The shortcomings of 'best practice' and traditional performance management 01

'Those who cannot remember the past are condemned to repeat it.'

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I remember hearing a story many years ago about a young woman preparing to host a holiday dinner for her family. As a newlywed, she and her husband were hosting the holiday meal for the first time.

As they were working together in the kitchen, the husband observed as his wife cut off both ends of the ham before putting the ham into the baking pan. This struck him as unusual. So he asked, 'Why do you cut the ends off the ham before you bake it?'

To which she responded, 'I'm actually not sure. That's just what my mom always did.'

This made them both curious, so they decided to call her mother. When asked the same question, the mother's response was surprisingly the same.

'Well, that's what my mom had always done, so that's what I did.'

Now the young couple was really curious, so they decided to call her grandmother to see if they could solve this mystery.

As they explained why they were calling and that they must know why she cut the ends off of the ham, the grandmother started chuckling. When they finished, they asked why she was laughing.

'My dear, the reason I cut the ends off of the ham is because my pan was too small.'

I've never forgotten this story because it's a perfect reminder of how easy it is for bad practices to become standard practices within organizations.

We are quick to assume that simply because someone with authority or positional power does something a particular way or believes something strongly, then it must be the right way. The mother in this story had probably been cutting the ends off of hams for years. It is a wasteful and unnecessary practice and she had no idea why she was doing it.

This story also illustrates how best practices can become dangerous. Cutting the ends off of the ham made perfect sense for the grandmother with the small pan. It was a smart practice for her, but assuming the mother was using a bigger pan, it made absolutely no sense for her. But she treated it as a 'best practice' for ham preparation. And, years later, her daughter almost adopted this same wasteful practice.

Except she didn't.

She asked why. And by understanding the context behind the practice, she could make an informed decision about whether that practice made sense for her given her current circumstances.

This chapter is dedicated to exploring the 'why' behind some common management and human resources practices. Specifically, we'll explore the origins of traditional performance management practices like the annual appraisal. When stepping back to consider the bigger picture, it becomes clear that we may be cutting the ends off a lot of hams unnecessarily. Taking a different approach may be long overdue.

A short history of management

The birth of what we would today call 'management' as a discipline and profession can be traced back to the Industrial Revolution, which began in Britain in the mid-18th century and spurred a period of mass industrialization that lasted into the early 20th century (History.com, 2009). During this era, the economy shifted from one dominated by agriculture and individual artisanship to one of mass production. It also represented the development of large urban centres as people migrated to where these new industrial jobs resided (Investopedia, nd).

Perhaps the most significant invention of industrialization was the 'factory system'. This was a system of manufacturing based on the use of powered machines and division of labour, a means of task specialization designed to increase throughput. These new factories created jobs in which relatively unskilled workers could assemble goods faster and cheaper than had ever been possible in the past (Encyclopædia Britannica, 2014).

While these factories represented a substantial gain in terms of the efficient production of goods and creation of many new jobs, the effects weren't all positive. Most of these workers had in the past been independent craftsmen who owned their own tools and set their own hours. Many of these new unskilled jobs could be done equally well by women, men or children, which drove down wages because of the supply and availability of workers. Factories also 'tended to be poorly lit, cluttered, and unsafe places where workers put in long hours for low pay.' (Encyclopædia Britannica, 2014)

The terrible working conditions and imbalance of power between owners and workers gave rise to the trade union movement and the rapid growth of organized labour (Encyclopædia Britannica, 2014). Trade union membership in the UK grew from 100,000 in 1850 to nearly a million by 1874, almost a 1,000 per cent growth in less than 25 years (Trade Unions, 2018). In the United States, in the four decades from 1877 to 1917, there were reportedly 1,500 strikes each year, involving 300,000 workers (Licht, 1988). These strikes became contentious and often included violence. The chaos and unrest were powerful motivation both for government action and more civil collective negotiations between employers and employees for improved working conditions. This was a key development in the evolution of management and human resources practice as it formalized the 'contractual' approach to work that still pervades our thinking about employment today.

These new factories also revealed a need for the role of people management. Prior to this time, most people worked as individual craftsmen or farmers. Even businesses who produced goods like textiles did so using a system called the 'putting-out system', where those being asked to create goods worked independently, not unlike how independent contractors work in today's economy (Encyclopædia Britannica, 2017). The practice of management as we know it today wasn't needed at scale until factories brought together large groups of employees who needed to be supervised.

