

PERFORMANCE AND CARE: CAREFORMANCE

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CAN BUSINESSES FOCUS ON PERFORMANCE AND CARE, FOR STAFF WELLBEING, AT THE SAME TIME?

- *Businesses have relentlessly focused on performance, at the expense of caring for their staff, in recent decades.*
- *We believe performance and care – ‘careformance’ – are inextricably linked. Sustainable performance requires caring for your employees, while caring for your staff also depends on the business performing well.*
- *Key aspects of care include psychological safety, staff mental and physical wellbeing, fostering a positive outlook, caring for each other, social connection, the ability to work in an undistracted manner, connection to meaning, and understanding that humans perform differently in different life stages.*

The business world has become addicted to performance. Over the last 30 years, thought leaders, authors, researchers, and organisations have emphasized the role of a performance-oriented culture as a vital factor for business success. Leading management thinkers such as Peter Drucker, Robert Kaplan and David Norton, Daniel Pink, John Kotter, and Jim Collins, all supported a performance-oriented workplace culture for success. They define performance as a set of shared values, behaviours, and practices that emphasise a strong focus on achieving measurable goals and continuous improvement. According to a study by consultancy McKinsey, companies with a strong performance culture achieve three times higher shareholder returns than competitors.¹

Thus, for many years, businesses have focused on building performance-focused cultures.

Naturally, many have reaped the benefits. Margins, profits, and revenues skyrocketed, precisely at the same time as their employees were working longer hours and pushing themselves to the brink. Over time, however, this approach has started to look unsustainable. The human costs of the performance drive have become clearer. This came sharply into focus in 2020, with the advent of the COVID-19 pandemic. In the pandemic, many businesses were forced – reluctantly – to allow their workers to work from home. And to offer them more flexibility. They inadvertently began placing more emphasis on staff well-being and care than previously. **Despite initial concerns, many businesses emerged from the pandemic with no decline in productivity and in many cases outstanding results.** Examples of COVID-19-related care and wellbeing efforts included:

1. Flexibility in allowing staff to work from anywhere, or at least from home.
2. Massive increase in wellbeing investments.
3. Increased emphasis on managers checking in on staff and asking them how they are.
4. More emphasis on compassionate and caring leadership during the crisis.

It could be argued that the emphasis on care has paid off. But perhaps predictability, as the pandemic has become more of a distant memory, the emphasis on care is being put aside. Once again, business leaders are becoming more concerned with performance and profitability. They're backtracking on some of the aspects of care that they'd supported during the pandemic. Flexible working is being pulled back, as workers are being forced back into the office (and back onto miserable commutes). Managers checking in with staff has been replaced by them checking if they'll hit their quarterly targets. The balance between performance and care is tilting back towards performance. There's a danger that care is being relegated once again. This is a mistake. It needs to be balanced and integrated. The **inconvenient truth** of employee stress and burnout has been growing, even as businesses have invested more in wellbeing initiatives.

All over the world, companies are reporting unprecedented levels of employee stress, burnout, and mental ill-health. Gallup estimates workplace stress has increased by 50% in the past 15 years.² An increased focus on wellbeing has been an important step in the right direction. One report estimated that the global corporate wellness market was worth US\$61.8 billion in 2022, up from negligible levels a couple of decades ago.³ But it's also clear that the wellbeing drive in modern workplaces hasn't worked. The data simply says stress has got worse,⁴ even with this tremendous expansion of wellbeing initiatives. This is no longer an inconvenient truth to be quietly ignored.

'CAREFORMANCE': INTEGRATING CARE AND PERFORMANCE

The prevailing logic in many businesses is thus: businesses survive and succeed because they perform. And that caring for employees is important to attract and retain talent. But they're often viewed as two separate issues. Many unions or wellbeing companies can look at businesses. They criticise them for failing to protect the wellbeing of their staff. But we believe a narrow focus on wellbeing or care doesn't go far enough. It's outdated thinking. We firmly believe care and performance – what we at Awaris call '**CAREFORMANCE**' – are deeply interdependent.

So, the prevailing logic needs to be rephrased: Businesses survive and succeed because of the integration of care and performance – careformance. Sustainable performance depends on caring for employees, the environment, and other stakeholders. And sustainable care for people and the environment depends on a business performing well.

