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SELF-DESIGNING
A PERFORMANCE MANAGEMENT SYSTEM

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The systems and practices that organizations use to manage performance are integrally related to the capacity of the organization to accomplish its business objectives and of its employees to accomplish their purposes (Mohrman, Resnick-West, Lawler, 1989). In this chapter, we describe a collaborative research project involving a large oil and chemicals company (Oilco) and the authors. The project had the dual purpose of increasing academic understanding of performance management (PM) systems and of transforming the PM practices of the firm to support strategic business initiatives and to help drive fundamental change. We describe our research collaboration with Oilco, focusing both on the collaborative processes and the knowledge outcomes. We first describe the two organizational contexts of the partners in the collaboration.

The Organizational Contexts

Oilco is a petroleum and chemicals company that in the late 1980's began to shift its corporate strategies and its organizational models to become more competitive in its fast changing global environment. At first, the organizational change strategy was relatively uncoordinated, with pockets of change taking place throughout the company. Various local business units had initiated total quality management projects, team-based reorganizations, culture change activities, and other organizational effectiveness projects. Like many companies, Oilco found itself with an increasing number of "anomalies" (Kuhn, 1970)—pockets of emergent practice that did not fit easily within its formal hierarchical organizational model and bureaucratic corporate context. To deal with change from within and without, management drafted a new corporate mission and vision, and outlined a corporate change strategy. One key initiative was transforming its human resource management practices so that they would fit the emerging ways of doing work and become a strategic business tool. Over time, HR practices had become increasingly out of step with the changes that were cropping up in how work was done.

The lead focus in this effort was performance management (PM). PM practices were chosen because they were seen as drivers of many other human resource practices. Thus, PM was viewed as a catalyst for change that could set the HR context for the new Oilco.

The Center for Effective Organizations (CEO), a research center in the business school at the University of Southern California, was established in 1979 to house collaborative organizational science research between organizations and academic researchers—research to advance academic theory while simultaneously yielding knowledge to inform practice (Cummings, Mohrman, Mohrman & Ledford, 1985; Mohrman, Mohrman, Lawler & Ledford, 1999). One underlying premise is that the field of organization research is one of the "sciences of the artificial" (Simon, 1969). Organizations are purposefully created by people; and they are continually recreated through the self-designing activities of people in the organizations (Weick, 1993) as they work together, encounter performance challenges, and/or their purposes change. A second premise of our research center is that organizational practice often precedes academic knowledge. Research methodologies are required that study organizations as dynamic rather than fixed entities with enduring features (Lawler, 1985; Huber & Glick, 1993). As noted by Kurt Lewin (1951), the best way to understand organizations is to study them when they are changing. Finally, because organizations are created by and changed by human beings, we believe they can best be understood by a dual focus on the structures and processes that comprise the organization and on the human beings whose aspirations and worldviews influence organizational behavior (Mohrman, Mohrman & Tenkasi, 1997).

Our center holds to the core epistemological principle that developing and testing theories and models of organization depend fundamentally on research approaches that enable the academic and practitioner communities to learn jointly. This principle of joint learning is also core to the pragmatic institutional arrangements of the center and the organizations with which it works. It is only because of the prospect that they are going

to learn something of use to them that organizations are willing to fund and participate in research projects with CEO. Conversely, we are interested only in projects that bring the prospect of new knowledge. The research methodology we describe here is our own, embedded in the context of our experience and the long term institutional arrangements between CEO and its corporate sponsors. It is similar to the Intervention Research approach (Hatchuel & Molet, 1986) described in Chapter 5 of this volume, but it also has similarities to action research and traditional organizational research.

Our collaborative research methodology stresses contextual sensitivity and is based on the belief that processes and systems have to be designed by the organization itself to meet its needs and aspirations. With Oilco, we sought to design management models, tools, and procedures in the context of Oilco's transformation project, to produce knowledge that serves action and builds management science theories (Lawler; 1985). Our knowledge of PM and our collaborative design-oriented research methodology were both important factors in Oilco's decision to work with us. Oilco was one of forty corporations that sponsored the Center and its collaborative research agenda. They were attracted to the notion of basing organizational decisions on knowledge gained through rigorous research processes. Our work with Oilco followed similar collaborations with other companies in studying PM processes and more general organizational design issues. These earlier studies had generated several scholarly and practitioner articles and books, some focusing particularly on the design of PM systems (Mohrman, Resnick-West and Lawler; 1989).

