligence), personality, stable motivational dispositions, and physical characteristics and abilities. Also, knowledge and skills include job-related knowledge and skills, attitudes, and malleable motivational states. Knowledge and skills can be divided into *declarative knowledge*, which is information about facts and things, including information regarding a given task's requirements, labels, principles, and goals; and *procedural knowledge*, which is a combination of knowing what to do and how to do it and includes cognitive, physical, perceptual, motor, and interpersonal skills. Finally, contextual issues include HR policies and procedures (e.g., compensation system), managerial and peer leadership, organizational and national culture, issues about time and timing of performance, and resources and opportunities given to employees to perform.

As shown in Figure 4-2, performance results from a combination of all three factors. Also, the three factors have an additive relationship. This means that two employees can achieve the same level of performance by having different combinations of factors. For example, one employee can be more motivated and spend more hours at work, whereas another can work fewer hours, but have higher levels of skill.⁵

In addition, however, if any of the determinants has a value of 0, then overall performance is unlikely to be satisfactory. For example, consider the case of Jane, a sales associate who works in a national clothing retail chain. Jane has excellent declarative knowledge regarding the merchandise. In particular, she knows the names of all of the brands; the prices for all products; sizing charts for clothes for women, men, and children; and sales promotions. So her declarative knowledge is very high. Jane is also intelligent and physically able to conduct all of the necessary tasks—both considered important traits for the job. However, her interactions with customers are not so good (i.e., procedural knowledge regarding interpersonal skills). She does not pay much attention to them because she is busy restocking clothes on shelves and hangers. She does not greet customers and is also not good at providing answers to their questions. Her overall performance, therefore, is likely to be poor because although she has the declarative knowledge necessary to do the job, as well as cognitive and physical traits, she lacks procedural knowledge. In short, it is necessary to have at least some level of each of the determinants of performance.

FIGURE 4-2
Determinants of Performance: Abilities and Other Traits, Knowledge and Skills, and Context



4-2-1 Abilities and Other Traits, and Knowledge and Skills

An important difference between abilities and other traits and knowledge and skills is that knowledge and skills are more malleable—meaning that they are easier to change. For example, cognitive abilities and personality traits are fairly stable.⁶ For example, the following personality traits are called the “Big Five”⁷:

1. *Extroversion*: being sociable, gregarious, assertive, talkative, and active (the opposite end of extroversion is labeled *introversion*)
2. *Neuroticism*: being anxious, depressed, angry, embarrassed, emotional, worried, and insecure (the opposite pole of neuroticism is labeled *emotional stability*)
3. *Agreeableness*: being curious, flexible, trusting, good-natured, cooperative, forgiving, and tolerant
4. *Conscientiousness*: being dependable (i.e., being careful, thorough, responsible, and organized), as well as hardworking, achievement-oriented, and persevering
5. *Openness to experience*: being imaginative, cultured, curious, original, broad-minded, intelligent, and artistically sensitive

In general, individual differences that are less malleable are called “traits.” Those that are easier to change, for example, through a training program or other organizational interventions, are called “states.” For example, consider the fact that employees vary in terms of their motivation: how much energy and effort they allocate. Specifically, consider the following three choices:

1. Choice to expend effort (e.g., “I will go to work today”)
2. Choice of level of effort (e.g., “I will put in my best effort at work” versus “I will not try very hard”)
3. Choice to persist in the expenditure of that level of effort (e.g., “I will give up after a little while” versus “I will persist no matter what”)

The first two are more malleable and therefore considered state motivation. For example, we could influence an employee’s choice regarding whether she shows up at work—and on time—using HR policies regarding absenteeism and tardiness. We could influence the second choice by setting clear goals. But the third is less malleable and more likely to be a stable individual trait (rather than a state). This type of trait motivation is considered a fairly stable personality trait, called “achievement motivation,” and is a facet of conscientiousness.

What can we do to improve our own knowledge and skills and therefore improve our performance? Let us think about those individuals who have achieved the top level of performance in their fields. Think about Leo Messi and Cristiano Ronaldo as soccer (“football” outside of North America) players, Beyoncé as a singer and songwriter, Bill Gates as Microsoft’s founder, Magnus Carlsen as a chess player, Thomas Edison as an inventor, Marie Curie as a physicist and chemist, and Socrates as a philosopher. How did they achieve such excellence? What made these individuals’ performance so extraordinary? How were they able to improve their performance constantly even when others would believe they had reached a plateau and could not possibly improve their performance? What these individuals have in common is that they devoted a large number of hours to *deliberate practice*.⁸ Deliberate practice is different from regular practice and from simply working many hours a week. Professor K. Anders Ericsson of Florida State University gives the following example: “Simply hitting a

bucket of balls is not deliberate practice, which is why most golfers don't get better. Hitting an eight-iron 300 times with a goal of leaving the ball within 20 feet of the pin 80% of the time, continually observing results and making appropriate adjustments, and doing that for hours every day—that's deliberate practice." Top performers in all fields engage in deliberate practice consistently, daily, including weekends. The famous pianist Vladimir Horowitz was quoted as saying: "If I don't practice for a day, I know it; if I don't practice for two days, my wife knows it; if I don't practice for three days, the world knows it." Deliberate practice involves the following five steps:

1. Approach performance with the goal of getting better and better.
2. As you are performing, focus on what is happening and why you are doing things the way you do.
3. Once your task is finished, seek performance feedback from expert sources, and the more sources, the better.
4. Build mental models of your job, your situation, and your organization.
5. Repeat steps 1–4 continually and on an ongoing basis.

