

Business Skills and Performance Management

Lecture Title: Designing Performance Management Frameworks



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Learning Objectives

- Formulate a performance management framework aligned to strategic objectives
- Critically evaluate the differences between frameworks for individuals vs. teams
- Apply accountability and feedback mechanisms within a performance management framework



The Evolution of Performance Management

Period	Focus	Key Features
1950s–1970s	Appraisal	Annual reviews, top-down evaluation, pay/discipline focus
1980s–1990s	Management by Objectives (MBO)	Goal-setting, individual performance focus, measurable targets
1990s–2000s	Strategic Performance Management	Align performance with strategy, KPIs, Balanced Scorecard
2000s–2010s	Competency & Development	360° feedback, coaching, skill and behavior focus
2010s–Present	Continuous / Agile	Real-time feedback, OKRs, employee engagement, digital tools
Emerging Future	Human-Centric & Data-Driven	AI analytics, personalized development, well-being focus

“Performance management is not an event — it’s a continuous process of aligning people and strategy.” — Armstrong (2021)

Group Discussion

“What do you think makes a performance management framework effective?”



What Makes a Performance Management Framework Effective?

Key Element	Description (Slide-Optimized)	Example / Illustration
1. Strategic Alignment	Links individual and team goals directly to organizational strategy.	OKRs cascading from corporate objectives.
2. Clarity & Consistency	Clear expectations, fair criteria, and transparent performance measures.	SMART goals, shared evaluation rubrics.
3. Continuous Improvement	Focuses on development and learning rather than annual evaluation.	Regular check-ins, coaching conversations.
4. Balanced Measurement	Combines results (<i>what</i>) and behaviors (<i>how</i>) for holistic performance.	Balanced Scorecard approach.
5. Accountability	Defines who is responsible and ensures ownership of outcomes.	RACI matrix; visible goal tracking.

What Makes a Performance Management Framework Effective?

Key Element	Description (Slide-Optimized)	Example / Illustration
6. Feedback & Coaching	Encourages ongoing, two-way, and future-focused feedback.	360° feedback; “feedforward” reviews.
7. Engagement & Empowerment	Involves employees in goal-setting and decision-making.	Collaborative target-setting sessions.
8. Cultural Fit	Reflects organizational values, context, and leadership style.	Tailored frameworks for agile or public contexts.
9. Data-Driven Insight	Uses analytics for fairness, transparency, and continuous learning.	Dashboards, performance analytics.
10. Adaptability	Evolves with strategic shifts and environmental changes.	Annual framework review and refinement.

Group Discussion

Can you think of any contemporary challenges for effective performance management frameworks?



Contemporary Challenges for Performance Management Frameworks

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Theme	Core Challenge	Key Insight
Strategic Alignment	Keeping goals relevant in fast-changing environments	Frameworks must be agile, not annual.
Hybrid & Remote Work	Measuring performance without visibility	Shift from presence → outcomes and trust.
Metrics Overload	Too much focus on numbers	Balance data with qualitative performance.
Feedback Culture	Managers avoid or mishandle feedback	Build feedback skills and psychological safety.
Fairness & Bias	Subjectivity in ratings and decisions	Use transparent, multi-source evaluations.



Contemporary Challenges for Performance Management Frameworks

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Theme	Core Challenge	Key Insight
Technology & Ethics	AI and analytics raise privacy concerns	Ensure data use is ethical and transparent.
Rewards vs. Development	Overemphasis on pay over growth	Balance accountability with learning focus.
Engagement Fatigue	Complex systems reduce motivation	Keep frameworks simple and meaningful.
Cultural Diversity	Global models may not fit all contexts	Adapt frameworks to local and cultural norms.
Continuous Change	Frameworks quickly become outdated	Regularly review and refine performance systems.

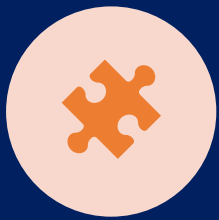
Linking Strategy to Performance Frameworks



The Strategy – Performance Chain

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Performance frameworks bridge strategy and execution by turning broad goals into actionable measures.