The Temporary System For Collaboration

We were originally approached by Oilco's HR executives. Together we designed a collaborative approach that reflected the fact that this was a corporate business initiative and not an administratively driven HR project. Top management appointed a nine-member task force consisting of the heads of seven of the corporation's companies, and two heads of corporate functions—all members of the senior management team. These

presidents and vice presidents were highly visible managers with large bases of authority and respect. They were selected to represent conservative, command and control, oil industry traditionalists; as well as more progressive, change-oriented, participative factions of top management. There was also a mix of younger, upwardly mobile managers, and those who were more established and seasoned at the top. Three members of corporate HR provided support to the task team. The two authors were collaborative research partners representing our center. The task team's mandate was to conduct a study of performance appraisal at Oilco and recommend appropriate changes to its highest corporate management committee. It was to be guided in its deliberations by the recently established corporate vision and was requested to not make changes to the compensation system.

This task force developed a mission statement, which included the development, implementation, and assessment of a performance appraisal process that "embodied corporate values and encouraged individual and team performance toward the achievement of company objectives." Key aspects of the mandate given to this team and of the mission it adopted were that they included research and evaluation, thus opening the door to research collaboration. This senior management task team also decided to be the design team and the assessment team for the new PM system, although they would ultimately appoint an implementation team to handle the logistics of implementation.

Purposes, Contributions and Roles

Although we were collaborators in the research, Oilco and CEO had different purposes, brought different resources to the collaboration, and played different roles in it. The collaboration's capacity for learning and usefulness depended on this diversity.

Purposes

The company's purpose was to design a new way to manage performance that fit its changing context and contributed to business performance. Our purposes were to learn more about the important elements of PM and the kinds of PM systems that can

work in the Oilco context, and more generally to understand the potential of PM to lead corporate change. It was critical to the success of this collaboration that the purposes overlapped. Because the company's representatives accepted that there was no solid foundation of knowledge about PM approaches appropriate for new organizational forms, they shared our interest in, and indeed felt an urgency about, conducting a rigorous, contextually sensitive research study. Our ability to validate research-based models of PM depended on Oilco's effectiveness in designing a system based on research learning, and upon successful implementation of that system so that impact could be evaluated.

Contributions

Company collaborators brought deep expertise about the Oilco context, including its organization and management processes, its various settings, organizational technologies, and strengths and weaknesses. They also brought resources to pay for the costs of research collaboration—costs that they hoped would be paid back in increased performance capability. These costs included the time of all employees involved. Although located in a university, our salaries for research activities needed to be covered by grants and research contracts. The project also included the costs of travel and survey administration. The company collaborators contributed their internal legitimacy and authority in obtaining the participation of many company members in the research process, and in driving system implementation.

We contributed grounded knowledge of PM systems from previous studies, and knowledge of the critical unanswered questions, so that the research in Oilco could extend existing knowledge rather than rediscover the wheel. Additionally, we contributed knowledge of research methodology and the process of self-design. The collaborators depended deeply on each other's contributions. Each of our purposes could only be achieved by combining our contributions. For example, the company could succeed in developing a knowledge-based system only if we brought robust state of the art knowledge and applied our research skills to design research capable of addressing

their key questions. We, on the other hand, depended on their deep knowledge of context to interpret the system interactions inherent in the operation of any set of PM practices. Although we were attributed legitimacy in the research process as a consequence of our academic record, we depended on the organizational legitimacy of our company collaborators to elicit compliance with requests for people's time to respond to interviews and surveys, and also to try out new practices.

Roles in The Self-Design Process

We had been in an advisory role to Oilco management since prior to the decision to form and staff the task force. During the initial meeting of the task team in which it drafted its mission and decided to act as the design team, we introduced our self-design model (see figure 1) to guide the task team's process. This model was based on our systematic examination of our field notes from earlier collaborative research with companies undergoing intentional organization redesign (Mohrman & Cummings, 1987; 1989). It provides a roadmap of the elements of action that were found to be antecedents of successful redesign. The self-design model is inherently a learning model; highly compatible with a research approach. It stresses the need to *lay a foundation* for strategy-driven redesign through: 1) identifying the values that are to guide the design activities and the new organization; 2) learning about what is known in the organizational sciences and from practice that is relevant to the task at hand; and 3) diagnosing the functioning of the current system and identifying the gap between the current and desired state. *Criteria* for the design are generated from the learning that results as the foundation is constructed. Laying the foundation and identifying the criteria establish shared cognitive frameworks to guide the *design* activities. These design activities, and the subsequent *implementation and assessment* activities through which the design can be improved and the foundation renewed, constitute iterative action learning that can yield contextually specific knowledge as well as contribute to general academic knowledge.

