

THE INDIVIDUAL CONTRIBUTOR—HIDDEN VALUE FOR IMPROVED ORGANIZATIONAL PERFORMANCE?

by

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I would like to thank Chairman Ryozi Ohnishi, President Dr. Atsuo Iiyoshi, the members of the Executive team, faculty, and staff and students of Chubu University for this honor to serve as the Kohei Miura Visiting Professor. I am grateful for your fine hospitality, of course, but most of all for the great learning experience that you have made available to me. In respect to that experience, let me begin with a personal story.

In my introductory management classes in the United States we talk about Japanese culture and management practices, albeit superficially. In one setting I recall showing a short video clip that supposedly highlighted some aspects of your culture. One scene showed a traffic intersection, with no automobiles in sight and the pedestrians waiting respectfully for the light to change before they began crossing. My students, as I recall, quickly pointed out that this was unlikely to happen in the United States; the Americans, they said, would surely cross against the light in the absence of traffic. We decided this was an example of Japanese respect for rules and authority.

On my very first day out here when walking near my residence I encountered a similar intersection, also with no traffic. While I waited diligently for the light to change, most, although not all, of the locals crossed quite matter-of-factly after seeing that there were no approaching vehicles. So much for my pre-existing and American view of Japanese culture!

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BACKGROUND

This incident brings me to the topic of this paper, a subject that I raise with some sense of risk — individual performance. Again, the outsiders' stereotypical view is that Japanese organizations emphasize teams and teamwork consistent with the conventions of a collectivist culture (Hofstede, 1980). One might think, therefore, that any attempt to discuss the value of focusing attention on individual contributors as a pathway to performance improvements might be viewed as a very contrary idea. But, just as my anticipation of ultimate respect for traffic lights proved tenuous, so too may this concern.

In fact, I gained some confidence recently when reading the book by Professor Makoto Ohtsu and Tomio Imanari, *Inside Japanese Business: A Narrative History 1960-2000* (2002). In this thoughtful analysis they provide an enlightening look at the historical roots of contemporary Japanese business practices, one that takes the reader beyond generalizations into an arena of informed description of a dynamic management environment. I was further reassured after reading a quote by Akio Morita, founder of SONY Corporation. In the book *Made in Japan* this statement reminds his readers of a fundamental management responsibility—the importance of managing individuals to high performance contributions (1986: 154, emphasis added):

To my mind the performance of a manager is measured by how well that manager can organize a large number of people and how effectively he or she *can get the highest performance from each of the individuals* and blend them into a coordinated performance. That is what management is.

FOUNDATIONS OF INDIVIDUAL PERFORMANCE

For quite some time I have been interested in individual performance. I remain confident in my interest even now, at a time when teams and technology get most of the attention. If we take time to consider the essence of teamwork and technology utilization, an essential point remains clear — individuals are the basic building blocks of high performance systems. Individuals are irreplaceable foundations that help activate the processes and accomplishments of teamwork; individuals provide the intellectual powers that

create technology, apply it to the tasks of organizations and adapt it over time for sustainability and appropriateness of use. Without denying the wonders of teamwork or the great potential of our age of technology, therefore, we must not in the process forget the individual contributor—the person upon whose shoulders and intellect the work of any organization ultimately rests.

Individual Performance Equation

When struggling years ago for success in executive training sessions, I searched for a way to interpret insights from the scholarly literature to best answer managers' questions on individual performance. Always, it seemed, they wanted to know how to better motivate people to achieve higher performance. From the academic literature I distilled a practical synthesis of insights as a framework for dialogue with practicing managers. I call it the Individual Performance Equation or "IPE." It states: Performance = Ability X Support X Effort. The three performance factors in the IPE may be described as follows (see also Blumberg & Pringle, 1982):

- * Ability—creates the capacity to perform; brings to the job relevant knowledge, aptitudes and skills.
- * Support—establishes the opportunity to perform; provides people with what they need to best apply their capabilities in a job.
- * Effort—shows the willingness to perform; offers individual commitment to actually work hard at a job.

The IPE is a reasonable and practical summary of scholarly thinking on the determinants of individual work performance. Academics will recognize consistency with core models of human behavior, motivation and leadership described by Lewin (1951), Vroom (1964), Porter and Lawler (1968), Mitchell (1974), and the many others who have subsequently built upon their foundations. Admittedly, the IPE simplifies a far more complex reality. But in its simplicity rests a utility, something of value that I hope will become apparent in the coming discussion. Importantly, the multiplicative relationships among these factors indicate that ability, support and effort must all be present to create high performance results. In simple "0-1" logic, a "0" for

any factor on the right side results in a “0” for performance; all right-side factors must have values of “1” in order for performance to equal “1”.