STRATEGY



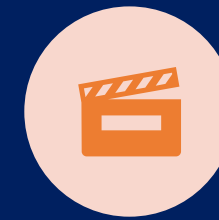
OBJECTIVES



MEASURES



TARGETS



ACTION



RESULTS

Common Alignment Models

Model	Focus	Use Case / Example
Balanced Scorecard (Kaplan & Norton)	Four perspectives: Financial, Customer, Internal Process, Learning & Growth.	Encourages a balanced view beyond financial results.
OKRs (Objectives & Key Results)	Objectives = <i>What to achieve</i> ; Key Results = <i>How success is measured</i> .	Google and tech firms use OKRs for agility and transparency.
KPIs (Key Performance Indicators)	Quantitative measures tied to strategic goals.	Sales growth, customer retention, project delivery rates, etc.

Group Discussion

“What risks arise if a performance framework focuses *only* on KPIs without linking them to strategy?”



Risks of Focusing Only on KPIs (Without Strategic Linkage)

Risk	Impact / Example
Misalignment	Teams hit targets that don't support strategy (e.g., sales volume over profitability)
Short-Term Focus	Chasing quick wins instead of long-term growth or innovation
Fragmentation	Departments work in silos, losing shared strategic direction
Gaming the System	People manipulate or over-report metrics to "hit the numbers"
Loss of Purpose	Employees don't see the bigger picture — motivation declines
Neglect of Intangibles	Culture, collaboration, and learning go unmeasured
Rigidity	KPIs stay static even when strategy changes

Principles of Alignment

Principle	Explanation	Illustration
Cascading Goals	Strategic objectives are translated down through departments and individuals	Corporate → Division → Team → Individual
Line of Sight	Employees understand how their work contributes to strategic outcomes	“My role impacts customer satisfaction → retention → revenue.”
SMART Measures	Specific, Measurable, Achievable, Relevant, Time-bound	Ensures focus and accountability.

Group Case Study

- Refer to your assigned case study
- Design a high-level performance management framework aligned with that strategy
- What are the key performance areas (KPA's)?
- What indicators or metrics will you use?
- How will accountability and feedback be built in?





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Group Discussion

What is the difference between personal and team performance frameworks?



Individual Vs. Team Performance Frameworks

Dimension	Individual Frameworks	Team Frameworks
Focus	Personal accountability and achievement	Shared responsibility and collaboration
Goal Clarity	Clear, measurable individual targets	Collective goals; interdependent success
Motivation Drivers	Extrinsic (bonuses, promotion)	Intrinsic (purpose, belonging, shared success)
Measurement	Quantitative KPIs (e.g., sales, productivity)	Mixed metrics (output quality, teamwork, learning)
Feedback	Direct, one-on-one	Peer reviews, retrospectives, team reflections
Rewards	Individual performance-based	Shared or contribution-weighted rewards
Common Risks	Competition, siloed behavior	Free-riding, unclear accountability
Best Used When	Tasks are independent and measurable	Tasks require collaboration and cross-functional input

Theoretical Lenses –

Goal-Setting Theory (Locke & Latham, 1990, 2002)

Goal-Setting Theory proposes that specific and challenging goals, when accepted by individuals, lead to higher levels of performance compared to vague or easy goals.

In essence:

“What gets measured and clearly defined — gets done.”

This theory is foundational for performance management frameworks because it provides a psychological explanation of how goals drive effort, focus, and persistence.



Key Principles of Goal-Setting Theory

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Principle	Description	Practical Application in Performance Frameworks
Clarity	Goals must be specific and measurable rather than ambiguous (“increase sales by 10%” vs. “do your best”).	Establish clear KPIs, OKRs, and SMART goals in performance plans.
Challenge	Goals should stretch the individual/team but still be achievable — optimal difficulty stimulates motivation.	Set ambitious yet realistic performance targets aligned to strategic objectives.
Commitment	Performance improves when individuals or teams are genuinely committed to the goal.	Involve employees in goal-setting to build ownership and engagement.
Feedback	Regular, constructive feedback enables self-correction and sustained motivation.	Integrate ongoing check-ins and performance reviews rather than annual appraisals only.
Task Complexity	For complex tasks, sufficient time, resources, and learning opportunities must be provided.	Ensure frameworks include capacity building and development planning.