Figure 1 about here

Table 1 describes the roles and tasks carried out by the parties in this collaboration. Below, we summarize the key activities and products in the stages of self-design, emphasizing the collaborative elements.

Table 1 about here

Laying the Foundation

The task team spent its first meetings laying the foundation to design a new PM system to support Oilco's business strategy.

Values:

Most members of the task force had participated in senior management's formulation of human resources values to support Oilco's new strategic direction. Consequently, they needed only reiterate these values and discuss them as they pertained to PM. The values included: 1) respect for the individual and concern that employees can reach their fullest potential; 2) promoting maximum employee understanding of, and contribution to, the business; 3) honesty and ethical action; 4) participation in decision-making in each business unit; 5) teamwork, risk-taking and innovation; and 6) recognition and reward for contribution.

Knowledge Acquisition:

The task team developed a library of PM systems from other companies, visited those deemed of highest interest, and read several articles on the topic. We provided a framework for conceptualizing PM (see figure 2). It depicts PM as a cycle of activities starting with the definition of the work to be done (such as through job descriptions and/or goals), through the development of needed competencies, and including review

and feedback about performance. Each stage supports and is supported by contextual systems such as compensation and training (figure 2a). This cycle happens at multiple nested levels of the organizational system (figure 2b). Individual performance is nested within the performance of the team or unit, which is in turn nested within performance of the larger business. The effectiveness of the system's performance is judged against the strategy and goals of the corporation, and the performance of each level of the system needs to be managed in the context of the performance requirements of the larger units of which they are a part. These frameworks (Mohrman, 1990; Mohrman, Cohen & Mohrman, 1995) were generated in earlier collaborative studies of PM with companies experiencing pressures similar to those that Oilco was facing.

Figure 2 about here

These earlier studies had generated a clear finding that the impact of PM on performance improvement and competency development does not relate to particular rating techniques and forms used; rather, these impacts depended on the nature of the process used, in particular, on the degree to which the process achieved mutuality between the employee and manager. It had become clear in our studies that employees and their managers had different purposes for the PM activities, and that they often saw the employee's performance through very different lenses. Performance improvement ensued if the PM activities resulted in a sharing of perceptions and the development of common understandings between employee and supervisor about both the definition of work to be done and how it was to be evaluated, as well as its actual appraisal.

These and other findings from the earlier studies, which had also been informed by the broader academic work in the field of PM, were shared with the task team. This additional shared knowledge helped the task team frame the domain of PM and the diagnostic/research process. The task team took a broader view of PM than they had

started with; viewing it: 1) not as a single appraisal event, but as a cycle of activities; 2) not as occurring only at the individual level, but also at the levels of larger performing units; and 3) not as forms and formal interactions, but as an ongoing process of two-way communication between employees (individually and in groups) and managers.

Diagnosis/Research:

Task team members brought their own concerns that helped shape the diagnostic activities: 1) that the current systems were no longer working effectively because people had become preoccupied with the salary delivery aspects of PM; 2) that in many cases, employees were not receiving feedback at all; and 3) that the processes did not fit with the team-based knowledge settings in the company, where the current processes pitted interdependent employees against each other in competition for a fixed pie of rewards. More broadly, they were concerned that the management of performance was occurring through a set of top-down, bureaucratic processes rather than through meaningful interactions among managers and employees. The task force combined these practical concerns with the frameworks we provided to formulate a series of research questions to investigate through diagnostic interviews and surveys.