Performance Ceilings

The management implications of the IPE begin with the notion of what I call performance ceilings, or upper limits on performance accomplishments that can be expected under the most favorable conditions. The IPE reminds us that whenever a leader staffs a job or team with anything less than fully capable, well supported and willing individual contributors, performance ceilings are reduced. No matter how hard the leader or follower tries, individual performance results cannot be lifted far from these lowered anchor points.

Experienced managers and leaders know that performance will never be optimized continually in organizations, even in the best of conditions. There are just too many costs to be incurred from the things that can and do go wrong given the complexity of human and social systems. It is always better to subtract these costs from the highest possible performance ceilings rather than lower ones.

The Marginal Performer Problem

This brings me to a situation in organizations that I call the marginal performer problem. Some years ago my colleagues and I wrote an article dealing with a worker named Bob and his supervisor Fred. This is a synopsis of the situation we discussed (see Schermerhorn, Gardner & Martin, 1990).

In the beginning.... Bob works for the R&D laboratory of a large high-technology firm. The lab supervisor, Fred, hired him after a very thorough recruitment and selection process. Bob had excellent technical credentials from his prior education and employment. He was pleased to be hired by a prestigious lab. He had also come to like Fred during their recruitment meetings. Fred was also pleased to be able to hire Bob. He felt confident in Bob's abilities, liked his personality, and was sure he was just the person the lab needed.

Six months later... Bob's work displays a disturbing pattern. In a typical day he first arrives late. After looking at the lab clock he says to himself: *"Little behind again this morning. Oh well, its no big deal. Fred's not around*

anyway.” Then in early afternoon he notices that he’s “*come up short again*” in a certain lab test. “*But it’s not too bad,*” he thinks, “*it should be enough to keep Fred off my back.*” Finally, just before quitting time Bob has a chance to set up the equipment to get a head start on the next day’s work. Instead he concludes: “*Why sweat it? I’ll just wait and do it all tomorrow.*”

In this situation Bob emerges as a marginal performer, someone who does just enough to survive. He never performs poorly enough to get fired, but also never reaches his high performance potential. This is bad enough for one person; just imagine the cost when marginal performance by many workers is summed over a team, an organization, or even a nation. What price do we pay every day for marginal performance in and by our organizations?

I cannot answer this question for Japan, but I can give some insight from America. A Gallup Organization survey (2001) of 1000 workers reports that a surprising 19% said that they were “actively disengaged” or “fundamentally disconnected” from their work. Further, these workers were absent more, less loyal and less productive. Gallup estimated the annual cost of lost productivity to the U.S. economy at some \$ 300 billion per year.

There seems little doubt that the problem of marginal performers is too significant economically to be dismissed. What makes this problem especially interesting in the case of Bob is that he didn’t start out this way. In the beginning, Bob was full of performance potential. Clearly, something went very wrong to create in just six short months the “Bob” that we came to know as a marginal performer.

PERFORMANCE MANAGEMENT ISSUES

There are many possible explanations for Bob’s marginal performance. At the time of our original inquiry into this case, my colleagues and I recognized that Bob’s effort was clearly lacking, but could find no fault with his ability. We suggested that Fred could deal best with the situation by carefully reconstructing the support context within which Bob works. By making the right support available, including more time spent by Fred interacting and working with him, we argued that Bob’s abilities could be turned into performance gains. Interestingly, there is good explanation for Fred’s failure to

do so, and for the likely failure of managers in general to fully engage the rich potential of support as a performance management strategy.

Attribution Errors

Attribution theory (Mitchell, 1984) suggests that people are prone to systematic errors when analyzing the performance problems of others and making attributions as to their causes. The human tendency is to place blame and focus corrective attention on possible deficiencies of the individual, while missing the implications of possible causes that rest with the external environment. Look at the data in Table 1, gathered from a group of American bankers attending one of my executive training seminars. They were divided on a convenience basis into two groups. One group was asked: "What are the most common causes of performance problems *by your subordinates*?" The other group was asked: "What are the most common causes of performance problems *by you*?"