Application of Goal-Setting Theory

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•Individual Level:

- Performance appraisal systems use **SMART goals** (Specific, Measurable, Achievable, Relevant, Time-bound).
- Clear goals drive accountability and enable fair evaluation.
- Example: “Close 15 new client accounts this quarter” — directly measurable.

•Team Level:

- Shared goals foster **collaboration** and **interdependence**, aligning with organizational strategy.
- Example: “Reduce product development cycle time by 20%” — requires multiple departments to cooperate.



Goal-Setting Theory – Limitations and Mitigation

Challenge	Explanation / Risk	Mitigation
Overemphasis on metrics	Can encourage short-term thinking or unethical behavior.	
One-size-fits-all approach	Individuals differ in motivation and skill level.	
Neglect of teamwork	Individual goals may reduce collaboration.	
Feedback overload	Too frequent reviews can reduce autonomy or creativity.	

Goal-Setting Theory – Limitations and Mitigation

Challenge	Explanation / Risk	Mitigation
Overemphasis on metrics	Can encourage short-term thinking or unethical behavior.	Balance quantitative goals with qualitative outcomes (e.g., learning, innovation).
One-size-fits-all approach	Individuals differ in motivation and skill level.	Customize goal difficulty and provide tailored support.
Neglect of teamwork	Individual goals may reduce collaboration.	Combine personal goals with shared team objectives.
Feedback overload	Too frequent reviews can reduce autonomy or creativity.	Use structured, periodic feedback aligned to milestones.

Theoretical Lenses –

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Social Interdependence Theory

This theory originated from Kurt Lewin (1940s), and was expanded by Morton Deutsch (1949) and David & Roger Johnson (1989).

Social Interdependence Theory explains how the way goals are structured among individuals determines the type of interactions that occur — and consequently, the outcomes of those interactions.

In essence:

“The success of one individual depends on the success of others.”

So, how people depend on and relate to one another in achieving their goals directly affects motivation, cooperation, trust, and performance outcomes.



Social Interdependence Theory – Types of Interdependence

Type	Description	Typical Behaviors / Outcomes	Example in Organizations
Positive Interdependence (Cooperation)	Individuals perceive that they can achieve their goals only if others also achieve theirs.	Collaboration, mutual support, shared accountability, trust.	Agile teams working toward a shared sprint goal.
Negative Interdependence (Competition)	Individuals perceive that they can only achieve their goals if others fail to achieve theirs.	Rivalry, withholding information, internal competition.	Sales reps competing for limited bonuses.
No Interdependence (Individualism)	Individuals' goals are independent; one's success neither helps nor hinders others.	Minimal collaboration, self-sufficiency.	Independent consultants completing separate projects.

Theoretical Assumptions of Social Interdependence Theory

Assumption	Explanation	Implication for Performance Management
1. Goal Structure Shapes Interaction	The way goals are linked (shared vs. separate) determines how individuals interact.	Align performance goals to encourage cooperation, not competition.
2. Interaction Determines Outcomes	The quality of social interactions influences results, motivation, and satisfaction.	Foster positive collaboration and communication in teams.
3. Positive Interdependence Drives Motivation	Individuals are motivated to help others succeed when their own success depends on it.	Design shared goals and rewards that reinforce mutual accountability.
4. Individual Accountability Remains Essential	Even in cooperative systems, personal responsibility ensures fairness and prevents free-riding.	Combine team metrics with individual performance measures.
5. Social Interaction Builds Trust and Learning	Cooperation enhances mutual respect, trust, and knowledge sharing.	Encourage peer feedback, reflection, and joint problem-solving.

Social Interdependence Theory – Limitations and Mitigation

Challenge	Explanation / Risk	Mitigation Strategy
Free-Riding	Some members contribute less but benefit equally.	
Diffused Accountability	Hard to isolate individual contributions.	
Groupthink	Desire for harmony may suppress critical thinking.	