Think about a particular task at which you would like to do better. This could be job-related, school-related, or a hobby (e.g., music, sports, cooking, playing poker). Now, create a deliberate practice program for yourself. Who are the experts from whom you could solicit feedback? How often would you practice? For how long? What would be some of your specific goals you would like to achieve, and by when?

4-2-2 Context

The third determinant of performance is context because performance is also determined by what is happening around the employee. For example, HR policies and practices can have an important impact on employee performance. Take the case of IBM. In December 2016, Ginni Rometty, IBM's CEO, said that over the next four years, the company will invest US\$1 billion in training and development in the United States.⁹ In contrast to IBM, working for a company with an HR function that does not offer much in terms of training means that, sooner or later, performance will suffer as skills become obsolete.

As a second example, an organizational culture that does not promote excellence will also have negative consequences on performance. Take the case of a compensation system that includes paying everyone the same, regardless of employee performance—this is unlikely to motivate employees to do better.

As a third example, time and the timing of performance is another contextual factor that also plays a role. Specifically, *typical performance* refers to the average level of an employee's performance, whereas *maximum performance* refers to the peak level of performance an employee can achieve. Employees are more likely to perform at maximum levels when they understand they are being evaluated, when they accept instructions to maximize performance on the task, and when the task is of short duration.¹⁰ A key issue is that the relationship between typical (i.e., what employees will do) and maximum (i.e., what employees could do) performance is very weak. What this means is that measuring performance during short time intervals may be assessing maximum, and not typical, performance. Most organizations are more interested in what employees will do on a regular basis, rather than what they could do during the short period of time when they are observed and evaluated. In short, the time and timing of performance observation and measurement also affect the observed levels of performance.

Fourth, resources and opportunities to perform are important contextual issues as well. There is a harsh reality in organizations that involves some employees receiving less resources and opportunities than others.¹¹ For example, within the same firm, some consultants may have more opportunities to work with important clients than others. This issue is quite obvious in sports: there is a limited amount of playing time during each game. So some athletes have more playing time than others. In both of these cases, although employees may have the same levels of abilities and other traits as well as knowledge and skills, differential levels of opportunities will have a direct impact on their performance.

Finally, consider the issues of organizational and national culture. Take the case of WorldCom, a company that was the second largest long-distance phone company in the United States before it collapsed in 2002. One of the reasons for its collapse was its “cult-like corporate culture” around a charismatic leader, former basketball coach Bernie Ebbers.¹² Ebbers exercised unquestioned authority and demanded unquestioned loyalty from employees. Within this context, it was difficult, if not impossible, for employees to do anything different from what they were told—even if this meant doing things that were clearly unethical. This was an important contextual factor that affected the performance of all employees at WorldCom, regardless of their levels of abilities and traits as well as knowledge and skills. National culture can also affect performance in meaningful ways. For example, cultures that are more hierarchical and power centered are less likely to lead to outstanding performance regarding such issues as creativity and innovation. On the other hand, these types of cultures can result in outstanding performance regarding standardization, speed, and efficiency.¹³

4-2-3 Implications for Addressing and Anticipating Performance Problems

The fact that performance is affected by the combined effect of three different factors has implications for addressing as well as anticipating performance problems. To do so properly, managers must find information that will allow them to understand whether the source of the problem is abilities and other traits; knowledge and skills; contextual issues; or some combination of these three factors. If an employee lacks procedural knowledge but the manager believes the source of the problem is declarative knowledge, the manager may give the employee a manual with facts and figures about products so he can acquire the knowledge that is presumably lacking. In the example of Jane discussed earlier, this would obviously be a waste of time and resources for the individual, manager, and organization because it is lack of procedural knowledge, and not lack of declarative knowledge, that is causing her poor performance. This is why performance management systems should not only measure performance, but also be a tool to understand the source of any performance deficiencies.

Another issue regarding the identification of performance problems relates to what is called ownership, or what Jocko Willink, retired United States Navy SEAL and former commander in the Battle of Ramadi in Iraq, calls *extreme ownership*.¹⁴ Willink served in SEAL Task Unit Bruiser, the most highly decorated Special Operations unit from the war in Iraq. They faced tremendous difficulties along the way, including being involved in a “blue-on-blue”: friendly fire—the worst thing that could happen. One of the American soldiers was wounded, an Iraqi soldier was dead, and others were seriously wounded. This incident led to asking

very difficult questions, and the most critical one was: “Who was responsible for this debacle?” Willink notes that the very first step is to take ownership of poor performance, no matter how painful this process may be. What he learned in war can be extrapolated to other contexts: Acknowledging that we have performed under par is never easy. It hurts our egos. It hurts our self-esteem. But these are short-term effects only. Unless we engage in this process, it will be very difficult to address any type of performance problem. Willink said that he “had to take complete ownership of what went wrong. That is what a leader does—even if it means getting fired.” We will continue to address this important issue of extreme ownership in other chapters, including the discussion of coaching in Chapter 9.

In short, when addressing and anticipating performance problems, managers first need to identify whether abilities and other traits, knowledge and skills (i.e., declarative and procedural knowledge), or context are hampering performance, and then, help the employee improve his performance. Think about the last time when you or a coworker showed a level of performance that was not considered adequate. What were the causes of this substandard level of performance—Lack of abilities and traits, knowledge and skills, or contextual issues? Which were the two most important factors?

