



The deadly sins of performance management

Why PM keeps failing – and why the fixes don't work either

The performance delusion that keeps PM stuck

Most companies know their performance management (PM) isn't working. Many have tried to fix it. Most have failed.

That is the double frustration at the heart of this paper: PM rarely delivers the performance it promises, and well-intentioned attempts to improve it tend to produce the same result. A different process, the same outcomes. The clearest example is the wave of companies that abolished performance ratings, only to quietly reinstate them within a few years.^[1]

In our first paper, The Performance Delusion, we argued that the gap between what companies believe PM does and what it actually does is wide, persistent, and costly. That gap is not a careless mistake. It is the product of deep, often unexamined beliefs that lead organizations to keep building PM systems that don't deliver.

This paper goes deeper. It asks a harder question: why is it so hard to change PM, even when everyone agrees it isn't working?

After more than 30 years of doing this work, our answer is that there are recurring, predictable dynamics that keep PM stuck. We call them the Deadly Sins of PM.

► THE KEY INSIGHTS

THE PROBLEM

Performance Management keeps failing for the same reason: organizations redesign processes without addressing the beliefs that shape them. The result is predictable - new forms, new cycles, new language, but the same outcomes.

WHY IT MATTERS

When PM is built on unexamined beliefs, strategy execution slows, accountability fragments, and leaders operate with misalignment they cannot see. The cost is not administrative. It is strategic.

THE UNDERLYING CAUSE

Five belief traps sit beneath most PM systems. They distort alignment, default to control, misdiagnose performance issues, and rely on outdated assumptions about motivation and talent.

Until these beliefs are confronted, PM redesigns will continue to recycle the same problems under new names.

Belief errors, not operational flaws

Having analyzed more than 30 PM transformations, we have come to this conclusion: the sins are not, for the most part, operational failures. They are belief failures.

That distinction matters more than most people realize – beliefs don't respond to process changes.

This is why '**remove the rating, add continuous feedback**' so often produces the same dysfunction in new clothes.

The mechanism changed. The belief that drove the original mechanism didn't.

If you want to understand why many of these initiatives have failed – and what it would take to improve PM to deliver performance - these are the underlying reasons.

Understanding the sins – what they are, where they come from, and why standard fixes bounce off them – is the first step toward PM that actually delivers.

The sins fall into three categories:

- I. **At the top** when leadership distorts the foundation
- II. **In the process** when systems reflect control, not performance
- III. **In the mindset** when outdated assumptions shape PM



THE SINS AT A GLANCE

	#	THE SIN	THE UNDERLYING BELIEF
I. AT THE TOP when leadership distorts the foundation	01	The Alignment Illusion	<i>We agree on what high performance means. Usually, they don't</i>
	02	The Role-Modeling Gap	<i>The rules are for them, not for us</i>
II. IN THE PROCESS when systems reflect control, not performance	03	The Control Reflex	<i>If we standardize and enforce it, performance will follow.</i>
III. IN THE MINDSET when outdated assumptions shape PM	04	Solving the Wrong Problem	<i>Fix the visible symptoms and performance will improve.</i>
	05	Outdated Beliefs about Motivation and Talent	<i>Pay them more, push them harder, and bet on the stars.</i>

Each sin follows the same pattern: an underlying belief that drives solutions that don't work – and which makes changing them difficult.

I. At the top

When leadership distorts the foundation

Sin #1: The alignment illusion:

'We agree on what high performance means.'
Except we don't.

Most executive teams believe they are aligned on what 'high performance' means for the company. They rarely are.

Ask individual ExCo members in private and almost all say their team is aligned. Put those people in the same room and ask them to define 'high performance' concretely – which behaviors, which trade-offs, which outcomes – and the alignment evaporates. The conversations that made everyone feel aligned happened at 30,000 feet, where it is easy to agree on abstractions. At ground level, where strategy becomes action, the disagreements emerge.

This is consistent with broader evidence on strategic alignment: senior teams routinely overestimate how much they agree, and the gap widens the further you move from the C-suite.^[2]

The standard response to misalignment is better communication – colorful presentations, strategy cascades, leadership roadshows. None of these solve the problem because they assume alignment exists and just needs to be transmitted. The cascade carries the illusion downward.