Management guru Gary Hamel argues that management is the most important invention of the past century. He describes management as the set of methods used to bring people together, and the mobilization and organization of resources towards productive ends. Hamel describes how, in the period from 1890 to 1915, a majority of modern management practices were created. This included pay for performance, task design, and divisionalization. In his view, most modern management practices were created before 1920 and we still rely on many of those same practices in today's enterprises. In other words, we still look to leaders and thinkers from a century past to guide our practices yet today (Hamel, 2011).

We keep cutting the ends off the ham even though today's management problems are very different than those of the early 1900s. Consider the challenges that management faced in operating these new factories. The majority of factory jobs required workers to complete routine, repetitive tasks over and over for long hours. This does not naturally align with the innate curiosity and desire for novelty that humans possess. It was unnatural work. Hamel characterizes that management's primary problem to solve during its period of invention was this: 'How do we turn human beings into semi-programmable robots?'

This probably feels a little harsh as you read it. But it's hard to argue that it doesn't describe the circumstance accurately. Knowing that this was the problem that these early management thinkers and business owners were trying to solve is important to understanding both why they approached things as they did and also why those approaches are outdated given today's very different management challenges.

You are probably familiar with some of these early management innovators from your history or management classes. One of the most famous was Frederick Taylor, who is often credited as the creator of 'scientific management'. He recommended that managers should scientifically measure performance and set high targets for workers to achieve (the *Economist*, 2009). On the surface, Taylor's approach seems reasonable. Setting high goals and measuring performance scientifically are good practices. It's when you dig a little deeper that you find context that should cause us to raise some questions.

Taylor's approach (frequently referred to as 'Taylorism') was motivated by trying to solve a problem in the factories they described as 'soldiering'. This word was used to describe the belief that a significant amount of workers were taking as long as they could to produce the minimum amount of work. In other words, these workers were thought to be taking advantage of the system. Taylor articulated four principles of scientific management which he felt would combat soldiering and maximize productivity in the factory:

1. use scientific methods to determine best way to do a work task;
2. select and train individual employees for specific tasks;
3. provide very clear and detailed instructions for each task to employees and closely supervise their performance of the tasks;
4. create a separation of work between management and the workers where management 'scientifically' plans the work and the workers do it.

Inherent in these principles is the advancement of task specialization that was so central to how factories operated. This also appears to be the invention of what we would today describe as 'micro-management', where the manager is hyper-involved in every detail of day-to-day work. Taylor wanted to remove all possible 'brain work' from the factory floor in favour of turning as much work as possible over to the machines (Taylor, F W, 1911/1986). According to the *Economist*, Taylorism was the first big management idea to reach a mass audience (*Economist*, 2009). In an era of unprecedented management innovation, this may have been one of the biggest. Other innovators of the time built on the foundation he laid.

Another prominent and important management thinker of the time was German sociologist and political economist Max Weber. It is Weber's Bureaucratic Theory that has had lasting impacts on the field of management. In short, he believed that a bureaucracy was the most effective way to run the 'modern' organization. From his perspective, it was the setting forth and abiding by rules, laws and other formal administrative structures that allowed the organization to operate best. He describes necessary features of a bureaucracy in this way (Weber, 2015):

1 A rigid division of labour is established that clearly identifies regular tasks and duties of the particular bureaucratic system.
2 Regulations describe firmly established chains of command and the duties and capacity to coerce others to comply.
3 Hiring people with particular certified qualifications supports regular and continuous execution of the assigned duties.

It's easy to see the appeal of this structure to businesses that were scaling and growing their factories. When you are asking a majority of your employees to perform tasks that are contrary to their nature for long hours each day, being able to lean on a strong system of rules and hierarchy is valuable. What's surprising is that so many of today's organizations still lean on bureaucracy as their method of organization, considering how much has changed.

So, let's recap some of what we've learned about the birth of modern management. The problem that management was designed to solve was how to turn human beings into semi-programmable robots to power factory production.

The solutions conceived and implemented to solve this problem included:

- remove as much 'brain work' as possible;
- measure everything so employees cannot take advantage of the system;
- micro-manage the workers to ensure maximum productivity;
- use division of labour to simplify work through task specialization;
- leverage a bureaucracy of rules and hierarchy as the most efficient means for organizing work.

This history is important to understand if we are to move beyond outdated processes and replace them with new, more relevant approaches for our current environment. My hope is that it makes you uncomfortable to realize how many of these early solutions can still be found today, alive and well in a variety of forms in our organizations.

But our history lesson doesn't end here. We need to talk a bit about human resources.

The role of human resources

In the early evolution of management as described above, the key roles were owners, employees, and manager or supervisor. Today, any conversation about management or the work experience of employees will almost certainly involve a discussion of another role, that of the human resources (HR) function.