4-3 PERFORMANCE DIMENSIONS

As noted earlier, performance is multidimensional, meaning that we need to consider many different types of behaviors and results to understand performance. We can classify performance into four types or dimensions (a) task performance, (b) contextual performance (also called prosocial or organizational citizenship performance), (c) counterproductive performance, and (d) adaptive performance. A good performance management system should include Key Performance Indicators (KPIs), or observable measures, for each of these types.

4-3-1 Task and Contextual Performance

Contextual and task performance must be considered separately because they do not necessarily occur in tandem. An employee can be highly proficient at her task, but be an underperformer regarding contextual performance.¹⁵ Task performance is defined as:

- Activities that transform raw materials into the goods and services that are produced by the organization
- Activities that help with the transformation process by replenishing the supply of raw materials; distributing its finished products; or providing important planning, coordination, supervising, or staff functions that enable the organization to function effectively and efficiently.

Contextual performance is defined as those behaviors that contribute to the organization’s effectiveness by providing a good environment in which task performance can occur. Contextual performance includes behaviors such as the following:

- Persisting with enthusiasm and exerting extra effort as necessary to complete one’s own task activities successfully (e.g., being punctual and rarely absent, expending extra effort on the job)

- Volunteering to carry out task activities that are not formally part of the job (e.g., suggesting organizational improvements, making constructive suggestions)
- Helping and cooperating with others (e.g., assisting and helping coworkers and customers)
- Following organizational rules and procedures (e.g., following orders and regulations, showing respect for authority, complying with organizational values and policies)
- Endorsing, supporting, and defending organizational objectives (e.g., organizational loyalty, representing the organization favorably to outsiders).

Both task and contextual performance are important dimensions to take into account in performance management systems. Imagine what would happen to an organization in which all employees are outstanding regarding task performance, but do not perform well regarding contextual performance. What if a colleague whose cubicle is next to yours needs to take a restroom break and asks you to answer the phone if it rings, because an important client will call at any moment? What if we said, “That is not MY job?” See Box 4-1, which describes a system including both task and contextual performance at Sprint.

Many organizations now realize that there is a need to focus on both task and contextual performance because organizations cannot function properly without a minimum dose of positive contextual behaviors on the part of all employees. Consider the case of ZF TRW Automotive Holdings Corp., which designs, manufactures, and sells automotive systems, modules, and components to automotive

Box 4-1

Company Spotlight: Task and Contextual Performance at Sprint

Sprint is a communications services company serving 59.7 million connections. Sprint is widely recognized for developing, engineering, and deploying innovative technologies, including the first wireless 4G service from a national carrier in the United States, leading no-contract brands, including Virgin Mobile USA, Boost Mobile, and Assurance Wireless, instant national and international push-to-talk capabilities, and a global Tier 1 Internet backbone. The company is headquartered in Reston, Virginia. At Sprint, all employees are evaluated and development plans are created through the use of five core dimensions: acting with integrity, focusing on the customer, delivering results, building relationships, and demonstrating leadership. The dimensions are used not only for business strategy and objectives, but also as a template for what successful performance looks like at the company. These dimensions include the consideration of both task and

contextual performance, and employees in the evaluation and development process are asked to write behavioral examples of how they have performed on each dimension. For example, the delivering results dimension clearly links to performing specific tasks of one’s job. Each employee has certain tasks to complete on a regular basis to keep the business moving. On the other hand, the company is concerned about how the work gets done and contributing to a good work environment that allows for greater effectiveness. This is apparent through the dimensions that look at how employees develop relationships with others and act with integrity in their day-to-day functioning. In summary, Sprint has recognized the importance of considering both task and contextual components of a job in its performance management system. Employees are evaluated not only on results, but also on how they are achieved through working with others.¹⁶

original equipment manufacturers. The company was founded in 1904, is based in Livonia, Michigan, and has approximately 67,000 employees. With increasing market pressures and sluggish growth, the company wanted to become more performance driven, experiment in new markets, and offer greater value to its shareholders. To do so, the senior management team developed what they labeled the “key behaviors.” These behaviors are communicated throughout the company and have a prominent role in the performance management process. The majority of these key behaviors actually focus on *contextual performance*. Specifically, the ZF TRW behaviors emphasize many of the elements of contextual performance, including teamwork and trust.

Table 4-1 summarizes the main differences between task and contextual performance. First, task performance varies across jobs. For example, the tasks performed by an HR manager are different from those performed by a line manager. The tasks performed by a senior HR manager are more strategic in nature compared to those performed by an entry-level HR analyst, which are more operational in nature. On the other hand, contextual performance is fairly similar across functional and hierarchical levels. All employees, regardless of job title, function, and responsibilities, are equally responsible for, for example, volunteering to carry out task activities that are not formally part of the job. Second, task performance is likely to be role prescribed, meaning that task performance is usually included in one’s job description. In contrast, contextual performance behaviors are usually not role prescribed, but are typically expected without making them explicit. Finally, task performance is influenced mainly by abilities and skills (e.g., cognitive, physical), whereas contextual performance is influenced mainly by personality (e.g., conscientiousness, agreeableness).¹⁷

There are numerous pressing reasons why both task and contextual performance dimensions should be included in a performance management system. First, global competition is raising the levels of effort required of employees. Thus, whereas it may have sufficed in the past to have a workforce that was competent in task performance, today’s globalized world and accompanying competitive forces make it imperative that the workforce also engage in positive contextual performance. It is difficult to compete if an organization employs a workforce that does not engage in contextual behaviors. Second, related to the issue of global competition is the need to offer outstanding customer service. Contextual performance behaviors can make a profound impact on customer satisfaction. Imagine what a big difference it makes, from a customer perspective, when an employee puts in extra effort to satisfy a customer’s needs. Third, many organizations are forming employees into teams. Although some teams may not be permanent because they are created to complete specific short-term tasks, the reality of today’s world of work is that teams are here to stay. Interpersonal cooperation is a key determinant of team effectiveness. Thus, contextual