The consequences are predictable. Effort scatters. Accountability cannot be established for something that hasn't been concretely defined. Cross-functional handovers break. People feel disconnected from a strategy that was never translated into what it means for them.

The fix is not more communication. It is testing alignment at the level of concrete decisions and trade-offs – not principles – before any cascade begins. If the executive team cannot describe the same three behaviors that define high performance, the rest of the system cannot either.

Sin #2: The role-modelling gap

'The rules are for them, not for us.'

If Sin #1 is about what leaders believe performance *is*, Sin #2 is about whether they *embody* it. Any PM is only as strong as the behaviors it asks for – and the most visible signal about whether those behaviors matter is whether senior leaders demonstrate them.

Many do not. They impose expectations they do not meet, and they call out failure to perform in others while reserving exceptions for themselves. 'We're fine – everybody else is the problem' is a sentence we have heard, in different words, all too often.

The research on what social psychologists call leader behavioral integrity – the perceived fit between what leaders say and what they do – finds that it is among the strongest predictors of employee trust, engagement, and discretionary effort.^[3] When that fit is broken, no amount of process design closes the gap.

This is why role modeling is its own sin, distinct from alignment. A leadership team can be fully aligned on what high performance means and still fail to embody it – in which case PM becomes a system the organization is asked to take seriously by leaders who visibly do not. That is one of the most corrosive forces in any organization.

II. In The process

When systems reflect control, not performance

Sin #3: The control reflex

'If we standardize and enforce it, performance will follow.'

In choosing between 'PM should be consistent' and 'PM should serve the business,' most companies landed firmly in the first camp.

The logic is straightforward: headquarters needs predictability. Predictability requires consistency. Consistency requires compliance. There are several instances, e.g. around safety and security, where compliance is required and beneficial. But the logic often extends to roles, industries and levels where compliance –over-engineered processes, rigid timelines, mandatory documentation that serves a calendar rather than performance – are not required and not beneficial. In those cases, the system is optimized unnecessarily for auditability, not impact.

The expertise is overruled. There are HR leaders and external advisors with deep expertise in organizational psychology, rewards design, and what enables performance. In many redesigns, they are overruled in the process.

The signal is in the enforcement.

When you have to push people to complete PM - reminders, escalations, compliance dashboards - the process is not solving a problem that people care about.

It exists for the system, not for them.

The mechanism is rarely status alone. It is what Harvard professor Heifetz^[4] termed 'work avoidance': leadership teams engage most readily on the parts of a PM design they feel competent to evaluate (rating scales, form fields, cycle cadence) and disengage on the harder questions underneath (whether the underlying beliefs about performance are right, and whether the executive team itself is part of what the PM needs to address). Engaging on form design feels productive, while protecting the team from the more threatening conversation. The result is PM that is technically tidy but ineffective.

PM is treated as administration. As long as PM is seen as administrative process rather than as a critical lever to execute the business strategy, the natural orientation is process integrity rather than performance impact. Compliance becomes the success metric.

The removal of ratings is instructive. Many companies abolished ratings over the past decade, convinced that removing the formal rating would eliminate the dysfunction. In most cases, the dysfunction returned in a new form, or the ratings came back. The underlying need to differentiate, control, and rank – and the belief that formal evaluation is what creates accountability – was never addressed.^[5]

The process changed. The belief survived.

Sin #4: Symptom Syndrome

'Fix the visible symptoms and performance will improve.'

The most expensive sin in practice is not the most visible. It is the habit of solving the wrong problem – repeatedly, expensively, with genuine good intentions.

Performance gaps have causes. In our experience, companies rarely know what those causes are – not because they haven't looked, but because finding them requires a level of diagnostic honesty most PM redesigns don't start with.

Instead, the redesign starts with a symptom: engagement scores are down, retention is suffering, managers aren't having good conversations.

The trouble is that symptoms and causes are different things, and PM systems are particularly prone to confusing them.

How to tell a symptom from a cause

A symptom is what you measure on a dashboard. A cause is what produces it. The four most common true causes of underperformance in our work, are:

► **Clarity.** People don't actually know what good looks like in their role, or which trade-offs to make when priorities conflict.

