Managerial and Leadership Implementation Functions

and
Related Concepts, Methods, Tools, and Practices

Controlling

and

Evaluating Performance

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CONTROLLING

The object of control functions is essentially to correct and improve conditions (factors) affecting the efficiency and effectiveness with which plans are being implemented and goals are being achieved. Control activities include these sub-functions: monitoring operations, measuring results, reporting results (to appropriate parties), identifying problem areas, and, most important, evaluating results and analyzing the factors that brought them about. But before results can be measured and evaluated effectively, it is first necessary to establish specific goals. Each goal statement should include three elements: a performance measurement parameter or criterion (yardstick); the desired standard or level of results (benchmark on the yardstick); and the time frame for achieving the desired results.

The traditional approach to controlling operations—measure results and report them up the chain of command for evaluation and corrective action—is no longer the accepted model. Today, especially where the team or participative approach is being applied, individuals and work groups are provided with feedback regarding their performance, evaluate it themselves, and take their own corrective action (perhaps with a superior's guidance).

Measuring and Evaluating Unit Results

Unit results or performance can be measured and evaluated on a daily, weekly, monthly, quarterly, semi-annual, and annual basis.

Step 1: <u>Measure, collect and format performance-related information</u>

As mentioned in the chapter on goal setting, results having a quantitative nature (for example, data regarding sales, costs, profits, productivity, etc.) can be rather easily measured, collected, formatted, reported, and evaluated. On the other hand, more subjective or qualitative results are more difficult to measure and evaluate. Some qualitative results, however, can be expressed in more quantitative terms—for example, expressing the level of worker satisfaction in terms of absenteeism and turnover rates. A marketing department's annual results are shown in **Exhibit A** (next page) The table indicates actual (reported) results, the budgeted (intended, planned, anticipated, expected) results, and any variances.

Step 2: <u>Compare actual against budgeted results</u>

Before a unit's or entire organization's results can be evaluated, it is common practice to compare budgeted results with actual results. Comparing the two identifies (a) whether or not there is a difference or variance between them (whether "actual met budgeted" and, if not, whether the unit is over budget or under budget); and (b) whether or not some problem might be indicated. Using variances to indicate problem areas is the basis for "Management By Exception"—that is, an exception to what was planned or intended to occur. *Comparing* actual against budgeted and identifying any variance is very straightforward. *Interpreting* variances in quantitative data is not. Neither is interpreting qualitative information regarding intangible or subjective results.

Step 3: <u>Analyze/interpret the information to identify problem areas and their causes</u>

Analyze both favorable and unfavorable results in terms of many factors. For example, while being over budget regarding *sales* is generally considered "good," it may not be. Perhaps the budgeted sales figure was based on a performance expectation that was too low and too easy to surpass. Being over budget, therefore, may indicate a problem and a need to reevaluate the performance standard. While being over budget regarding *costs* is generally considered "bad," it may not indicate poor performance. Perhaps the budgeted cost figure was set unrealistically low and could be exceeded too easily, which is also a problem. While being under budget regarding *costs* is generally considered "good," it, too, may not indicate good performance. Perhaps the budgeted cost figure was based on a performance standard that was too easy to beat, which would be a problem.

Even *meeting budgets* squarely does not necessarily indicate an absence of problems. On the contrary. It may very well indicate that performance standards and budgets were not formulated well and should all be reviewed. For example, it could be that, in order to hit a generous or unnecessarily high budget level, personnel spent unused or unrequired funds at the last minute. Or it could be that, in order to hit a less generous or inadequate budget, certain necessary expenditures were not

Exhibit A: Sample Marketing Department Operating Budget *(showing variances)*

Row #	(All figures in 000s Units/$s)	Year Total (Budgeted)	Year Total (Actual)	Variance + = over b (-) = under	
1	**UNIT SALES**	150	145	(5)	under
2	**GROSS SALES REVENUE**	30,000	28,000	(2,000)	under
3	Sales discounts	(600)	(550)	(50)	under
4	Freight allowances	(300)	(325)	25	over
5 (-)	**Total discounts & allowances**	**(900)**	**(875)**	(25)	under
6 (=)	**NET SALES REVENUE**	**29,100**	**27,125**	(1,975)	under
	EXPENSES				
	Advertising/Promotion Expenses				
7	Catalogs/brochures/postage	200	210	10	over
8	Point of purchase displays	300	300	---	
9	Broadcast media advert'g (coop)	100	105	5	over
10	Print media sdvertising (coop)	500	490	(10)	under
11(+)	**Total advert/promo expense**	**1,100**	**1,105**	5	over
	Selling Expenses				
12	Reg'l managers' compensation	233	235	2	over
13	Salespersons' compensation	1,332	1,332	---	
14	Samples & other selling aids	100	110	10	over
15	Telephone	70	85	15	over
16	Travel & entertainment	800	760	(40)	under
17	Shows & exhibitions	200	200	---	
18	Salesforce training/conferences	65	67	2	over
19(+)	**Total selling expense**	**2,800**	**2,789**	(11)	under
	Other Marketing Dept. Expenses				
20	Mid-mgm't & staff compensation	248	250	2	over
21	Office personnel compensation	300	300	---	
22	Employment taxes (all pers.)	233	234	1	over
23	Employee benefits (all pers.)	124	125	1	over
24	Office supplies & equipment	24	25	1	over
25	Telephone & postage (hdqrtrs)	38	40	2	over
26	Warehousing contracts	320	310	(10)	under
27	Miscellaneous	24	24	---	
28(+)	**Total other expenses**	**1,311**	**1,308**	(3)	under
29(=)	**TOTAL DIRECT EXPENSES**	**5,211**	**5,202**	(9)	under
	Charged (Corp. G&A) Expenses				
30	Executive/admin compensation	242	245	3	over
31	Information system usage	36	35	(1)	under
32	Rent/utilities/deprec. & other	158	158	---	
33(+)	**TOTL CHARGED EXPENSES**	**436**	**438**	2	over
34(=)	**TOTAL EXPENSES**	**5,647**	**5,640**	(7)	under

