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Designing a Holistic Performance Learning System

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Abstract:

To remain competitive, business organisations have the need to constantly enhance their business activities. Many improvement programs such as the total quality management, restructuring, Six Sigma, cultural change, reengineering, right sizing, and turnaround have failed than succeeded. This occurs because many organisational leaders do not realise that sustainable improvement entails a commitment to learning. To address this the current paper through literature review and critical analysis has identified seven elements that all organisations must embrace to sustain the benefits of company-wide change, supporting repeated adaptability and learning. Companies that do pass the definitional test will become proficient at transforming new knowledge into new ways of acting. These organisations actively manage the learning process to ensure that it occurs by purpose rather than by accident. Unique policies and practices are responsible for high performance and success; they constitute the fundamental building blocks of the performance learning organisation. The paper is significant to both scholars and practitioners, as it sheds light on the existing body of knowledge and provides direction for future research.

Keywords: learning organisation, holistic, leadership commitment, performance learning system

1. Introduction

Most performance improvement endeavours as well as organization change and team efforts do not often succeed or severely disorientated (Bourne, Neely, Platts, & Mills, 2002; Garvin, 1993; Keating et al., 1999). Years of research have again and again indicated that 50–70 percent of these improvement programmes are failing (Clemmer, 2017, McCunn, 1998). There are as several explanations that improvement initiatives suffer defeat, as there are organisation, teams and people working hard to improve. Also, nowadays, many companies are facing strong competition on their own home markets for the first time (Chlistalla and Schaper, 2008). In order to face the new challenges, top management of these companies need to single out its stakeholders and their needs and must define a strategy that takes into consideration both financial and non-financial objectives.

Leadership is the most critical driving force towards quality enhancement and business excellence (Kanji, 2002). Therefore, the attitude of leaders must encourage people-based management, customer focused, management by fact and continuous improvement (Kanji, 2002). However, empirical research has identified many critical problems related to executive leadership and implementation of performance measurement and management systems. They include: “lack of leadership support and commitment, lack of knowledge and skills, and lack of willingness to change the culture of non-performance” (Saravanja, 2010). Other problematic factors are communication challenges, lack of objectivity in performance ratings, lacking a vision, under communicating the vision, not systematically planning, favouritism, the blame game, and bias of judgement (Edmondson, 2011; Kotter, 1995; Saravanja, 2010). These have negative consequences on employee motivation and performance. Therefore, the purpose of this paper is to present a holistic performance learning framework that gives specific guidelines and practical suggestions to put the whole organisation on the right path.

2. Concept of a Learning Organization

According to Peter Senge (1990, p.1), “Learning organisations are places where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is free, and where people are continually learning how to learn together”. This definition requires a dynamic and spirited training in five mystifying disciplines, namely: holistic thinking, seeking personal mastery, ever-evolving mental models, shaping a shared vision, and team learning (Senge, 1990). A company that does not learn would usually repeat outdated practices, generate temporary and short-lived improvements, as well as make superficial changes. Consequently, to transform an organisation into a learning organisation, Garvin (1993) proposes becoming proficient at five activities: learning from past experiences, scientifically searching for and testing new knowledge, learning from customers and other companies, systematically solving ill-defined problems, and making sharing of knowledge all over the company a culture. Companies that desire to become learning organisations must foster a work climate that is conducive to learning (Garvin, 1993; Garvin, Edmondson & Gino, 2008). This means that there should be regular occasions for reflection and analysis, to study strategic issues, explore customer needs, evaluate the existing work structures, and design new services and products. Another influential mechanism is to open up borders, while stimulating the sharing of ideas among employees.

Boundaries usually prevent the free flow of information, isolate people and reinforce prejudices. In the 1990s, Jack Welch, the CEO of General Electric created a “boundary-less” culture and providing opportunities for exchange of ideas through project teams, conferences, meetings at cross company levels (Garvin, 1993). Once supervisors have created a more conducive, open work environment, then it is possible to go ahead to set up learning forums and roundtables. Finally, there is need for a leadership that reinforces organisational learning through leader positive behaviour (Garvin et al., 2008). For instance, leaders must prompt debate and dialogue by actively questioning and listening to employees.