► **Capability.** People know what to do but don't yet have the skill or confidence to do it well.

► **Conditions.** The system around the person – tools, dependencies, decision rights, workload – makes good performance harder than it needs to be.

► **Conviction.** People know what to do and could do it, but the work doesn't feel meaningful, fair, or worth their best effort.

'Managers aren't having good conversations' is a symptom. Whether the cause is *clarity* (they don't know what to talk about), *capability* (they cannot hold the conversation when it gets hard), *conditions* (the calendar gives them no time), or *conviction* (they don't believe the conversation matters) determines what the fix should be.

In our experience, the most common cause is capability – but not in the sense of lacking technique. What gets in the way is what Todd Holzman has coined 'The Overprotective Programming^[6]' that sets in the moment a conversation becomes or is seen as even mildly threatening:

Comfort:

Avoiding avoid conflict; minimizing negative emotions (self/others), and choosing false harmony over honest conflict

Competition:

Trying to win and not losing the argument.
Trying to be right and not wrong

(Unilateral) control:

Being too focused on your agenda vs. your & their agenda, and dominating a conversation when dialogue is needed

Camouflage:

Wearing a mask and withholding who you are and what you truly think and feel to manage appearances

Condemnation:

Being overly critical of self and others; creating stories about others' motivations, personalities, character, etc. to explain their undesirable thinking and/or behavior.

These are not skill gaps. They are protective routines, often unconscious, that preserve the relationship at the cost of the conversation. First identified by Chris Argyris as 'Model One,' The Overprotective Programming is the unconscious operating system that takes over under threat: comfort blocks courage, control blocks collaboration, and the conversation gets shaped to manage the discomfort rather than address the issue.^[6]

Designing a new conversation handbook – the typical response – addresses none of this. It gives managers a better script for a conversation they are wired to avoid having.

The symptom-fix loop is self-perpetuating. Each redesign produces a short-term improvement on the symptoms that triggered it, which validates the approach. The cause goes unaddressed, the symptom returns in a new form, and a new redesign begins. Most companies we work with are on their third or fourth such cycle.

III. In the mindset

When outdated assumptions shape PM

Sin #5: Outdated beliefs about motivation and talent

'Pay them and push them harder – and they'll perform'

The fifth sin is the most deeply rooted. It has two faces that are beliefs about where performance comes from. Both have been contradicted by decades of research. Both still shape PM design.

Face one: the motivational myth

Many leaders still operate on two assumptions about motivation: that people cannot be trusted to perform without pressure, and that pay is the primary lever for getting more out of them. The more we pay, the better the performance. The harder we push, the more we get.

The evidence is unambiguous and has been for decades. Beyond a threshold sufficient to feel fairly compensated, additional pay does not produce additional performance on work that requires judgment or discretionary effort – which is most of what organizations actually pay for.^[7]

Self-determination theory – the work of Deci, Ryan, and the forty years of empirical research that followed – finds that sustained performance depends on autonomy, competence, and relatedness. Pressure in the absence of these produces compliance at best and burnout at worst.^[8]

Meta-analyses of pay-for-performance schemes find effects are smaller, narrower, and more conditional than most leaders assume. They have also found that they reliably erode intrinsic motivation when applied to complex, interdependent work.^[9]

Most companies know this in the abstract but do not factor this in how they design the link between PM and Reward. The result is a familiar pattern: motivation erodes, capable people burn out, and the strongest performers are often the first to leave.

Face two: the superhero fallacy

The second face is a belief about where performance lives in the workforce. Organizations spend an enormous share of their time, attention, and reward budget on the top three to five percent – the ‘hyperperformers.’ Some studies suggest these individuals produce up to eight times the output of the average performer. ^[10] The logic seems compelling: invest where the return is highest.