Social Interdependence Theory – Limitations and Mitigation

Challenge	Explanation / Risk	Mitigation Strategy
Free-Riding	Some members contribute less but benefit equally.	Introduce peer assessment and clear role-based KPIs.
Diffused Accountability	Hard to isolate individual contributions.	Combine team metrics with individual progress reviews.
Groupthink	Desire for harmony may suppress critical thinking.	Encourage constructive dissent and diversity of thought.



Application of Social Interdependence Theory

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- Individual Frameworks - Align with *individualistic or competitive interdependence*
- Team Frameworks - Align with *positive interdependence*; success depends on collaboration
- Hybrid Frameworks - Balance the two; use team goals for shared outcomes and individual KPIs for accountability.

Example:

A product development team's OKR might be:

- Objective: Launch a new app with a 95% user satisfaction rating.
 - Key Results:
 - Design team delivers UX prototype by Month 2.
 - Development team completes testing by Month 4.
 - Marketing team achieves 10,000 downloads in first month.

Each team's success is interdependent, reinforcing collaboration.



Group Discussion

Individual vs. Team Performance Frameworks

Refer to case studies on the worksheet and discuss the related questions.



Group Discussion Questions

Theme	Discussion Prompt
Motivation	What drives performance in each system — individual incentives or collective purpose?
Collaboration	How does each framework influence cooperation or competition?
Accountability	How is responsibility tracked and rewarded? Where are the gaps?
Fairness	How fair are these systems perceived by employees? What risks of bias exist?
Strategic Fit	Which approach better supports innovation, adaptability, and long-term organizational goals?
Hybrid Design	How might you combine the strengths of both systems to minimize weaknesses?



Accountability & Feedback Mechanisms



Accountability & Feedback

- Accountability

- Defines *who owns outcomes*, not just tasks
- Builds clarity, responsibility, and consistency
- Tools: RACI Matrix, 3×3 Accountability Matrix

“Responsibility is about doing; accountability is about delivering.”

- Feedback

- Provides continuous learning and improvement loops
- Shifts from evaluation → development
- Types: 360° feedback, continuous check-ins, feedforward

“Feedback fuels growth when it’s forward-looking and constructive.”



Combining Accountability & Feedback

Accountability	Feedback	Combined Impact
Defines ownership	Promotes learning	Drives performance with purpose
Clarifies expectations	Enables adaptability	Builds trust and engagement
Ensures delivery	Encourages growth	Aligns effort with strategy

Accountability Models

1. RACI Model (Responsible – Accountable – Consulted – Informed)

Purpose: Clarifies roles and responsibilities for tasks or decisions

Role	Definition
Responsible	Person(s) who complete the work
Accountable	Person who owns the result and signs off the outcome
Consulted	Those whose input is sought before or during the work
Informed	Those kept updated on progress or results

Why it works:

- Prevents duplication and confusion
- Establishes clear ownership across teams
- Simple to apply in projects or organizational processes



Accountability Models

2. 3×3 Accountability Matrix

Purpose: Balances *results*, *behaviours*, and *development* in performance evaluation.

Dimension	Focus
Results	Achievement of measurable outcomes (KPIs, targets).
Behaviours	How results are achieved (values, teamwork, ethics).
Development	Ongoing learning and skill improvement.

Why it works:

- Encourages holistic performance, not just target chasing
- Links accountability to both output and conduct
- Reinforces a learning and growth mindset



Accountability Models

3. CLEAR Model (Clarity – Leadership – Example – Accountability – Results)

Purpose: Creates a culture of shared accountability and leadership responsibility

Element	Meaning
Clarity	Everyone understands their role and expectations
Leadership	Managers model accountable behavior
Example	Individuals demonstrate reliability and integrity
Accountability	Ownership of outcomes, not excuses
Results	Measured impact linked to organizational goals

Why it works:

- Builds accountability as a cultural value, not a control mechanism
- Encourages both top-down and peer-level responsibility