3. Significance of a Holistic Performance Learning System

Performance management and measurement systems succeed when the company’s strategy and measures of corporate performance are in alignment and when executive managers communicate the company’s vision, mission, strategic direction and values to both the workforce and external stakeholders (Franco-Santos et al., 2007). The performance management measures impart life to the vision, mission as well as strategy by offering a motivation and single-mindedness that enables every employee in the company to know how they can contribute towards the success of the organization and the expectations of the various stakeholders.

Business performance measurement system applies a set of metrics to quantify the efficiency as well as the effectiveness of an action (Neely, 2005; Neely, Gregory, & Platts, 1995). Performance management system can also be the reporting process that provides useful and timely feedback to the workforce on the outcome of action (Bititci, Carrie & McDevitt, 1997). Thus, a holistic performance learning system translates performance measures to be valuable and real agents of transformation. If the measurement model computes results of a particular business activity, what is needed is to compare the measured information with the required goals to ascertain if specific actions are necessary. That is, the measures usually convey the message.

Measures that are poorly chosen or inappropriate frequently are due to random and indiscriminate selection methods (Neely et al., 1995). For instance, a brainstorming exercise can make people think about possibilities and offer extensive catalogue of elements that could be measured. Regrettably, such attempts alone do not give consistent inventory of what should be evaluated. Unless the instruments are strongly linked to outcomes from a defined process, it is not easy to determine what remedial actions to adopt and be able to forecast with a degree of certainty the impact of those changes.

Thus, in order to be able to discover effective remedial actions to enhance products and services, results of critical processes need to be evaluated. In this manner, certain critical processes that are required to change can be detected when improvement is below expectation.

4. Integral Components of a Holistic Performance Learning System

There are several sources that must be investigated as a first move in creating a holistic performance management learning system. These sources usually give a strategic outlook in designing a set of critical factors performance evaluation. In the next sessions, we discuss these key components.

4.1. Strategic Orientation

The strategic plan is the basis for an authentic and useful performance learning system (Verweire and Van den Berghe, 2004). Traditional performance management and measurement systems that concentrate on the incorrect set of performance metrics have the ability to undermine a company’s strategic mission by propagating myopic business practices. Based on this fact, it is essential to discuss the key aspects of the strategic plan and check the consistency of the strategic plan to a holistic performance management and measurement system.

Based on the performance measurements aggregated from the strategic plan, an evaluation should be carried out to ascertain the quality of data and current application of existing metrics (Verweire and Van den Berghe, 2004). The aim is to identify what metrics are to be kept and constantly monitored, and the people who own those metrics as well as the information customers. Mapping performance metrics to the strategic plan can be done through the application of a computer spreadsheet or a suitable table. The various performance measures or metrics are then mapped onto the strategy which best aligns with the result of the metric. Mapping the existing metrics to the strategic plan will show which metrics do not fit well with the strategic plan and also the elements that have a dominant or powerful representation. Where the strategy is found to be out-dated or abstract, executive managers could draw on the analysis to bring up to date the strategic plan. If a metric or its related information is difficult to link back to the corporate planning, it should be straightaway earmarked for elimination. This provision frees the company from rescue initiatives in aspects that deliver insignificant value and, similarly critical, prevents information overload (Verweire and Van den Berghe, 2004).

4.2. Concentrating on Key Business Processes

Major business processes together with their respective activities are the means to realise the end results of the organisation strategic plan. But generally, these business processes and their activities are numerous within the company and each of them requiring performance metrics. Bearing this in mind, it is important to clearly distinguish the major or essential business processes of the company. The main aim should be to maintain the number of essential processes to a controllable level, but useful at the same time. More than is desirable can bring about a vast quantity of measures or metrics as well as resulting information. Furthermore, too few can bring about insufficient information for decision-making purposes (Eckerson, 2011).