TABLE 4-1
Main Differences Between
Task and Contextual
Performance

Task Performance	Contextual Performance (also called Prosocial or Organizational Citizenship Performance)
Varies across jobs	Fairly similar across jobs
Likely to be role prescribed	Not likely to be role prescribed
Antecedents: abilities and skills	Antecedent: personality

performance becomes particularly relevant for teamwork. Fourth, including both task and contextual performance in the performance management system provides an additional benefit: Employees being rated are more satisfied with the system and also believe the system is more fair if contextual performance is measured in addition to task performance.¹⁸ It seems that employees are aware that contextual performance is important in affecting organizational effectiveness, and therefore, believe that these types of behaviors should be included in a performance management system in addition to the more traditional task performance. Finally, when supervisors evaluate performance, it is difficult for them to ignore the contextual performance dimension, even though the evaluation form they are using may not include any specific questions about contextual performance.¹⁹ Consequently, because contextual performance has an impact on ratings of overall performance even when only task performance is measured, it makes sense to include contextual performance more explicitly.

Finally, there is an additional type of behavior that is another facet of contextual performance but is different from traditional ways of thinking about it: *voice behavior*.²⁰ Voice behavior is a type of behavior that emphasizes expression of constructive challenge with the goal to improve, rather than merely criticize; it challenges the status quo in a positive way and is about making innovative suggestions for change and recommending modifications to standard procedures even when others, including an employee's supervisor, disagree.

Consider an employee who has just been hired into your organization. This new colleague was recruited from a competitor, which is known to implement top-notch performance management practices. This employee, having the benefit of an outsider perspective, can point to processes that could be improved. For example, the new colleague may suggest that more feedback be given to the members of the team regarding their performance. This employee may even send an e-mail message to all members of her team and to her supervisor, including suggestions for improvement based on proven practices directly observed elsewhere. Some of these suggestions may not be applicable in the new organizational environment owing to different equipment, processes, products, and clients. However, others, if implemented, may produce immediate and highly beneficial results. Although such type of behavior can be included as part of the broader category of contextual behavior, it is different in that it is not conformist in nature. In fact, voice behavior can be seen as a threat by the new employee's supervisor, who is used to "doing things the same way we've done them before." Such supervisors may perceive the suggestions for changes and improvements as a threat to the status quo. Moreover, more senior organizational members may also feel personally threatened by the knowledge, energy, and innovative ideas of the new employee. These reactions to voice behavior can be a sign that the wrong people are occupying leadership positions in the organization, and also, a sign of imminent organizational decline.²¹ In contrast, healthier organizational environments that are more adaptive and promote innovation and improvements are more receptive to voice behavior and even reward it.²²

4-3-2 Counterproductive Performance

The third type or dimension of performance is labeled counterproductive performance.²³ Counterproductive performance is behaviors and results that are voluntary and that violate organizational norms, and consequently, threaten

the well-being of the organization, its members, or both. It may seem that counterproductive performance is simply the opposite of contextual performance, but it is not. Specifically, the same employee can engage in both contextual and counterproductive performance. Some KPIs of counterproductive performance include the following²⁴:

- Exaggerating hours worked
- Falsifying a receipt to get reimbursed for more money than was spent on business expenses
- Starting negative rumors about the company
- Gossiping about coworkers and one's supervisor
- Covering up one's mistakes
- Competing with coworkers in an unproductive way
- Staying out of sight to avoid work
- Blaming one's coworkers for one's mistakes
- Intentionally working slowly or carelessly
- Being intoxicated during working hours
- Seeking revenge on coworkers
- Cyberloafing
- Presenting colleagues' ideas as if they were one's own

Consider the corporate scandal of Enron, which led to the bankruptcy of the Enron Corporation. This was a large American energy company based in Houston, Texas, and the "Enron scandal" was the largest bankruptcy reorganization in American history, as well as the biggest audit failure. A book by McLean and Elkind, based on hundreds of interviews and details from personal calendars, performance reviews, e-mails, and other documents, showed that one of the primary reasons for the company's collapse was widespread counterproductive performance.²⁵ In fact, Enron executives were described as "supersmart." For example, its former CEO, Jeffrey Keith "Jeff" Skilling, and many other top executives, had earned their MBAs from top-ranked business schools such as Harvard Business School and The University of Texas. A performance management system that included not only task performance but also counterproductive performance could have detected unethical behaviors and accounting practices before they became widespread and led to the collapse of the entire company—including a loss of 99.5 percent of its market value in a year. Not surprisingly, when he became dean of the Harvard Business School a few years after Enron's collapse, Professor Nitin Nohria posed the core question for the school: "Are we educating people who have the competence and character to exercise leadership in business?"²⁶

4-3-3 Adaptive Performance

Adaptive performance is the fourth type and is related to an individual's adaptability to changes—be it in the organization and its goals, in the requirements of the job, or the overall work context.²⁷ Given the rapid pace of technology and other factors that are constantly changing the nature of work and organizations, adaptive performance is becoming an increasingly important performance dimension. For example, an organization may change its strategic priorities, merge or be acquired, and have more or less resources. The way employees react to and anticipate these changes is, therefore, an important performance component.