The diagnostic activities constituted the first research opportunity. The generation of academic knowledge through collaborative research depends on the systematic gathering, analysis, and interpretation of data (Ledford & Mohrman, 1993). We crafted the interview protocols and surveys to confirm and extend the model that had been grounded in earlier collaborative studies of PM (Lawler, Mohrman, & Resnick, 1984; Mohrman, Mohrman & Lawler, 1992; Mohrman, Mohrman & Worley, 1990). The Oilco diagnostic survey was further grounded through the diagnostic interviews (Glaser & Strauss, 1967; Locke, 2000). Linking the survey to the Oilco setting also allowed the discovery of context specific knowledge, and increased the likelihood of usefulness to Oilco. The survey data provided a baseline for longitudinally assessing the impacts of the eventual new system. The interview sample reflected the diversity of settings in the

company, and numbered around 300. We were highly dependent on task team members to provide an understanding of the work of the organization and the sub-populations to be sampled. We also depended on them to review the instruments to ensure that the language was appropriate, and that their concerns were adequately represented. The survey was administered to a random sample of the corporation's entire management and professional workforce, with over an 80% response rate and above 2000 responses.

Among the interesting findings was the high level of importance that employees at all levels in the organization attached to PM--yet they believed it was being poorly carried out by their managers. Employees felt at risk during this time of transformation. They believed that they had a lot to lose because of the close connection of PM to salary and career opportunities. Survey results showed that employees did not believe managers gave adequate attention to PM nor were rewarded for doing so. They felt (justifiably) their ratings were often changed by higher level managers to fit a pre-determined ranking of employees for salary action, that the appraisal was often not related to key job requirements, and that there was little attention to competency and career development. Additionally, employees felt that the system worked against a number of the desired new cultural attributes: teamwork, innovation, and respect.

The diagnosis confirmed that the basic frameworks and main findings from earlier settings applied as well in the Oilco context: For example, closer alignment between manager and employee assessments of performance, higher levels of performance, and greater performance improvement were reported when employees reported higher mutuality between them and their managers during the processes of goal setting and performance appraisal. To extend earlier theory, we built into the survey a more sophisticated test of the impact of work interdependency and team structures on the effectiveness of various PM elements, providing a compelling case that individual PM in highly interdependent team settings fails to take into account major antecedents of performance and sources of knowledge about the levels of performance. From an

academic perspective, these cross-sectional findings enhanced the model of multi-level PM; practically, they provided evidence that the system must enable team PM where appropriate.

Criteria:

Based on the foundation they had laid, the task team generated a list of criteria that became touchstones for the design, implementation, and assessment activities that followed. These criteria stated that the new system should:

1. promote and motivate both individual and team performance;

2. build commitment and trust by encouraging mutuality, communication, and employee involvement;

3. be clear, open, and understandable, such as in how PM relates to pay;

4. be perceived as fair and credible;

5. be flexible and adaptable to different jobs, teams and new work designs;

6. provide useful input to other practices such as career development and pay.

Design:

Keeping the criteria and models of PM in mind, the task team designed a new Oilco Performance Management system (OPM) that consists of three processes that comprise the PM cycle: 1) Performance Definition includes defining and agreeing upon the work expectations and the criteria by which it would be evaluated. This includes goal setting and the clarification of roles, tasks and other accountabilities. Performance definition was to take place as part of the company's business planning cycle. 2) Development is based on the performance needed, and includes planning for the needs of the performer and the resources required. The developmental and resource plans are to be carried out over the course of the performance cycle. 3) Performance review occurs at the end of the cycle according to the agreed-upon criteria. To allow for change and adjustments, at least one interim review is prescribed.

Based on the research findings concerning the importance of mutuality, OPM includes participative mechanisms by which supervisors and performers assume more equal, two-way roles in all stages. All processes are to be done jointly. Interim reviews can be initiated by either party, when appropriate, so that changing conditions can be incorporated. Recognizing interdependencies in the system, supervisors and performers also jointly select others to input into the review, such as coworkers, customers, and/or other managers.

The review is expressed on multiple dimensions and is no longer summarized in a single rating to be plugged into a salary formula, thus severing the previously automatic connection between appraisal and salary action. Managers' ranking of employees for salary purposes now takes place after the performance reviews are finalized rather than before. Employees subsequently receive feedback about where they fall in the salary ranking and the bases for their ranking. This change is intended to promote understanding that salary action is not based solely on considerations of absolute performance but on relative performance, experience, position in grade, and the labor market.

Individual and team goals and performance are explicitly linked to the business plans and corporate goals. Individuals' work definitions and reviews are to take place after the work group and manager get together to set group goals and review group performance.

The new system provided an action learning opportunity to test through implementation and assessment whether processes designed based on academic models and contextual understanding actually resulted in improved practice.