Many of the processes and structures that we associate with present-day management are 'owned' by the HR department. HR handles management training and development. HR oversees the selection and promotion of managers. And, perhaps most importantly, HR creates and maintains the formal policies, procedures and tools used by management in the execution of their roles. Processes like performance appraisals, policy manuals, progressive discipline and job descriptions are all examples of the control exerted by HR over management practice within most organizations.

The human resources function systematized management through this structure – a well-intentioned application of bureaucracy. While it can be argued that all of this structure and process is in the interest of supporting management and making the job of management easier to execute with consistency, it has also made the practice of management more resilient and resistant to change. And I believe this helps explain why we see so many outdated and ineffective management behaviours yet today. HR has played a lead role in perpetuating the practices of early factory management into today's workplace. As with management, it's helpful to understand a little bit about HR's inception as a way to better understand where we find ourselves today.

The earliest origins of what we know as HR today are also tied to the rise of the labour unions in the late 1800s and early 1900s. As unions began to force owners to negotiate with them for improved working conditions and better wages, roles were created to manage these affairs. In Britain, they were called 'Welfare Workers' because their focus was on the welfare of the employees. In fact, when it was created in 1913, the original name of CIPD, one of the largest HR associations in the world, was the WWA (Welfare Workers Association) (CIPD, 2018). The profession later became known as Labour Relations to reflect its role in negotiating working conditions with collective employee groups.

The evolution of the HR function over the following century is tied closely to the passing of employment laws and regulations that governed the role and responsibility of the employer to the employee. As new laws were passed that dictated the treatment of employees or protection of civil rights, the HR department adapted to meet these needs (Salvator, Weitzman and Halem, 2005).

It's valuable to remember that HR's roots are set in a history of two primary purposes:

1 negotiating agreements with labour on behalf of ownership;
2 adapting the organization for legal compliance and risk reduction.

In other words, HR's role started with ensuring the existence and enforcement of a fair 'contract of employment' with employees while minimizing legal exposure and risk. As the discipline of HR expanded to include the acquisition and development of talent and other more strategic functions, echoes of this heritage in compliance can still be found throughout much of what we still consider today to be standard HR best practice.

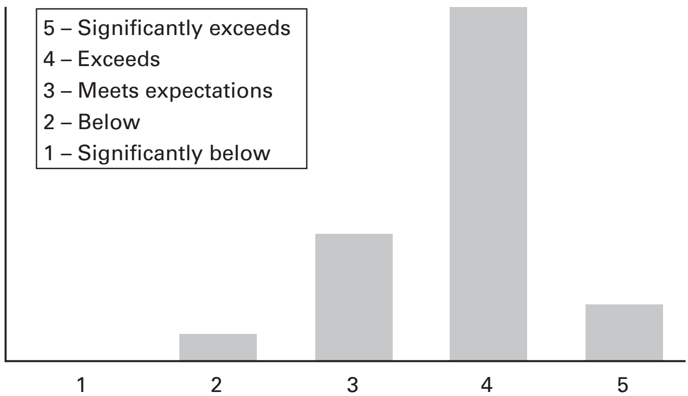
Redesigning the work experience in a way that best unlocks an employee's full potential is going to require breaking the shackles of our past, both in management and HR. It means asking why, early and often, to understand the context surrounding how and why 'best practices' were created to ensure we aren't perpetuating an approach or belief that is no longer best given our current circumstances.

To illustrate, let's look to an example of a practice that, until very recently, was treated as a best practice and nearly universally adopted by organizations around the globe for decades.

The annual performance appraisal

A number of years ago, when I was leading the corporate HR team for a large regional bank, my team and I decided, after hearing complaints for years about our annual, ratings-based performance appraisal process, that we'd do some investigating. Before deciding how to fix or change it, we wanted to gain a deeper understanding of why the process existed and what about the experience was generating so many complaints.

Figure C1.1 Example of appraisal ratings distribution



We first started with the question, 'Why do we have the performance appraisal process?' For this organization, there were two answers to this question. First, it was intended to improve and recognize performance. So we ran some analysis to see if this was indeed the case.

When we charted out the distribution of individual ratings across the organization, the curve had the shape of a standard distribution curve, except it was very narrow and centred on the four of a five-point rating scale.

Only a small percentage of ratings scattered to either side of the centre of the curve and very few fell below the three, a rating defined to signify 'meets expectations'. These findings wouldn't have been problematic if all employees in the organization were performing above expectations. That was not the case.

It was also clear, based on this analysis, that the process could not be differentiating performance in any meaningful way. When everyone is a four, there's not much room to recognize truly exceptional performance. Another failure of the process.