Table 1 Attributions of Performance Problems

When the subordinate was the poor performer	The attribution of cause is ...	When the manager was the poor performer
7	Lack of Ability	3
5	Lack of Support	43
12	Lack of Effort	1

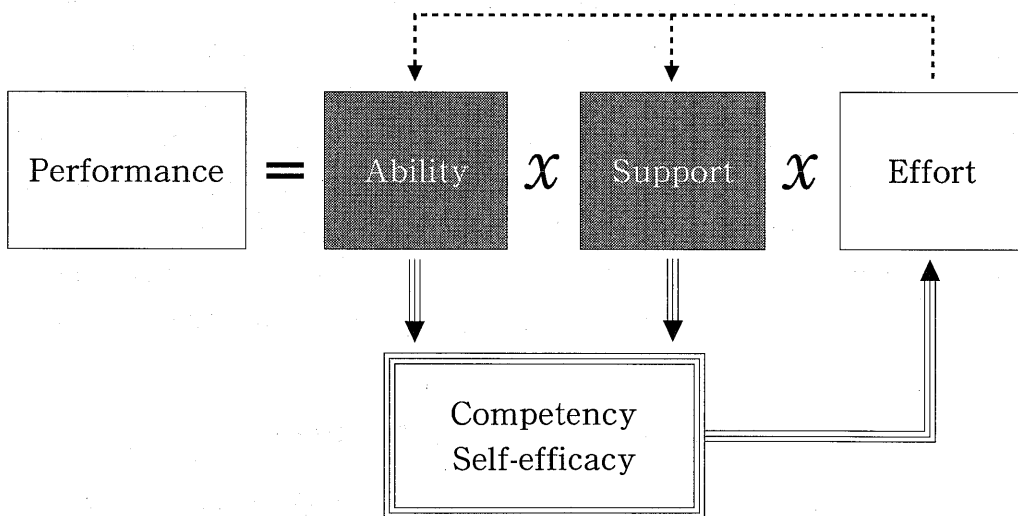
The responses in Table 1 fit a pattern predicted by attribution theory. Bankers in the first group most often attribute the causes of performance problems by their subordinates to internal deficiencies of the individuals—insufficient ability or not enough hard work. Researchers call this the *fundamental attribution error*, or the tendency to blame the other person. Bankers in the second group, by contrast, overwhelmingly identified the cause of their own performance problems as lack of support from the environment. At the seminar and with managers in general, these results allow me to ask a question that deserves any leader's consideration: "If all you need to do your job better is more support, why can't the same be said about your followers?"

Performance Leverage

The disciplined framework of the Individual Performance Equation helps to ensure that managers do ask and answer this question in their daily leadership. It forces attention to not just the ability and effort performance factors, but also to support. In so doing it also helps managers to unlock the performance value of a concept well known in the realm of finance but much less recognized in human resource management—“leverage.” The effective leader achieves *performance leverage* by routinely doing those things that have a continuing and magnified impact on individual performance. As shown in [Figure 1](#), leaders who invest in attention and resources to improve ability and increase support gain performance leverage through the secondary impact on these investments on effort.

Figure 1

Leverage Effects in the Individual Performance Equation



The $\equiv$ lines in the figure show that the keys to gaining performance leverage through the IPE rests with the motivational properties of personal competence (Lorsch & Morse, 1974; Morse & Lorsch, 1970; White, 1959) and self-efficacy (Bandura, 1977). Simply put, people who feel competent at a task can be expected to work hard at it; people who believe they can achieve mastery over a situation can be expected to attempt it. With a sense of competency and self-efficacy comes the all-important motivation from within.

Leaders make people feel competent by selecting them for ability and through the continuous training and development of those abilities. Leaders make people experience self-efficacy by providing them with the support necessary to best utilize abilities to master their tasks. As suggested by management consultant and author Peter Drucker (1988), the “hard works” of being a good leader involves selecting the right people and then developing them into highly capable followers. It involves maintaining support through such activities as setting goals, priorities, and standards, and keeping them clearly visible, as well as by being consistent and making sure that actions always back up one’s words.

One of the advantages of the IPE and the suggested performance leadership strategy is the role of positive feedback loops that continue to generate leverage, once it is activated. Shown in Figure 1 by the ----- lines, the dynamic works as follows. Effort, or working hard, creates a *learning effect*. Useful experience is a source of learning that can enhance ability through the development of job-relevant knowledge and skills. The performance leverage originally gained through the ability-competency-effort relationship is thus regenerated in a self-sustaining loop – creating “double-loop” performance leverage, if you will. Similarly, when one works hard in a job it attracts attention. Supervisors, peers and others notice the hard workers. This creates a *visibility effect* that tends to attract support, the important but often-elusive element in the work context. Again, performance leverage is regenerated as the support-competency-effort relationship also enters a self-sustaining loop.