Implementation:

After top management accepted the new design, the taskforce formed an implementation team made up of two direct reports to each of the task force members. This group planned and managed the roll out of the new PM system. The new system was

carefully set out in documents supplied to all employees. A training and development firm was hired to create the materials and plan the training—both the design and implementation teams reviewed the materials at several junctures to ensure that they fit with the specifications and intent of the design team. Six hundred managers received five days of training so that they in turn could provide two days of training to every remaining manager and professional in the organization, about 20,000 people. Everyone in the organization had the opportunity to learn the intent and logic of the system, as well as its mechanics. The training offered an opportunity to discuss the new system and to "practice" new behaviors through role-playing.

Assessment/Research:

Baseline data had been collected during diagnosis. Selected measures were repeated 24 months later, shortly after the first full OPM cycle using the new system, and again, 24 months after that. As with diagnosis a random sample of all management and professional employees was surveyed. Other data were collected from interviews and archival sources. Assessment had two focuses: first, we measured the degree to which the design elements of OPM were actually implemented in practice and reflected in behavior; second, we analyzed whether the OPM practices resulted in the desired effects. The design team was active in crafting the methods and interpreting the results.

Degree of OPM Implementation

Ninety-seven percent of all employees received the training at implementation. Three years later 88% of new employees had received some type of PM training. The vast majority of employees and their managers followed the new practices during the first PM cycle, and this was also true two years later after three full PM cycles. Some core OPM activities, while practiced by most during the first year, became even more pervasive and established over time. The average number of interim reviews and the percentage of people with development plans both increased significantly over the assessment period as people became accustomed to these OPM elements and convinced

of their utility. The degree of mutuality with which PM activities were practiced, also showed a significant increase over the assessment period.

Effects of OPM

We compared baseline results on appropriate scales to results on the same scales two and four years later, using t- tests. Each survey was administered at approximately the same time of the calendar year, and therefore at the same point in the performance cycle. In the years after OPM implementation, Oilco and its industry ran into business difficulties, necessitating layoffs and performance pressures that led to increases in responsibilities and stresses on remaining employees. Consequently, people's job satisfaction and trust in the organization fell, and people were less likely to report that managers had sufficient time and other resources for PM. Nevertheless employees reported an increase in management encouragement of OPM. Indeed, the ultimate objectives of OPM were being met, confirming its design logic.

In particular, survey results showed that people better understood their organization, the role they played in it, and the contribution their performance made to their business. People reported a higher level of two desired cultural attributes: teamwork and a climate supportive of innovation. Also, people were significantly more satisfied with their career opportunities, reflecting OPM's emphasis on development.

One of the most vexing problems in appraising performance, as we had seen repeatedly in our studies, is that appraisers and appraisees do not agree on the appraisees' level of performance. Indeed, at the time of Oilco's baseline diagnosis, employees at all levels in the organization judged their own performance to be significantly higher than they considered it to be judged by their supervising managers. After just one performance cycle, and continuing for the two cycles thereafter, this gap closed virtually to zero, indicating that employees essentially agreed with and accepted the judgments of their managers. We expected that this would occur because of increased mutuality.

Another vexation was the way the Oilco's stress on pay for performance had resulted in managers predetermining pay decisions before rating performance in order to boost the correlation between pay and performance. Our data revealed that, using OPM, people actually began to see less of a connection between their performance and their pay. As intended by the OPM design, they showed an increased understanding that their pay was based on many considerations, only one of which was performance.

We also used correlations and regression analyses to suggest how, and the degree to which, OPM and related processes affected various outcomes. In particular, the degree to which the collective set of OPM processes was carried out was strongly connected to improved performance by the individual. The degree to which an individual's customers and/or clients provided input into the appraisal process was also strongly associated with higher performance.

OPM training and materials stressed that individual PM was best conducted in the context of managing the performance of the work group to which the individual belongs. Indeed, the data showed that use of OPM practices significantly and directly promoted team and unit performance and performance change. OPM practices also had direct significant effects on the effectiveness of team-oriented and lateral work processes, directly encouraged a climate for innovation, and spurred the creation of organizational and process improvements. All of these had positive effects on individual, team, and unit performance.

In short, as interpreted by both academic and company collaborators, the longitudinal assessment found that implementation of the OPM system accomplished the outcomes and fostered the cultural values it was designed to promote. This pattern of findings is consistent with the theory underlying the design.