The second reason for our performance appraisal process was to provide a framework for employees and managers to discuss performance feedback and clarify expectations. To investigate if it was effective, we formed a task force of managers and leaders from across the organization and asked them to collect some feedback on the process. We asked that they each talk to at least 10 employees in different roles and at different levels to learn about their experiences with the process.

The feedback was clear and consistent. Employees hated the process. It filled them with anxiety and dread. While many of them expressed a desire for improved clarity regarding their performance, they felt this process was wholly ineffective. And, unsurprisingly, managers also hated the process. It felt to them like a burden that added little or no value to their supervision of employees.

We had a broken process on our hands, one that was both failing to deliver on its stated objectives (to improve and recognize performance) while at the same time creating an experience for employees and managers that was highly demotivating. What's more, our process wasn't unique. It was a pretty standard annual performance appraisal like those used in most organizations at the time (and still used by many today).

The context of the broken appraisal process

How could a management 'best practice' be so terribly ineffective? It seems to make no sense until you remember our history and dig a little deeper.

The early roots of what we today think of as performance management can be traced back to the famed US businessman and philanthropist, Andrew Carnegie. In his book *Talent on Demand* (Cappelli, 2008), Peter Capelli of The Wharton School describes how Carnegie build his steel empire in the early 1900s by expanding and introducing management practices he'd first observed working in the railroad business. There were many innovative practices he translated to the factory workplace that had significant impact, but 'especially the notion that standards of performance could be created for every job and that every individual should be held accountable for his job performance.'

Carnegie created what many would describe as a meritocracy, evaluating employees based primarily on the strength of their individual performance. This was transformative. But it fails to explain how we started with such good intentions and transformed them into the ineffective, universally disliked, annual process of the performance appraisal.

It seems that we may have the government and military to blame for making the process sterile and bureaucratic. The use of formalized forms and ratings tied to rewards was given credence in US workplaces as laws were passed mandating it for governmental entities (US Office of Personnel Management, 2018). This appears to be when the tide started turning towards performance management being a mandatory form to complete or an annual box to be checked off.

Also consider that during this period, work and management were highly influenced by the presence of labour unions. As a result, organizations learned to treat work as a contract with the employee because in many cases it was through collective bargaining. In this model, work is purely a transactional experience. The employer offers a salary and agreed-upon working conditions. In exchange, the employee does the work assigned to an agreed-upon standard. In this view of work, the employer's primary concern is getting what they are paying for from the employee – ensuring compliance with the contract.

It's not hard to see how performance management practices like the annual appraisal evolved. The primary purpose underlying this approach is to create documentation of employee performance to legally support compensation and promotion decisions as well as punitive employment actions like demotions and terminations. It is a process motivated by contract compliance and risk mitigation.

It also follows that a formal 'appraisal' of employee performance should be completed once per year when annual compensation decisions are expected. This all looks to management like a tidy process for ensuring compliance with the contract of employment they maintain with employees. Hence, the annual performance appraisal became a staple of organizational management.

It shouldn't be terribly surprising that the annual appraisal is so unpopular with employees. It was designed, after all, almost entirely for the benefit of the organization.

When looking back at how processes like the performance appraisal evolved, it's easy to see how we got here and why smart, reasonable people created these processes. The context of the time warranted it.

It also becomes painfully obvious that change is far overdue. It's time to stop cutting the ends off our hams.

In the next chapter, we'll explore how work has changed over the past century to arrive in an era where employee engagement is craved and yet continually elusive. In addition, we'll look at what we've learned from decades of employee sentiment research about how employees actually experience work. And, spoiler alert, it's got nothing to do with a contract.

Key takeaways

- Best practices are context-dependent. It is important to understand the context driving the creation of any practice to responsibly decide if it might be best for you. Otherwise, we may end up 'cutting the ends off our hams' unnecessarily.

- The role and practice of people management as a discipline was born in the late 1800s as we evolved to an industrial economy that replaced agricultural and trade jobs with urban manufacturing jobs.
- Management's purpose upon creation was, as Gary Hamel described, to turn human beings into semi-programmable robots who could complete rote, repetitive tasks over and over for long periods of time.
- Organized labour rose in response to the poor working conditions and low wages provided during early industrialization. As unions became more powerful, they began to negotiate contracts with owners to improve the working experience for employees.
- Human resources was born out of the labour movement as an organizational representative to oversee and enforce labour contracts. As a result, HR began to systematize management processes like the performance appraisal to aid managers in enforcing and ensuring compliance with negotiated contracts with employees.
- These early best practices were largely designed to protect the organization's interests, sometimes at the expense of the employee. Many of these practices still persist today despite a very different economic context.

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