4.3. Focusing on Stakeholder Needs

In performance-based management, “stakeholders” is a general and broad term that refers to all individuals who have or sense they have an interest in the future success of the company or firm. It is necessary to clearly identify who these people are as well as what their expectations and needs are. Their opinions and prospects should be taken into account when designing strategic goals. Once these people have an interest in the end results of the business processes, they also have an interest in the inputs to the business processes. Organizations need to deal with the increasingly crucial aspect in their performance management and measurement systems by effectively communicating with principal stakeholders to ascertain their point of views on what make up business success and create value for investors (Atkinson, 1997). Therefore, management must endeavour to listen to and understand the needs and desires of stakeholders. It also entails communicating to them what the company is doing in order to create value and fulfil stakeholders’ aspirations.

There are five broad categories of stakeholder groups: shareholders (owners), employees, customers, suppliers and the bigger community (Atkinson, 1997). Any organization that desire to be successful must get the active participation and support of these groups of people. Consequently, a corporate strategy needs to be designed to thoroughly comprehend what precisely these people desire and expect. Thus, developing performance management and measurement information from internal and external stakeholders serves two purposes (Atkinson, 1997): (a) it assesses whether tactical plans are being met. For example, has the company facilitated employee commitment and met customer satisfaction?; (b) it offers a method of testing the supposed cause and effect associations between the strategy and performance measures or metrics. For instance, do high quality products automatically lead to increased sales?

4.4. Executive Leadership Commitment

Leadership commitment to the designing and application of performance measures is a crucial factor in the accomplishment of the performance management and measurement system (Thomson and Varley, 1997). A major factor of executive managers’ stewardship is to executive the corporate strategic plan which they took part in designing. Hence, they need to be actively engaged in it from the commencement of any performance learning process development by putting together and communicating strategy and also by offering some input on significant measures (Thomson and Varley, 1997). There are four special ways executive managers can contribute to bring about a successful impact on a performance learning system: (a) demonstrate a genuine interest and a passionate commitment to its success through leadership by example; (b) empower employee through delegation of responsibilities. They can do this better by establishing design teams and assigning them the responsibility for choosing, defining and naming a contact person who takes care of the entire strategic measurement system; (c) develop an effective communication process that will create a crucial link between the key everyday jobs employees carry out and the company’s performance measurement and measurement system. They can do this through the use of publications and special meetings; and (d) frequently ask for feedback (Kanji, 2002).

4.5. Employee Engagement

Employee engagement is one of the best ways to build a positive culture that impact on the performance learning process (Spreitzer and Porath, 2012). When employees are involved in all stages of the performance management and measurement system, buy-in is easily established. Happy employees are more productive than unhappy employees over the long term. Empirical research has indicated that managers can employ four measures to aid employees thrive at the workplace: “providing decision-making discretion, sharing information, minimizing incivility, and offering performance feedback” (Spreitzer and Porath, 2012, p.94). Also, engaging employees will lead to the following benefits: (a) enhances employees’ loyalty, commitment and accountability; (b) employees become happy and this increases their level of satisfaction; (c) employees will act appropriately in line with the performance metrics developed and (d) employees comprehend the task at hand and the scope of the performance environment.

4.6. Accountability for Performance Measures

Eckerson (2011) believes that effective deployment of a holistic performance learning system is linked strongly to setting up an effective system of accountability. Both employees and managers buy-in or give support to the performance management system by playing an active part in a specific aspect of the performance learning system.

According to Eckerson (2011), when setting up accountabilities for the performance management system the following points should be considered: (a) every performance metric should have an owner; (b) it is necessary for employees to know how the metrics they are being held responsible links up to the general success or failure of the company; (c) adequate resources should be given to employees to enable them carry out the specific task for which accountability is demanded of them; (d) accountability is an expectation of the empowerment process and not a fault-finding game playing; (e) employees have better chances of meeting or even exceeding performance objectives provided they are given the power and authority to make certain decisions and find answers to problems and challenges with regard to the results for which they are answerable; finally (f) superior performance should be appropriately rewarded and poor performance must be reprimanded and penalized.