Further Uses of Assessment Results:

The assessment not only confirmed the logic of OPM and evaluated its impact, but the results were also of further use by Oilco as well as of academic use.

To increase resource commitment to OPM and make it more visible, Oilco created an Office of PM headed up by a line manager who had chaired the implementation task force. This office shared the assessment results throughout the organization, facilitated discussion and dissemination of best practices, set up ongoing OPM training, and encouraged OPM use and improvement throughout Oilco. A subset of vice presidents from the original design task force served as an OPM executive committee whose role was to recommend corporate policies to strengthen the design of OPM as well as create a supportive context for it.

During the first cycle of OPM, several parts of the corporation that were operating in teams adapted it for team level PM by using the entire process at the team level. In other units, the team planning and review practices suggested as part of OPM spurred the implementation of formal teams. As a result of this and the favorable assessment data, the OPM executive committee recommended and corporate Oilco decided to stress the use of a team-oriented PM process corporate wide.

By clearly distinguishing compensation practices from OPM and essentially illuminating their problems, the design team created pressures to redesign the compensation system. As a first step, individual pay decisions were changed from being based on a strict linear ranking of all employees in comparable job levels to placing employees into three or five categories. Subsequently, corporate pay practices were changed to emphasize collective performance by creating two new bonuses for everyone: one based on their local business unit's performance, the other based on the performance of their division as a whole.

The assessment had shown that when customers, coworkers, and others were solicited for input into reviews and they provided it, the results were better on all dimensions than if only the manager and performer contributed to the evaluation. This

experience spurred Oilco to adopt 360 degree approaches to management development; yet another shift from the hierarchical worldview.

For Academic Understanding

In Oilco, the PM practices were designed to reflect the organizational worldview to which management wanted to change. These practices implied a different organizational model from the existing top-down hierarchical control model. Because PM is a set of practices that touch every employee and are central to how employees relate to the organization and get a sense of worth, it is clearly an efficient tool for building a community of shared views. In many locations in Oilco, changes in work design to create flat organizations and teams were reinforced by the new PM. Originally viewed as anomalies because they did not fit with Oilco's hierarchical and individual orientation, these work design changes provided an opportunity to see and learn about a new way of doing work. Combined with the changes embodied in OPM, they created a push for even more fundamental changes in PM and the organization of work.

Through this collaboration, we developed an appreciation for the central role that PM can play, either as a key element of change or alternatively as a stubborn barrier to change. The latter had previously been the case in Oilco. In some of our prior studies PM had primarily played a lagging support role for transformation--as part of the context that needed to be changed in order to allow the "real" elements of change to work. Alternatively, in other studies the company's desire was to increase the effectiveness of PM as a business tool, not contemplating fundamental change. In those cases, we had come to understand that increasing the effectiveness of PM required making supportive changes to other aspects of the organization's design—e.g., work designs, performance definitions, organizational capacities and competencies, hierarchical relationships, and HR practices-- and focusing on the performance of units as the context for individual PM. The Oilco collaboration deepened our understanding of how changes in PM can be used

to catalyze change in the organization in a purposeful way (Mohrman & Mohrman, 1998).

In many organizations, traditional PM practices have so shaped worldviews that even when faced with anomalies, the company stays locked in to the status quo. Firms often deal with feedback that their hierarchically driven, individual approaches to managing performance aren't working by trying to strengthen them They search for better measures, provide more training, or focus on methods to control adherence to prescribed practices, thus perpetuating the old paradigm. In Oilco, in contrast, the new approaches to PM explicitly and successfully recognized the importance of the anomalies and stimulated changes in worldview and organizational practice.

We captured this new appreciation in new models of change (Mohrman & Mohrman, 1998) in publications aimed at advancing theory and practice. In our continuing research program, we were propelled toward two research focuses building on the findings from this and other collaborations. First, having learned that the PM of individuals was a management tool with very limited potential until one moved up a level of aggregation and simultaneously managed the performance of groups, we flipped our focus and began to study the design of team-based organizations--focusing on the entire organization and all processes, including PM (Mohrman, Cohen, and Mohrman, 1995). Second, in Oilco and elsewhere, we had many indications of the power of practicing PM as a lateral, open, reflective, and systemic process as opposed to one that is hierarchical, closed, defensive and isolated. Doing the former contributed to innovation, development, and improved performance at all levels and embodied some core attributes of organizational learning. Doing the latter worked against these outcomes. One can make the case that open and reflective PM is a source of continual organizational learning. Since then we and our colleagues at CEO have pursued studies and generated publications examining organizational processes, including open system PM, that enable

an organization to learn to perform more effectively and to continue to redesign itself through time (Tenkasi, Mohrman & Mohrman, 1998).