There are several KPIs of adaptive performance. Consider the following eight²⁸:

1. *Handling emergencies or crisis situations.* To what extent can employees react with appropriate and proper urgency in dangerous or emergency situations; quickly analyze options for dealing with danger or crises; maintain emotional control and objectivity while staying focused on the situation at hand; and step up to take action and handle danger or emergencies?
2. *Handling work stress.* To what extent can employees remain composed and cool when faced with difficult circumstances or a highly demanding workload or schedule; not overreact to unexpected news or situations; and manage frustration well by directing effort to constructive solutions rather than blaming others?
3. *Solving problems creatively.* To what extent can employees use unique types of analyses to generate new, innovative ideas in complex areas; turn problems upside down and inside out to find fresh, new approaches; integrate seemingly unrelated information to develop creative solutions; and entertain wide-ranging possibilities others may miss?
4. *Dealing with uncertain and unpredictable work situations.* To what extent can employees take effective action without knowing all the facts at hand; change gears in response to unpredictable or unexpected events; adjust plans, goals, actions, or priorities to deal with changing situations; not need things to be black and white; and refuse to be paralyzed by uncertainty or ambiguity?
5. *Learning work tasks, technologies, and procedures.* To what extent can employees demonstrate enthusiasm for learning new approaches and technologies; do what is necessary to keep knowledge and skills current; learn new methods; adjust to new work processes and procedures, and anticipate changes in the work demands; and search for and participate in assignments or training that will prepare them for these changes?
6. *Demonstrating interpersonal adaptability.* To what extent can employees be flexible and open-minded when dealing with others; listen to and consider others' viewpoints and opinions and alter their own opinion when it is appropriate to do so; be open and accepting of negative or developmental feedback regarding work; and work well and develop effective relationships with people with diverse personalities?
7. *Demonstrating cultural adaptability.* To what extent can employees take action to learn about and understand the climate, orientation, needs, and values of other groups, organizations, or cultures; integrate well into and be comfortable with different values, customs, and cultures; and understand the implications of one's actions and adjust their approach to maintain positive relationships with other groups, organizations, and cultures?
8. *Demonstrating physically oriented adaptability.* To what extent can employees adjust to challenging environmental states such as extreme heat, humidity, cold, or dirt; accommodate frequent physical pressure to complete strenuous or demanding tasks and adjust weight and muscular strength; and become proficient in performing physical tasks as necessary for the job?

In summary, performance includes four types or dimensions: task, contextual, counterproductive, and adaptive. All four should be considered because they have separate and important effects on organizational success. In the case of all

dimensions, each behavior and result should be defined clearly so that employees understand what is expected of them. Organizations that include all four dimensions are likely to be more successful, as in the case of Three Ireland, Ireland's second largest mobile phone operator. Headquartered in Dublin, it operates 67 retail stores and currently has over 1,400 employees throughout Ireland. A few years ago, Three Ireland implemented a performance management system in its 320 seat customer care center in Limerick. Three Ireland's performance management system includes several performance dimensions—for example, task-related facets centered in hard metrics regarding productivity. Also, contextual-related facets include involvement in staff socialization and contribution to team development. The targets set for each employee are also aligned with company objectives. Three Ireland believes that this focus on both task and contextual performance has led to higher levels of customer service and employee satisfaction.

4-4 APPROACHES TO MEASURING PERFORMANCE

We must once again remember that performance involves both results and behaviors (see Figure 4-1). So good systems include measures of both behaviors and actions as well as results and products, as described next.

4-4-1 Behavior Approach

The behavior approach emphasizes what employees do on the job and does not consider the outcomes or products resulting from their behaviors. This is basically a process-oriented approach that emphasizes *how* an employee does the job, and not what is produced.

The behavior approach is most appropriate under the following circumstances:

- *The link between behaviors and results is not obvious.* Sometimes, the relation between behaviors and the desired outcomes is not clear. In some cases, the desired result may not be achieved in spite of the fact that the right behaviors are in place. For example, a salesperson may not be able to close a deal because of a downturn in the economy. In other cases, results may be achieved in spite of the absence of the correct behaviors. For example, a pilot may not check all the items in the preflight checklist, but the flight may nevertheless be successful (i.e., take off and land safely and on time). When the link between behaviors and results is not always obvious, it is beneficial to focus on behaviors, as opposed to outcomes.
- *Outcomes occur in the distant future.* When the desired results will not be seen for months, or even years, the measurement of behaviors is beneficial. Take the case of NASA's Mars Exploration Rover Mission program. NASA launched the exploration rover Spirit on June 10, 2003, which landed on Mars on January 3, 2004, after traveling 487 million kilometers (302.6 million miles). Its twin, the exploration rover, Opportunity, was launched on July 7, 2003, and landed on the opposite side of Mars on January 24, 2004. From launch to landing, this mission took about six months to complete. In this circumstance, it is certainly appropriate to assess the performance of the engineers involved in the mission by measuring their behaviors in short intervals during this six-month period, rather than waiting until the final result (i.e., successful or unsuccessful landing) is observed. Now, NASA has the goal of sending humans to the

Red Planet in the 2030s. That journey is already well under way. But we will have to wait more than 10 years until we are able to evaluate performance based on results. So a behavior approach is appropriate in this case.

- *Poor results are due to causes beyond the performer's control.* When the results of an employee's performance are beyond the employee's control, it makes sense to emphasize the measurement of behaviors. For example, consider a situation involving two assembly line workers, one of them working the day shift, and the other, the night shift. When the assembly line gets stuck because of technical problems, the employee working during the day receives immediate technical assistance, so the assembly line is back in motion in less than five minutes. By contrast, the employee working the night shift has very little technical support, and, therefore, when the assembly line breaks down, it takes about 45 minutes for it to be up and running again. If we measured results, we would conclude that the performance of the day-shift employee is far superior to that of the night-shift employee, but this would be an incorrect conclusion. Both employees may be equally competent and do the job equally well. The results produced by these employees are uneven because they depend on the amount and quality of technical assistance they receive when the assembly line is stuck.