PERFORMANCE EXPECTATIONS

For a long time my work with the IPE focused on ability and support, and the search for performance leverage as just discussed. I believe now that it is increasingly important to also give attention to the consequences of performance expectations. Going back to the case of Bob, the marginal performer, I wonder how much Fred contributed to the problem because he was willing to accept Bob’s marginal performance as “satisfactory,” especially as it emerged incrementally over time?

Satisfactory Underperformance

One of the most pressing problems faced in many organizations today may well be erosion in performance standards. When reflecting on global challenges in the 21st century, international consultant and author Mark Hayes Daniell describes satisfactory underperformance as “generating a continuing state of outcomes, which by objective assessment is not acceptable, but which has over time become accepted as the prevailing norm” (Daniell, 2000: 1). This notion of satisfactory underperformance is the very point of my current concerns.

The human being is a remarkable and highly adaptable living system; so too is the organization (Scott, 1998; Tracy, 1994). The adaptation by each, however, can be positive or negative when viewed from a performance rationale. In the case of low or average performance, adaptability may mean that over time it becomes an accepted standard; it is not viewed either as a problem that must be corrected or as a baseline from which continuous improvements can and must be made. Whether the notion of satisfactory underperformance is applied to individuals, groups or organizations, the possibilities are equally disturbing. What are the consequences, immediate and future, any time we accept something less than excellence from our students, from the workers in our organizations, from our governments, or from any of the institutions that serve society?

Looking back on Bob's situation, the following possibility arises. To an outside, objective observer, Bob's performance is unquestionably poor. But to Fred, who works every day with Bob and others like him, it may become, by default, satisfactory. By virtue of its gradual erosion over time to the present level, by its day-by-day repetition and/or by its equivalency with the performance of others in this social context, Bob's marginal performance may very easily prove acceptable. Nobel laureate Herbert Simon reminds us that decision makers tend to accept the first satisfactory alternative to come to their attention, a practice he calls “satisficing” (Simon, 1945). Not by intent but by due to satisficing, Fred may accept what he gets from Bob's performance and not aspire to that which is otherwise possible. Such leadership tendencies will not only affect Bob's future performance inclinations but also those of the people who work with him.

The risk of all this is that leaders allow continuing patterns of poor or

marginal performance to creep into organizational norms to the point where they become, as Daniell suggests, “in a perverse way satisfactory” (Daniell, 2000: 8). Just look to our schools and universities where, at least in my setting, one often hears concerns for grade inflation. It is no secret that in many of America’s classrooms what used to be “C” work is now often graded at least a “B” and in some cases even earns an “A.” Educators concerned with this trend point out, furthermore, that at the same time that the grades are being inflated students are working less hard to get them (Schilling & Schilling, 1999).

This is a disturbing scenario. But whether the context is education, business, government or something else, one has to wonder. When it comes to the performance of individual contributors in organizations, one has to wonder: Are we getting what we expect?

Self-Fulfilling Prophecies

In his classic book *The Human Side of Enterprise*, Douglas McGregor (1960) expressed his underlying respect for individuals, for their basic humanity, and for their intrinsic capability. Even today when buzzwords like empowerment, involvement and self-management are used routinely, we should remember the importance he placed on the role of the *self-fulfilling prophecy*. This is the notion that people respond in a confirmatory manner to the way they are treated. In management this is also known as the *Pygmalion effect* (Eden, 1990; Livingston, 1969; Rosenthal, 1973).

According to McGregor, if we go to work assuming that people are lazy, incapable and dependent—what he calls Theory X, people will indeed act this way in response to the way they are being treated. The assumptions influence a leader’s treatment of others and thus initiate the self-fulfilling prophecy, with negative performance effects. Conversely, McGregor argues that if we go to work assuming people are willing, capable, and independent—what he calls Theory Y, they will behave this way. This time the power of the self-fulfilling prophecy has positive performance effects. McGregor deplored what he believed to be a predominance of Theory X assumptions among the managers of his generation. He appealed for all to adopt the Theory Y perspective and unlock the benefits of a positive self-fulfilling prophecy.