Feedback Systems in Modern Performance Management

Old Vs. New Models

Old Model: Traditional Appraisal	New Model: Continuous Feedback
Conducted once or twice a year	Happens regularly and in real time
Focused on past performance	Focused on future improvement (feedforward)
Often manager-driven and judgmental	Two-way dialogue between employee and leader
Emphasizes scoring and ranking	Emphasizes learning, coaching, and development
Individual, isolated reviews	Integrated into team conversations

360° Feedback Overview

A multi-source feedback system that gathers input from managers, peers, subordinates, clients, and self-assessment to provide a holistic view of performance.

- Purpose

- Provides a balanced perspective on behaviors, skills, and teamwork.
- Promotes self-awareness, development, and continuous improvement.

- How It Works

1. Multiple raters evaluate key behaviors & competencies.
2. Feedback is consolidated into a **summary report**.
3. Used for **developmental coaching**, not just evaluation.



360° Feedback Overview

Advantages	Limitations / Challenges
✓ Provides a holistic view of performance from multiple perspectives	⚠ Risk of rater bias or inconsistent evaluations
✓ Encourages self-awareness and personal development	⚠ Can be time-consuming to administer and process
✓ Strengthens communication and trust within teams	⚠ Requires a culture of openness for honest feedback
✓ Highlights behavioral and competency gaps beyond what a manager can see	⚠ May overload employees with too much feedback
✓ Supports coaching and career development	⚠ Can be misused for performance appraisal rather than development

Feedforward Performance Method (Marshall Goldsmith)

Feedforward is a **future-focused performance development approach** that emphasizes **improving future behaviors and outcomes** rather than **criticizing past mistakes**. It shifts the mindset from *judgment* to *growth* — helping individuals focus on what they **can change** instead of what they **did wrong**.

◆ Core Principles

- 1.Future-Focused:** Looks ahead to what can be done differently or better.
- 2.Positive & Constructive:** Centers on opportunities, not failures.
- 3.Action-Oriented:** Encourages clear, specific behavioral goals.
- 4.Collaborative:** Invites input from others for improvement ideas.

◆ How It Works

- The feedback giver **suggests future actions** instead of analyzing past behavior.
- The receiver **listens, reflects, and chooses** ideas to implement.
- Example question:
 - “What’s one thing I could do differently next time to collaborate more effectively?”



Feedforward Performance Method (Marshall Goldsmith)

Advantages	Limitations / Challenges
✓ Focuses on future improvement , not past mistakes	⚠ May overlook important past patterns or recurring issues
✓ Reduces defensiveness and emotional resistance	⚠ Requires maturity and openness from both giver and receiver
✓ Encourages continuous learning and development	⚠ Needs a supportive culture to be effective
✓ Builds motivation and psychological safety	⚠ May be less effective for urgent performance corrections
✓ Strengthens coaching and developmental relationships	⚠ Effectiveness depends on clarity of actionable suggestions

Group Exercise – Framework Design

- Work within your respective group.
 - Choose a hypothetical organization (e.g., NGO, healthcare system, tech start-up, public
 - Create a Performance Management framework that includes :-
1. Strategic Alignment Map – shows how organizational objectives cascade to teams and individuals.
 2. Metrics – define individual and team performance measures (KPIs, OKRs, or qualitative metrics).
 3. Feedback and Accountability Mechanisms – integrate RACI, feedback loops, or peer assessment tools.



Group Exercise – Framework Design

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Guidelines –

Design Element	Prompt / Guidance
Strategic Alignment Map	How do top-level goals cascade down to departments and individuals? Are all levels aligned with mission and vision?
Metrics	What mix of quantitative (results) and qualitative (behaviors, collaboration) indicators will you use?
Accountability Mechanisms	How will roles and responsibilities be assigned (e.g., RACI)? How do you ensure ownership?
Feedback System	How often is feedback given? By whom? What format (1:1, peer, 360°)? Is it developmental or evaluative?
Continuous Improvement	How will the framework evolve over time based on feedback?



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