The math rarely holds. Even if hyperperformers produce 8x the output, the remaining 95–97% still generate the vast majority of total output. The majority of our organizations have become what we call ‘the forgotten middle.’ A 1% improvement in the performance of the ‘forgotten middle’ will, in almost all realistic distributions, produce more total gain than a 1% improvement in the hyperperformers alone. For a top-performer focus to outperform investment in the middle on output alone, your hyperperformers would need to be on the order of 19 – 32x as productive as average – a level of dispersion no published study supports. ^[11]

There is a legitimate counterargument, of course, and it deserves to be taken seriously: our hyperperformers can lift others through role modeling, knowledge transfer, and standard-setting – a multiplier effect that doesn’t show up in their direct output. ^[12] That effect is real, and in some organizations it is large. But it is also conditional: it materializes only when your hyperperformers are visible to the middle, embedded in the same teams, and rewarded for developing others. Most PM systems are not designed to produce any of those conditions, which means the multiplier is assumed but rarely realized.

The forgotten middle is the largest untapped performance lever most companies systematically ignore. The strategic implication isn’t to abandon investment in hyperperformers.

It is to design PM in reverse order: build a system that genuinely improves performance for the 90% in the middle, and the hyperperformers – who are usually well-served by any decent system – will continue to thrive within it. Most companies do this exactly backwards: they design the system around the top, then wonder why it fails to lift the rest.

Why the sins persist

Reading this list, it is reasonable to ask: why do smart people, in well-run organizations, keep making these mistakes?

The answer is not incompetence. As we said at the outset, these sins are belief failures, not operational ones – and beliefs are protected by identity, by incentives, and by the human work of making new things mean old things. When a company removes performance ratings, it changes a mechanism. It does not change the belief that formal evaluation creates accountability, or the conviction that differentiation is essential. The sin survives the fix.

This is the trap at the heart of the Performance Delusion. Companies believe they are solving the problem. In reality, they redesign around it. What the evidence suggests – and what we have seen work in practice – is that lasting change in PM requires two things most transformation programs skip:

An honest diagnosis of what is actually preventing performance, at the level of clarity, capability, conditions, and conviction – not at the level of the symptom that triggered the redesign.

A deliberate confrontation of the beliefs that have shaped the current approach, starting with the executive team. Not a workshop. A series of decisions made differently. Neither is easy. Both are necessary.

The path forward

Organizations that break these traps don't start with process. They start with a diagnosis. The diagnosis comes before the redesign, not after it, and it tests beliefs as rigorously as it tests mechanisms.

Our approach – what we call Diagnose Before Design – inverts the usual sequence. Rather than starting with what the new PM should look like, it starts with three questions the executive team must answer concretely:

- ▶ What performance does our strategy actually require? Defined in concrete behaviors and trade-offs, not just high-level principles.
- ▶ What is preventing that performance today? Sorted into clarity, capability, conditions, and conviction.
- ▶ Which of our current beliefs about PM is one of the sins in disguise? Surfaced, named, and decided on – before any process design begins.

Only after these questions are answered does process design start – and at that point, the design is constrained by the diagnosis rather than by the previous PM's assumptions.

In our experience, this sequence is what separates the small number of PM transformations that work from the much larger number that don't.

A five-minute self-diagnostic

Five questions for your leadership team. If you answer 'no' – or 'probably not' – to two or more, the sins are likely to operate in your organization.

- ▶ If we asked our top ten leaders to write down, separately, the three behaviors that define high performance here, would the lists meaningfully overlap?
- ▶ Do our senior leaders visibly hold themselves to the same performance standards that PM imposes on others?
- ▶ Could a manager skip our PM process and still have the conversations that drive performance – or does the process exist mainly to satisfy HQ?
- ▶ When performance is below target, do we know whether the cause is capability, clarity, motivation, or system design – or do we default to only pointing at the individual for the lack in performance?
- ▶ Does our PM design the experience for the middle 90% of our workforce, or only for the hyperperformers and the bottom outliers?

Start the conversation

If your PM is not delivering the performance your strategy requires – or if you are not sure whether it is – we would like to talk.

We offer a focused 90-minute Belief Audit with your leadership team: a structured conversation, run by us, that surfaces which of the five sins is most likely operating in your organization and where the highest-leverage starting point is.

Most leadership teams find that the audit alone produces more clarity about what to do next than the previous redesign did.

To schedule the audit, contact Marco Mingolla at marco.mingolla@mpactg.com.

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