A popular type of behavior approach used mostly for managerial positions is called *competency modeling*.²⁹ In a nutshell, competencies are clusters of knowledge, skills, abilities, and other characteristics (KSAOs) that, together, determine how results are achieved. As such, competencies are not directly observable, but we can measure them by assessing behavioral indicators. For example, to measure the competency "leadership," we can measure the behaviors that a manager uses in mentoring and developing her direct reports. For an example of competency modeling at Dollar General, see Box 4-2. We discuss the specific steps involved in developing measures of behaviors, including competencies, in Chapter 5. Next, let us discuss the results approach to measuring performance.

4-4-2 Results Approach

The results approach emphasizes the outcomes produced by the employees. It does not consider how employees do the job. This is basically a bottom-line approach that is not concerned about employee behaviors and processes but instead focuses on what is produced (e.g., sales, number of accounts acquired, time spent with clients on the telephone, number of errors). Defining and measuring results usually takes less time than defining and measuring behaviors needed to achieve these results. In fact, given the ongoing collection of employee data in the form of employee monitoring (what we described in Chapter 1 as "Big Data"), the results approach is usually seen as more cost-effective because results can be less expensive to track than behaviors. Overall, data resulting from a results approach seem to be objective and are intuitively very appealing.

The results approach is most appropriate under the following circumstances:

- *Workers are skilled in the needed behaviors.* An emphasis on results is appropriate when workers have the necessary abilities, knowledge, and skills to do the work. In such situations, workers know what specific behaviors are needed to achieve the desired results, and they are also sufficiently skilled to know what to do to correct any process-related problems when the desired results are not obtained. Consider the example

Box 4-2

Company Spotlight: Competency-Based Behavior Approach at Dollar General

Dollar General uses a behavior approach to measure performance. Tennessee-based Dollar General operates about 13,000 stores in 43 states in the United States. The company sells consumable basics, such as paper products, cleaning supplies, health and beauty products, foods and snacks, housewares, toys, and basic apparel. As part of the performance management system, Dollar General has identified behaviors that serve as indicators of underlying competencies. These behaviors are reviewed and utilized to encourage certain outcomes and provide feedback and rewards to staff members. For example, the company management sought to improve attendance

among employees. In order to encourage employees to arrive at work on time, a system was developed to group employees into teams who earn points. A wall chart was created displaying a racetrack, and each team was given a car that would be moved forward by the number of points earned each day. After a certain number of laps around the track, employees on the teams with the most points would be given a choice about how to celebrate. The program was successful within the first two weeks and increased attendance significantly. In summary, Dollar General's performance management system includes the use of a behavior approach to measuring performance.³⁰

of a professional basketball player. A free throw is an unhindered shot made from the foul line and is given to one team to penalize the other team for committing a foul. Free throw shooting can make the difference between winning and losing in a close basketball game. Professional players know that there is really no secret to becoming a great free throw shooter: just hours and hours of dedicated practice besides actual basketball play, per our earlier discussion about deliberate practice. In assessing the performance of professional basketball players, the free throw shooting percentage is a key results-oriented performance indicator because most players have the skills to do it. It is just a matter of assessing whether they do it well or not.

- *Behaviors and results are obviously related.* In some situations, certain results can be obtained only if a worker engages in certain specific behaviors. This is the case of jobs involving repetitive tasks such as assembly line work or newspaper delivery. Take the case of a person delivering newspapers. Performance can be measured adopting a results approach: whether the newspaper is delivered to every customer within a particular time frame. For the employee to obtain this result, she needs to pick up the papers at a specific time and use the most effective delivery route. If these behaviors are not present, the paper will not be delivered on time.
- *Results show consistent improvement over time.* When results improve consistently over time, it is an indication that workers are aware of the behaviors needed to complete the job successfully. In these situations, it is appropriate to adopt a results approach to assessing performance.
- *There are many ways to do the job right.* When there are different ways in which one can do the tasks required for a job, a results approach is appropriate. An emphasis on results can be beneficial because it could encourage employees to achieve the desired outcomes in creative and innovative ways.

Table 4-2 summarizes the conditions under which a behavior or a results approach may be best suited for assessing performance. Let us emphasize again that these approaches are not mutually exclusive. Measuring *both* behavior and results is the approach adopted by many organizations. Consider the case of L Brands Inc., a retailer that owns the brands Victoria's Secret, Bath & Body Works, PINK, La Senza, and Henri Bendel. L Brands operates more than 3,000 company-owned specialty stores in the United States, Canada, the United Kingdom, and Greater China; its brands are sold in more than 700 franchised locations worldwide; and it employs more than 88,000 associates, who produced combined sales of US\$12.6 billion. L Brands aims to foster an entrepreneurial culture for its managers; therefore, managers who thrive in the company have a history of delivering impressive business results. They decided to design a new performance management system that is now used uniformly by all L Brands companies. With the involvement of outside consultants and employees, L Brands developed a performance management system wherein managers are measured on business results, including total sales, market share, and expense/sale growth ratio, as well as leadership competencies that are tailored to L Brands. A few of these competencies include developing a fashion sense, financial acumen, and entrepreneurial drive. Overall, L Brands has been pleased with the new system because it helps align individual goals with business strategy and results. Raters like the new system because behavioral anchors help define the competencies, which make ratings more straightforward. Finally, employees comment that they appreciate the new focus on *how* results are achieved as opposed to the earlier focus on only *what* is achieved (i.e., sales).