Conclusion

Our collaboration with Oilco in their self-design of a new PM system is an example of the combination of academic and practitioner knowledge to yield advances in practice and theory. The success of this collaboration depended fundamentally on Oilco's interest in basing new practices on research-based knowledge, and their openness to new conceptualizations of the domain. It also required that we immersed ourselves in understanding and learning from Oilco's context and on both parties learning together about PM in this context. Each party brought different resources and purposes to the collaboration, and played different roles. The self-design process provided a change methodology that included the incorporation of existing knowledge, the generation of new knowledge, the translation of knowledge into practical approaches and methodologies, and the testing of these in practice.

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	Company Roles	Academic Roles	Products
Table 1 **Roles in Self-Design of Performance Management System at Oilco**			
Self-Design Overall	Designed the new practices	Provided frameworks and methods for learning and self-design	New PM system design and a process for learning from action
Laying the Foundation:			
Valuing	Determined valued outcomes	Facilitated process	Business and social system values to guide the design
Acquiring Knowledge	Read Articles; Reviewed examples of Appraisal Systems Visited Other Companies; Discussed Frameworks From previous PM Research; Interpreted and made Sense of information; Identified Relevant Research Areas	Shared and Discussed Frameworks from Literature and Research Experiences; Interpreted and made Sense of information; Identified Theoretically and Practically Important Research Areas	Shared Models; Questions to Frame Research and Diagnosis; Knowledge of Various Design Options
Diagnosing	Generated Self-Reflective Questions to Frame Diagnosis and Research; Provided System Knowledge to Inform Research Design; Interpreted Research Findings; Provided Data	Designed Research for: -Diagnosing the Current System; -Testing Existing Frameworks in Oilco; Collected Data; Analyzed Data and Discovered New Knowledge	Systematic Data-Based Depiction of Strengths and Weaknesses of Current System; Contextually-Determined Relevance of Various Models and Frameworks; New Knowledge
Setting Criteria	Set Criteria that reflected values, knowledge and diagnosis	Facilitated Sense-Making of Values, Knowledge and Diagnosis	Key Criteria to Guide Designing
Designing	Chose Design Specifications that Best Fit the Criteria and Political Realities in Oilco;	Facilitated Designing Process; Provided Consultative Input to Design	High Level Design Specifications of PM Methods, Including Process Descriptions and Instrumentation

	Generated alternative Designs to Fit Specifications; Modified and Approved Final Design		
Implement-ing	Determined guidelines for Implementation; Established Implementation Team that Generated Implementation Plan and Materials; Approved Implementation Plan Resourced Implementation Activities	Provided Consultative Input About Implementation	Implementation Plan, Instrumentation and activities: -Communication -Materials -Workshops
Assessing and Iterating	Determined guidelines for an ongoing periodic assessment and learning process; Approved and resourced assessment plan; Interpreted assessment findings; Decided design changes and additions to OPM and additional implementation steps when needed;	Advised on Methods for Assessing the adequacy of the implementation process, the impact of the design and the validity of the frameworks underlying it; Designed assessment research; Collected Data; Analyzed Data; Provided Feedback; Participated in joint sense-making; Consulted to redesign and action planning, and ongoing learning process	Assessment Instruments and Process; Assessment Report and Interpretation; Modifications to OPM; Plan for Ongoing Assessment/Learning