made. Squarely meeting budgets can also hide the fact that the performance parameters being used were not chosen well and do not reliably indicate the most desir\-able performance. In addition, measurement and evaluation systems and procedures may not have been designed to provide the clearest, most accurate, and most meaningful information. Furthermore, another unit's or individual's poor performance may have impeded unit performance. All these and other factors require review —before formulating and implementing possible solutions.

Appraising (Evaluating)
Individual Performance

Managers and leaders appraise an individual subordinate's performance to accomplish a number of things: (a) to determine how well that person is performing; (b) to identify the individual's strengths and weaknesses; (c) to provide feedback with which to adjust his or her own qualifications and behavior; (d) to develop valid information on which to base compensation decisions; (e) to make discharge decisions (that can be explained and substantiated); (f) to help further develop a positive superior-subordinate relationship; (g) to provide an opportunity to give the subordinate support and deserved recognition; (h) to diagnose individual performance problems; (i) to identify significant causes beyond the person's control; (j) to revise individual development goals and plans; and (k) to formulate and subsequently implement solutions involving other people.

In general, the same points and steps mentioned above apply to appraising individual performance. These are just a few of the many additional things to consider and do:

Some managers only evaluate task-related results, mostly because either they or their organizations are only concerned about output or productivity. Really good managers, however, must encourage and guide the formulation of goals and plans that deal with people's development and satisfaction as well as performance.

People's actual levels of performance, development, and satisfaction are the results of many task- and people-related attitudes, interactions, and activities within the unit and the entire organization. These attitudes, activities, and interactions, in turn, are either caused or influenced by many specific task-related, individual, organizational, social, and outside factors or forces, all operating with and upon each other as an extraordinarily complicated system.

Effective evaluation first involves comparing actual results with intended or desired results (goals) in the areas of performance, development, and satisfaction. It then involves analyzing unfavorable results (problem areas) and backtracking through sequences of causes and effects to determine what has occurred and why, so that factors that influence people's performance, development, and satisfaction can be improved. Even favorable results should be analyzed in this manner, because there may still be unidentified problems to solve and unrecognized opportunities to improve things. Effective evaluation also involves analyzing the methods, procedures, and criteria being used to measure and evaluate units' results and individuals' performance. If inappropriate, these can cause performance problems, measurement and evaluation difficulties, or even inappropriate conclusions regarding results.

A manager's or leader's constant evaluation of an entire unit's performance, development, and satisfaction—with subordinates' participation—is necessary if the team is to identify and solve problems and is to constantly improve unit performance and satisfaction. In addition, if the manager or leader is to guide the development of subordinates' attitudes and capabilities, he or she must regularly evaluate their individual performance, development, and satisfaction. The leader must also keep in mind that by doing so, he or she is largely evaluating the results of his or her own performance.

If subordinates are to contribute to the improvement of their capabilities, attitudes, performance, and satisfaction on a continual basis, a manager must do several things. First, he must encourage and guide their participation in unit and personal goal-setting and planning processes, so that they will acquire the necessary informational inputs first-hand. Second, he must encourage their constant evaluation of their own performance, development, and satisfaction. Third, he must meet regularly with individual subordinates to evaluate and discuss their performance, developmental progress, and fulfillment on the job.

The evaluation of unit, sub-unit, and individual results must be approached in an objective, constructive, positive, and fair manner. It must never be used by anyone to find fault with, place blame on, or punish another, which usually does more harm than good.