A careformance approach exists in opposition to how many modern businesses are run. A narrow performance-focused culture has elements which make up the backbone of modern businesses:

- **Multiple KPIs** – Key Performance Indicators (KPIs) exist across different levels and functions. They reflect an intense focus on measuring performance.
- **Continuous measurement of financial results** – Regular monitoring and reporting of financial results indicate a strong emphasis on financial performance.
- **Constant pressure to achieve targets** – Leaders and teams know the importance of delivering on targets, whether related to sales, productivity, satisfaction, or other metrics.
- **Performance-based compensation** – Compensation and bonus structures are often directly tied to individual performance.
- **Regular performance reviews** – Frequent performance appraisals, more than just annual reviews. Comparing performance to benchmarks.

- **Constant responsiveness** – Businesses expect shorter response times in external and internal communication, demanding staff are available around the clock.
- **Emphasis on risk management** – Risks are tracked and monitored, with response strategies prepared for potential risks.
- **High employee productivity expectations** – Productivity is often monitored through detailed tracking and reporting.
- **Tight oversight** – Close monitoring of employee activities (sometimes including emails). Managers often involved in day-to-day operations and decision making.
- **Emphasis on short-term goals** – A focus on immediate results also indicates an acute performance orientation.

All of these efforts are commendable, to a degree. Some would argue they're rooted in undeniable business logic. But at Awaris, we've experienced many instances where this seemingly pragmatic emphasis on business performance is divorced from reality. It's removed from the lived experience and human reality of those doing the work. We aren't robots. **Many performance programmes don't work because they fail to understand this truth.** And below, we'll outline one such example – we could have chosen many – where focusing narrowly on performance hindered performance.

Liane Stephan is Co-Director and Co-Founder of Awaris. She recalls being in a meeting with HR and business leaders of a German automotive business she'd been working with for a few years. At one point, the discussion turned to the new CEO of the company and his incoming performance improvement programme. Rather worryingly, it was to be called the English equivalent of 'Pedal to the Metal' (i.e., time to work even faster and harder). The new CEO felt that the company was slow and backwards. It needed to accelerate its output, so it could respond to the challenges it faced. The new programme aimed to communicate his urgency, and implicitly, his view that everyone had been idling for a few years before his arrival.

Liane raised her hand. She suggested that 'Pedal to the Metal' might not be the most inspiring programme name, and felt there'd be resistance to it. The HR staff in the room agreed, nodding almost urgently (but were perhaps too afraid of the CEO to speak up). The other business leaders in the room felt quite differently. They were close to the CEO. They agreed with the logic and the need for change. They wanted the transformation to be quicker and impactful. So, the name, 'Pedal to the Metal', seemed perfect to them.

Liane paused. She felt exhausted listening to them so brazenly focus on performance, with no consideration of care. And so she said so. She added that she didn't "believe a word of what you've all been saying." And that she doubted "any of you in the room do too, if you're really being honest with yourselves."

There was a moment of stunned silence. Everyone looked at Liane, mouths slightly ajar. Several of the executives defended what they'd said. But she again asked each one of them if they really believed that merely making everyone work harder would be effective. After three of them fumbled through a few justifications, the meeting time was up. And the most senior person in the room ended the meeting early, giving Liane an irritated glare as he walked out. In his eyes, Liane had taken the wind out of the sails of this important initiative. Truthfully, Liane had done nothing of the sort. She'd merely tried to connect these performance-focused concepts to the reality of people's experience. Employees were already tired. There was a lack of psychological safety, as evidenced by the HR staff being afraid to speak up in the meeting. Innovation had declined in recent years. There was a lot of uncertainty. This was an equal part of the reality, as she experienced it. The solutions to these complex issues were not as simple as "everyone needs to just accelerate the pace and work harder!"

WHY BUSINESSES NEED CAREFORMANCE

This case study shows how far performance culture can become disconnected from human culture. Humans can't and don't perform well under constant, increasing pressure to perform. Performance culture without any consideration of staff wellbeing, will eventually fail. For example, a study by MIT Sloan School of Management found that a toxic workplace culture had a tenfold more powerful impact on employees' intent to leave than compensation did (see chart)⁵. A business can't survive with endless employee churn, as a starting point. Thus, we at Awaris firmly believe focusing equally on staff wellbeing and care is a more powerful way of improving performance, than yet another performance initiative. In other words, we believe in careformance.