The results approach is used not only in large companies but, in fact, in many small as well as start-up organizations as well, where results are key. For example, Box 4-3 includes an illustration of the use of a results approach in a very different type of organization: Basecamp.

Box 4-3

Company Spotlight: Results Approach to Measuring Performance at Basecamp

Basecamp, a web and mobile project management company, generates more than US\$25 million in revenue with only 52 employees. It was recognized in Forbes' 2017 Small Giant List as being among the top 25 small businesses in the United States. Since it was founded in 1999, they have lost only four employees. The company divides its work into six-week work cycles containing one or two "big batch projects," and four to eight "small batch projects" that take anywhere from a day to two weeks to complete. As

founder and CEO Jason Fried explains: "We don't measure efficiency, compare actuals vs. estimates. We have six weeks to get something done. However, a team decides to get it done during that time is up to them." In summary, Basecamp utilizes a performance management system focusing on outcomes or results in order to motivate employees and bring about business results. The company looks at what is produced in the work, rather than at behaviors or how the job gets done.³¹

TABLE 4-2

Behavior Approach Versus Results Approach to Measuring Performance

Adopting a behavior approach to measuring performance is most appropriate when

- The link between behaviors and results is not obvious
- Outcomes occur in the distant future
- Poor results are due to causes beyond the performer's control

Adopting a results approach to measuring performance is most appropriate when

- Workers are skilled in the needed behaviors
- Behaviors and results are obviously related
- Results show consistent improvement over time
- There are many ways to do the job right

SUMMARY POINTS

- Performance is about behavior or what employees do and what employees produce or the outcomes of their work. Thus, performance management systems typically include the measurement of both behaviors (how the work is done) and the results (the outcomes of one's work). Performance is evaluative (i.e., we judge it on the basis of whether it advances or hinders organizational goals) and multidimensional (i.e., there are different types or dimensions of performance).
- Performance is determined by a combination of (1) abilities and other traits (i.e., fairly stable individual differences), (2) knowledge and skills (i.e., more malleable information and know-how), and (3) context (i.e., situational factors). Lack of ideal values for any of these factors can be compensated by higher levels of the other factors. However, if any of the three determinants of performance has a very small value (e.g., very little knowledge of how to treat customers right), then overall performance will also be at a low level. All three determinants of performance must be present for performance to reach satisfactory (and better) levels.
- The role of context is particularly noteworthy because it includes organizational and national culture, HR policies, time and the timing of performance (i.e., maximum versus typical performance), resources and opportunities to perform, and other situational factors that are often outside of the employee's control. Thus, it is important to be able to know whether a performance problem is due to lack of abilities and traits, knowledge and skills, or contextual issues.
- Two ways to improve our own performance is to engage in deliberate practice and assume extreme ownership. Deliberate practice involves approaching performance with the goal of getting better and better; focusing on what is happening and why you are doing things the way you do; seeking performance feedback from expert sources; and building mental models of your job, your situation, and your organization. Extreme ownership involves taking responsibility for poor performance, no matter how painful this process may be. Acknowledging that we have performed under par is never easy; it hurts our egos and our self-esteem. But these are short-term effects only. Unless we engage in this process, it will be very difficult to address any type of performance problem.
- There are four important facets of performance: task, contextual, counterproductive, and adaptive. Unless we understand the reasons for poor performance, we will not be able to address or anticipate performance problems. All four types or dimensions of performance have an important impact on organizational success and should be included in a performance management system:
 - Task performance refers to the specific activities required by one's job. It varies across jobs, is likely to be role prescribed, and its main antecedents are abilities, knowledge, and skills.
 - Contextual performance refers to the activities required to be a good "organizational citizen," and examples are helping coworkers, supporting company initiatives, and expressing voice behavior (i.e.,

issuing constructive challenge with the goal to improve, rather than merely criticize even when others, including an employee's supervisor, disagree).

- Counterproductive performance is behaviors and results that are voluntary and violate organizational norms, and consequently, threaten the well-being of the organization, its members, or both. Examples include starting negative rumors about the company, gossiping about coworkers, cyberloafing, covering up one's mistakes, and intentionally working slowly or carelessly.
 - Adaptive performance is related to an individual's adaptability to changes—be it in the organization and its goals, in the requirements of the job, and in the overall work context. Examples include handling emergencies or crisis situations, handling work stress, solving problems creatively, and dealing with uncertain and unpredictable work situations.
- An emphasis on behaviors leads to a behavior-based approach to assessing performance (including competency modeling). An emphasis on results leads to a results-based approach to assessing performance.
 - A behavior approach emphasizes what employees do (i.e., how work is done). This approach is most appropriate when (1) the link between behaviors and results is not obvious, (2) outcomes occur in the distant future, and (3) poor results are due to causes beyond the employee's control. A behavior approach may not be the best choice if most of these conditions are not present. In most situations, however, the inclusion of at least some behavior-based measures is beneficial. A common behavior approach is called competency modeling, which involves creating bundles of knowledge, skills, and abilities, and then measuring them by creating observable behavioral indicators.
 - A results approach emphasizes the outcomes and results produced by employees. This is a bottom-line approach that is not concerned with how the work is done as long as certain specific results are obtained. This approach is most appropriate when (1) workers are skilled in the needed behaviors, (2) behaviors and results are obviously related, (3) results show consistent improvement over time, and (4) there are many ways to do the job right. An emphasis on results can be beneficial because it could encourage employees to achieve the desired outcomes in creative and innovative ways. However, measuring only results is typically not welcomed by employees even in types of jobs for which the expected result is very clear (e.g., sales jobs).