People learn from both positive and negative feedback. The term "negative feedback," however, has taken on a negative connotation, largely because it has become associated with punitive authoritarian practices. Perhaps a better term would be "constructive" or "developmental" feedback. Whatever it is called, negative feedback signals

to a person that he or she may need to alter behavior or to develop skills further. Many managers and leaders hesitate to provide "constructive feedback," often because they think that they will appear to be critical or will damage their relationships with subordinates. But they are not really doing their subordinates a favor. Without being told that they are doing something inappropriate, subordinates (a) tend to assume they are doing something right; (b) continue to do it; (c) develop a habit that becomes increasingly difficult to break; and (d) probably irritate others to the point that someone eventually overreacts.

Therefore, while a manager or leader should do all she can to maximize positive feedback to her subordinates, she should not hestitate to give them "constructive feedback" —in an honest, timely, informative, supportive, congenial, nonthreatening, noncondescending manner. To foster a rapport with subordinates that will help her do this, she should set a good example by (a) acknowledging her own mistakes and shortcomings to them, and (b) asking them to give her honest feedback about her behavior toward them.

**Performance Evaluation
Practices/Behavior**

O   Constantly evaluating (analyzing) the performance, development, and satisfaction of one's unit, immediate subordinates, and sub-units.

O   Aiming one's evaluation activities at developing an in-depth understand of what has occurred (or is occurring) and why, so that one can identify problems and guide the improvement of factors affecting the unit's performance, development, and satisfaction.

O   Helping subordinates understand what has occurred (or is occurring) and why, so that they can constantly contribute to the identification of problems and the improvement of individual and team results.

    o   Encouraging and guiding subordinates' participation in regular evaluation (analysis) of unit results.

    o   Evaluating individual performance, development, and satisfaction with each immediate subordinate, privately and regularly (e.g., informally on a day-to-day basis; formally at least several times a year).

    o   Encouraging subordinates to evaluate their own performance, development, and satisfaction on a

constant basis, and helping them to obtain the information (data, feedback) necessary to do so.

O   Promoting and guiding the use of an evaluation process that involves the following principles and activities:

    o   Comparing actual results with desired results (as stated in previously established goals, programs, schedules, budgets, solutions, policies, and procedures).

    o   Making certain that one understands what quantitative and qualitative performance parameters really indicate about results (rather than what they might seem to indicate).

    o   Avoiding making judgments; but if making them is either necessary or appropriate, doing so very rationally and fairly.

    o   Identifying favorable and unfavorable results.

    o   Considering the extent to which factors beyond an individual's or group's control might have exerted positive or negative influences on results, and then adjusting one's evaluation of results accordingly.

    o   Considering how one's own behavior might have influenced an individual's or group's performance, development, or satisfaction, and then adjusting one's evaluation of results accordingly.

    o   Considering how one's own motives, attitudes, knowledge, experience, and skills could be adversely influencing one's evaluation of results, and then adjusting one's evaluation accordingly.

    o   Not assuming that there are no problems to solve or improvements to make just because desired results have been achieved or surpassed.

    o   Seeking to identify the underlying task-related, individual, organizational, social, and outside factors that brought about or influenced favorable as well as unfavorable results (by identifying and analyzing the sequence or system of causes and effects).

    o   Identifying factors/variables affecting unit, individual, or sub-unit results that should be improved.

o Determining which of these factors team members can control or at least influence, thereby identifying the factors they can improve (assuming that the necessary re-sources, which are also factors to be considered, are available).

o Evaluating (analyzing) the criteria, methods, and procedures that are being used to measure and evaluate results (in order to improve them and the manner in which they are being used).

o Bringing problems and possible areas of improvement to the appropriate individual's or group's attention.

O Also doing the following when one is personally involved in the evaluation of an individual's or group's results (and encouraging subordinates to do the same with their subordinates):

o Approaching evaluation processes in an objective, fair, positive, and constructive manner.

o Not using evaluation processes to find fault with, place blame on, or punish anyone.

o Expressing praise and appreciation to subordinates when one recognizes (through the evaluation process) that they have accomplished challenging tasks well.

o Accepting subordinates' mistakes, especially when they demonstrate that they have learned something from them.

o Giving "constructive feedback"—indicating problem areas and making suggestions for improving behavior or performance.

Some further recommendations::

• Meet privately with the subordinate in a comfortable, quiet, non-threatening location.

• Behave in a congenial, concerned, sensitive, trustworthy, coaching/mentoring manner.

• Be mindful of the "halo effect." Avoid giving an individual high marks in all areas just because he or she is exceptional in just one or two areas. Likewise, avoid the "horns effect" by assessing low marks in all areas just because of significant deficiencies in just one or two. Also avoid the "Santa Clause effect" by refraining from trying to be a pal or win over the subordinate with undeserved praise and rewards.

• Focus on the person's strengths and potentials, but bring developmental needs to the person's attention—nicely. Explore what each of you can do to further the person's development.

• Be mature enough to consider how one's own attitudes, behavior, and perhaps failures could have negatively affected the subordinate's motivation, attitudes, knowledge and skill development, fulfillment of job-related information needs, interactions, behavior, and performance.