The top predictors of attrition relative to compensation:

Employees value workplace culture above all else.



Most businesses, however, don't understand how important workplace culture and care is. They might do everything in their power to shave 1% off business expenditures. But at the same time, not realise their own toxic culture is costing them an enormous amount. Both in terms of employee attrition, and needing to throw pay rises at unhappy, overworked employees (who'll nevertheless leave one day anyway). They believe higher pay packets will automatically lead to higher performance. But the data from the MIT study above shows that this is not the case. A much more nuanced interplay of factors contribute to performance. With perhaps, none being as important as the workplace culture.

HOW TO FOCUS ON EMPLOYEE WELLBEING AND CARE

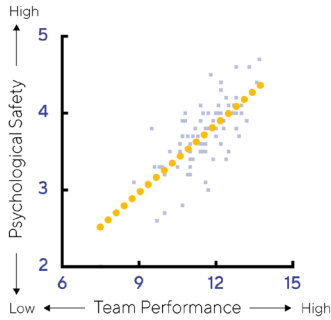
So, what do we mean by a care culture, a crucial element of careformance? A care culture is a set of values, behaviours, and practices which focus on ensuring staff wellbeing, safety, and sustainability of performance. Key aspects of care include:

- Psychological safety.
- Staff mental and physical wellbeing.
- Fostering a positive outlook.
- Caring for each other.
- Social connection.
- Ability to work in an undistracted manner.
- Connection to meaning.
- Understanding that humans perform differently in different life stages, across days of the week for example.

If we take the first of the above points, we notice something surprising. We collated data from 86 teams in 2022. It showed that psychological safety was the single biggest factor that correlated with team performance (see chart below). It had a correlation of 0.7 with team performance. This means that about 70% of the variance of team performance can be explained by the degree of psychological safety in the team. A truly striking example of

how care leads to improved performance.

You can't have too much psychological safety.



The association between team performance and psychological safety.

Whenever we meet business leaders, they're surprised by this data. They then usually agree that, yes, psychological safety is important for performance. But when we ask them where psychological safety shows up in their performance management system, they look puzzled. As if to say, "What does this have to do with KPIs?" They measure hundreds of sub-aspects of team performance. But that which makes a real difference is somehow too human. It's too touchy feely to measure. So what's often their solution? They continue to ignore it. Or let HR do a webinar about how important it is. Unfortunately, this ostrich - 'head in the sand' - approach to performance management doesn't lead to positive outcomes. How could it, when the things humans care about aren't addressed in businesses. In fact, this ostrich approach contributes to employee burnout and disengagement, posing more challenges to performance further down the line. Sticking your head in the sand is not sound, long-term policy.

MOVING TOWARDS A CULTURE OF CAREFORMANCE

In our modern, complex, interconnected world, performance is inseparable from care. We can't simply focus on performance. Measuring performance daily, weekly, monthly. And then paying attention to happiness once a year in the annual employee survey. We can't have 50 KPIs, and have none for happiness. So, how to make a shift from performance to careformance? In our eyes, **it comes down to shifting mindsets and habits.**

- **Our mindsets influence how people see the world.** Literally. Modern neuroscience shows us that we don't see exactly what's in front of our eyes.⁶ What we see is influenced by what our minds' want us to see, and what our mindsets predicts they'll see.
- **Habits are what people do, and they define organisations.** We are what we repeatedly do. Both individually and as organisations. Businesses are made up of performance-oriented habits.

Building a culture of careformance means shifting these mindsets and habits. We must shift how people see their world. And we have to shift how they behave. Only then can a new working culture be born, one which integrates care and performance. Typically, well-being and care in a culture tend to be much less pervasive. Almost an organisational bolt on. It is handled by HR and wellbeing people, separate from core organisational processes. To rebalance this means we have to look at established performance myths and mindsets. And also, to build habits of care into the very fabric of work.

In our next blog post, we'll examine and bust five myths about workplace performance.

Sources

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