Figure 1: The Self-Design Strategy
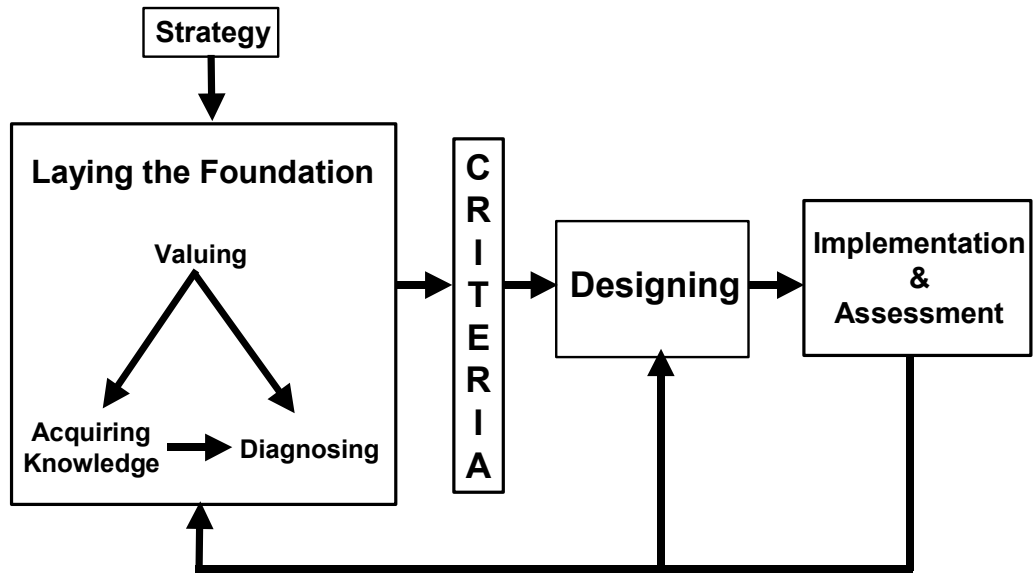
Figure 2: Performance Management Model

Figure 2a: Performance Management Process and Supportive Organizational Systems
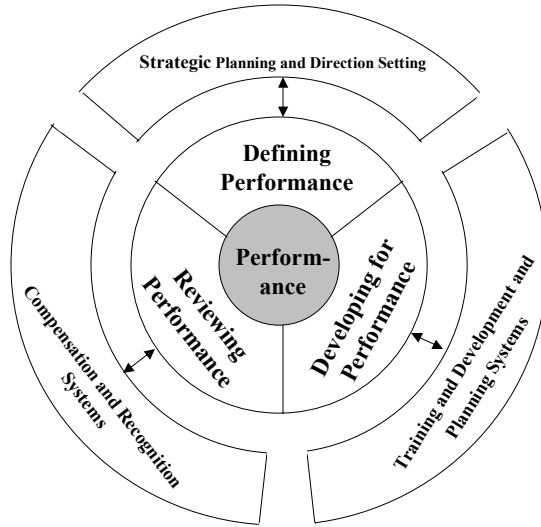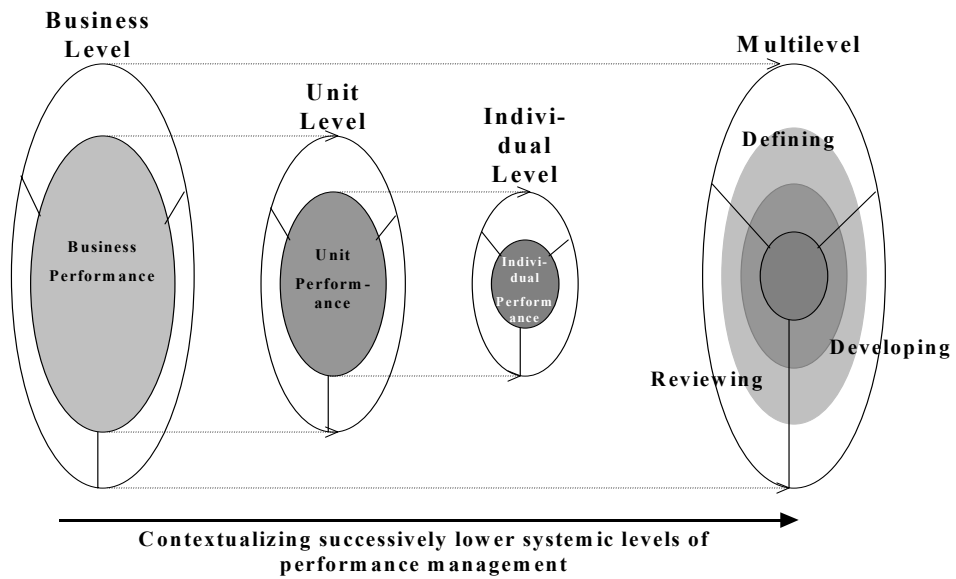

Figure 2b: Multilevel Performance Management

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Adapted from Mohrman, Cohen, and Mohrman (1995)