A conceptual or foundational framework can assist in coming to a decision on what to measure or evaluate. The Balanced Scorecard (BSC) of Kaplan and Norton (1996) embodies a holistic performance learning tool of corporate management as it integrates a multiplicity of perspectives, as there is no single performance metric that can convey the overall complexity of a firm’s performance (Neely, 2005). Thus, by creating open links between strategy, objectives, performance metrics, and outcomes, the balanced scorecard facilitates the achievement of high-level performance.

The Balanced Scorecard has three valuable qualities:

- it is captured on a single document, a number of indicators offering a more comprehensive assessment of the organisation's performance;
- the document is short and linked to the organisation's information architecture for more detail;
- rather than cataloguing indicators in a makeshift manner, the Balanced Scorecard assembles the metrics into four "boxes", and each box capturing a definite view of the organisation's performance but all boxes connected to its vision, mission and strategy (see Figure 1 below).

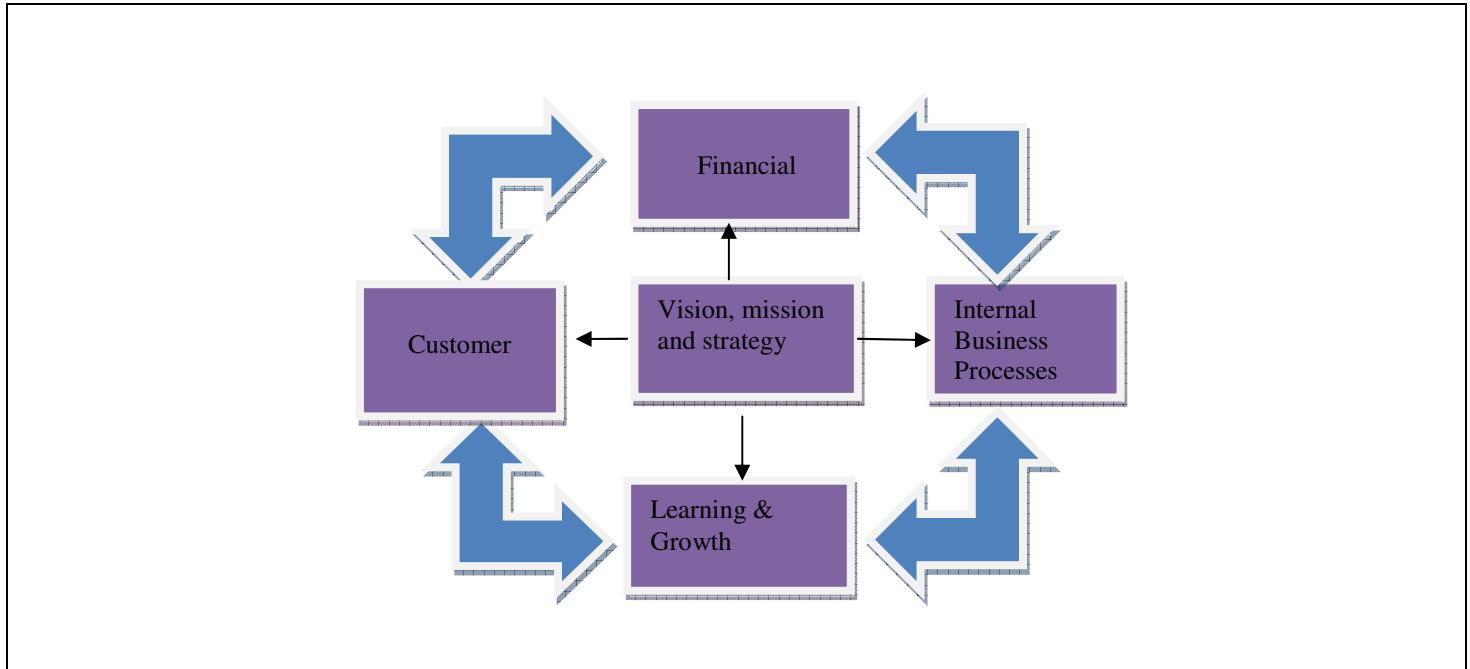


Figure 1: The Balanced Scorecard Framework (Kaplan & Norton, 1996)