EXERCISE 4-1 DO YOU HAVE WHAT IT TAKES? ASSESSING YOUR OWN EXTREME OWNERSHIP

Watch the 13-minute Ted Talk on Extreme Ownership by Jocko Willink delivered at the University of Nevada. It is available on YouTube at <https://www.youtube.com/watch?v=ljqra3BcqWM>. Then, think about a recent situation in which your own performance was not satisfactory. This could involve a situation involving task, contextual, counterproductive, or adaptive performance. Also, it may involve performance defined as behaviors, results, or both.

Applying the concept of extreme ownership, what went wrong? What was your own responsibility in this situation? What did you do or not do that should be improved in the future? What will you do in the future to try to avoid making these same mistakes?

EXERCISE 4-2 ROLE PLAY: DIAGNOSING CAUSES OF POOR PERFORMANCE

Heather works in the training department of a large information technology organization. She is in charge of designing and delivering interpersonal skills training, including communication skills, networking, and new manager training classes. Heather has excellent knowledge of how to design a training class. She incorporates deliberate practice into all of her classes. She has also conducted research on what good communication consists of, how to network, and what new managers need to know to be successful. However, individuals who attend Heather's training classes often give her low ratings, stating that she has a hard time answering specific questions in classes and that she does not seem approachable after the classes when individuals want to ask questions.

You are Heather's manager. You are meeting with Heather to discuss her poor performance and will try to determine what is going on.

1. In your opinion, what is causing Heather's poor performance? Is it due to a deficiency in abilities and traits, knowledge, and skills (declarative and procedural), or contextual issues?
2. What can be done to remedy the performance problem?

CASE STUDY 4-1

Differentiating Task from Contextual Performance at Pharma Co. Company

Consider the following adaptation of a job description for the position of a district business manager for a sales organization in a pharmaceutical company (Pharma Co.). Pharma Co. produces pharmaceuticals, infant formulas and nutritional products, ostomy and advanced wound care products, cardiovascular imaging supplies, and over-the-counter products. Their stated mission is to “extend and enhance human life by providing the highest-quality pharmaceutical and related health care products.” In addition, all employees live by the Pharma Co. pledge: “We pledge—to our patients and customers, to our employees and partners, to our shareholders and neighbors, and to the world we serve—to act on our belief that the priceless ingredient of every product is the honor and integrity of its maker.”

Job Responsibilities of the District Business Manager

The following are the core performance objectives for the district business manager (DBM) position: Create the environment to build an innovative

culture, create and articulate a vision, drive innovation by embracing diversity and change, set the example, and thereby shape the culture. Develop and communicate the business plan, understand and explain Pharma Co. strategies, translate national plan to business plans for districts and territories, set goals and expectations of performance, set priorities, and allocate resources. Execute and implement the business plan, maximize rank order lists of medical education professional relationships, achieve optimum coverage frequency of highest potential physicians, take accountability, and achieve results. Build relationships focused on customer retention, develop relationships (i.e., networks), influence others (i.e., internal and external), and develop self and others. Strong skills are acquired in the following areas: written and oral communication, negotiation, strategic analysis, leadership, team building, and coaching. (Source: Pharma Co.)

1. Based on the DBM job description, extract a list of KPIs in each of the following four dimensions (a) task, (b) contextual, (c) counterproductive, and (d) adaptive.

CASE STUDY 4-2

Choosing a Performance Measurement Approach at Show Me the Money

The following job description is for an account executive at Show Me the Money, a payroll and HR solution providers similar to ADP, AmCheck, BenefitMall, Big Fish Payroll Services, Fuse Workforce Management, GetPayroll, Gusto, and others. Show Me the Money offers payroll, human resources, and benefits outsourcing solutions for small- to medium-sized businesses. Because account

executives often make sales calls individually, their managers do not always directly observe their behavior. Furthermore, managers are also responsible for sales in their markets and for staying up-to-date on payroll laws. However, account executives are responsible for training new account executives and networking in the industries in which they sell products. For example, if an account manager

is responsible for retail companies, then that account executive is expected to attend retail trade shows and professional meetings to identify potential clients and to stay current with the issues facing the retail industry.

Account Executive Job Responsibilities

- Performing client needs analysis to ensure that the major market services product can meet a client’s requirements and expectations
 - Establishing clients on the host processing system
 - Acting as primary contact for the client during the conversion process
 - Supporting clients during the first few payrolls
 - Completing the required documentation to turn the client over to customer service for ongoing support
 - Scheduling and making client calls, and when necessary, supporting sales representatives in presales efforts
 - Keeping abreast of the major market services system and software changes, major changes and trends in the PC industry, and changes in wage and tax law.
1. Based on the above description, assess whether Show Me the Money should use a behavior approach, a results approach, or a combination of both to measure performance.
 2. Using the accompanying tables as a guide, place check marks next to the descriptions that apply to the job of account executive. Explain why you chose the approach you did.

Behavior approach to measuring performance is most appropriate when
the link between behaviors and results is not obvious
outcomes occur in the distant future
poor results are due to causes beyond the performer’s control

Results approach to measuring performance is most appropriate when
workers are skilled in the necessary behaviors
behaviors and results are obviously related
results show consistent improvement over time
there are many ways to do the job right

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