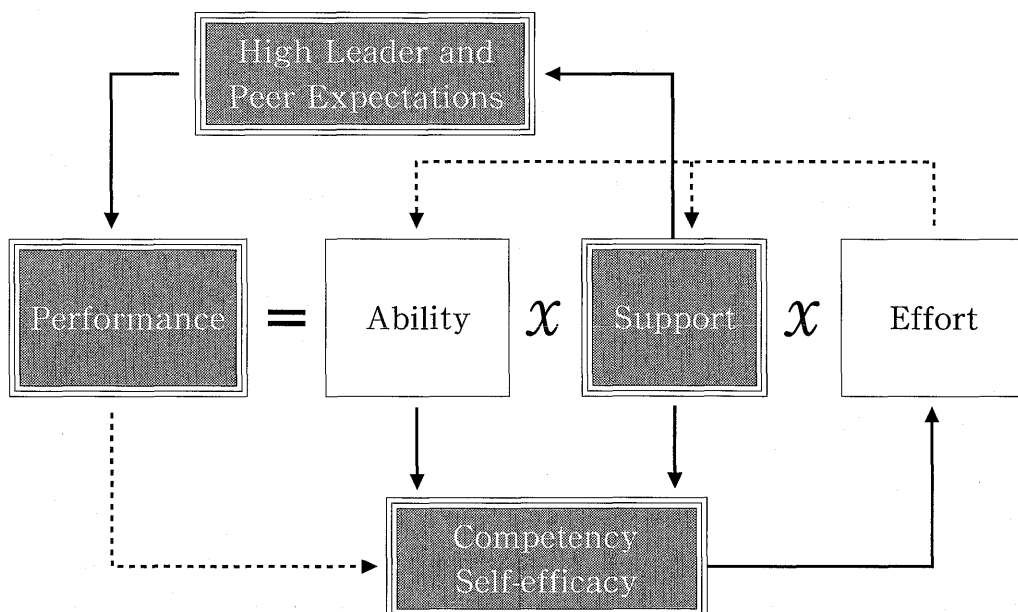
This logic helps to explain how satisfactory underperformance can

become a norm. Poor performance can become self-reinforcing; the leader who accepts it actually encourages it. When poor or marginal performance is accepted today, whether due to lack of evaluative rigor or plain disregard, it easily becomes tomorrow's performance standard. But if, as McGregor suggests, you get what you expect in the performance of others, why not expect the best?

There is no shortage of evidence in the social sciences that high expectations can make a significant performance difference, with a good example being the extensive research on the motivational properties of task goals reported by Edwin Locke and others (Locke & Latham, 1990). Both leaders and peers play important roles in the management of performance expectations. Leaders, have both the opportunity and responsibility to communicate performance expectations that are clear and challenging. Behavior in organizations is subject to strong peer influences as well. It is not just the presence of high expectations that is important, but also the social context of those expectations. High performance expectations communicated and shared among group members can have a substantial and positive impact on individual performance (Locke & Latham, 1990).

Figure 2

Individual Performance and Expectations



The managerial implications of this logic become clear in the context of the Individual Performance Equation, as now shown in Figure 2. The influence of performance expectations is activated within the framework of the IPE through the support factor. When support in a work setting includes high performance expectations that are both leader-based and peer-based, the power of the positive self-fulfilling prophecy is unlocked. By expecting high performance from the individual, the leader and peers increase the likelihood of its occurrence. The advantages of performance leverage further extend this direct performance impact of positive expectations. High performance results enhance and confirm individual feelings of self-efficacy and competency, also encouraging further effort.

CONCLUSION

I have presented in this paper three main suggestions for unlocking the individual contributor as a potential source of hidden value for improved organizational performance. The process begins with informed leadership that understands the factors and relationships of the individual performance equation. First, *leaders must accept responsibility to maximize individual performance ceilings for the performance factors of ability, support and effort*. All three factors must be maximized; not a one can be neglected. Second, *leaders must gain performance leverage by giving significant and priority attention to the ability and support factors*. They must avoid tendencies toward attribution error that would otherwise divert attention from the significant performance opportunities that can be unlocked through the support factor in particular. Third, *leaders must set and encourage others to set high performance expectations*. They must be constantly vigilant and disciplined to avoid falling into the trap of accepting as “satisfactory” that performance which is truly “marginal” or “low.” Although this may be an easy alternative for those pressured by the many complications and fast-paced activities of the contemporary workplace, doing so teaches others that it is quite all right to under perform on one’s true potential.

Organizations run on the talents of people, the individuals who come to work everyday. The Individual Performance Equation helps remind leaders of their responsibility to invest in the talents of individuals, every one of them

who comes into their care. Not a one should be neglected. I don't believe this responsibility varies in any way from one part of the world to the next, or from any one type or size of organization to the next. Here and everywhere, there are organizational gains to be found through leadership that continually nurtures talent, supports talent, and unlocks talent in a context of high performance expectations.

Thank you.

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