- *Financial performance measures:* They spell out the long-term goals of the business unit. In addition to profitability measures, other financial measures such as cash flow, sales growth, and cost minimization measures are possible.
- *Customer perspective:* Here management identifies the customer as well as the market segments in which the various business units compete. Also considered are the measures of the enterprise unit's performance in these targeted segments. Examples are customer retention, customer satisfaction, acquisition of new customer and profitability issues.
- *Internal business process perspective:* Management identifies the key internal processes in which the company must stand out and do extremely well. These should convey the value propositions to the customers. It should also be carried out in the most economical and effective manner.
- *Learning and growth:* identifies the key infrastructure that companies need to build to establish long-term growth and enhancement. The company's learning and growth come from three major resources: its people, set of systems as well as procedures. For any of these distinct resources, suitable measures must be developed, along the lines of the strategic objectives of the company.

All processes and organizational activities need to be linked to the company's strategy. A holistic performance learning system should concentrate attention on those critical activities that, if carried out well, will lead to competitive advantage (Verweire and Van den Berghe, 2004). Furthermore, the perspectives identified by Kaplan and Norton (1996) make a lot of sense for most business organizations. However, depending on the industry concerned as well as the company's strategy, additional components may be required to integrate the interests of other stakeholders.

4.7. Communication

Communication is critical for creating and maintaining a performance management learning system (Eckerson, 2011). This communication should be multi-directional. That is, cascading bottom-up, top-down and horizontally inside and across the entire company. Communication within the company can take many forms: (a) direct face-to-face interactions, group-based mechanisms such as departmental meetings, business update reviews and focus-group meetings; (b) several forms of print media such as reports, company newsletters, publications and bulletins; (c) advanced information technology such as e-mail, on-line internet or corporate intranet systems, video conferencing and skypeing; (d) other visible means of communication such as regular post of progress charts at suitable places within the work environment (Eckerson, 2011).

5. Conclusion

A performance management and measurement system is just an instrument to enable the company realize its strategic goals and objectives. To do this effectively, individuals and groups who are to carry out the various tasks need to be highly motivated. However, it is difficult to make sure that each single metric achieves its intended impact on its target addressees. To be able to do this, senior managers must regularly modify and adjust their assumptions concerning what is genuinely driving performance (Eckerson, 2011).

Organizational learning is a unique firm capability that can be nurtured and developed over time (Jamali, 2006). It can also be guided and focused towards the path of sustainability (Meppen and Gill, 1997). The current paper stresses the purposeful application of learning practices to move the firm in the required sustainability path and through ways that are ever more fulfilling to all concerned interested parties. Learning, is a hard-won goal, which largely relies on effective communication and information architecture as well as human capital management policies.

Substantial development on the sustainability lead can be accomplished if the building blocks of a learning organisation can be effectively incorporated into the performance management system, making it possible for firms to derive the gains that ensue from accumulated experience and constant learning.

Furthermore, it is also crucial that managers and employees equally appreciate the value of ethics in the performance appraisal process (Chadha, 2016; Jamali, 2006). Careers rest on the frank and honest exchange of information. But this can only take place within an open and safe work environment. Trust is core. Senior managers and workforce will be evaluated over the long-term on the capability to build up trust and mutual respect.

Finally, managers should be thoughtful when selecting the levers of change and they must think broadly about the available options or alternatives.

As a way forward, future research should focus on how to include the elements of a learning organization, as proposed by Senge (1990), in the educational curricula of business schools.

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