Performance Measures

Performance measures are the means of evaluating the performance of the persons assigned to the various critical tasks designed to implement the strategy and achieve the mission of the firm within capital investment and expense budget constraints. Many of these performance measures are financial in nature—simple restatements of the capital allocations and revenue/expense budgets. Others are numerical, and are related to such aspects of job performance as unit output, customer satisfaction, product performance, workplace safety, employee morale, and environmental preservation. Setting these performance targets for people assigned to critical tasks is felt to be an important aspect of corporate management; it is frequently said that, "If you can't measure 'em, you can't manage 'em." The issue in performance measures, as in financial supports, is whether the measures are set to maximize the profits for the company or to fulfill the duties and meet the goals of the mission statement.

None of the published accounts of the hearings and trials that followed the wreck of the *Exxon Valdez* spoke specifically of the performance measures that were is use by the Exxon Corporation. It can be assumed, however, given the restrictions on capital allocations and limitations on budgeted expenses, that all of them focused on profits. It would appear that none of the managers at Valdez were measured on the availability of response equipment and inventory, or on the training and capability of recovery employees.

Incentive Payments

Incentive payments are the means of rewarding the performance of the persons assigned to the various critical tasks designed to implement the strategy and achieve the mission of the firm. They are the method by which the people supervising the programs and managing the divisions are rewarded for meeting the performance targets that they have been assigned. These rewards can be financial (bonuses or commissions), positional (promotions and raises), or reputational (recognition and praise). They are usually tied very closely to the performance measures; if an individual meets the target that was set on—for example—divisional profit, customer satisfaction, or workplace safety, then the incentive payments reward that achievement. These rewards for meeting performance targets often have an impact upon the occurrence of moral problems that can charm others, particularly if the size or the importance of the incentives for the manager can overcome that person's judgment as to what is best for the firm. Bonuses and commissions that form a very high percentage of an employee's total compensation package often lead toward "cutting corners" and "taking risks."

Again, none of the published accounts of the hearings and trials that followed the wreck of the *Exxon Valdez* spoke specifically of the incentive payments. It can be assumed here also, however, that most if not all of them focused on rewarding the managers who met their profit, revenue, and cost objectives. Had those managers received a bonus, or a promotion, or even just recognition and praise for having response equipment and inventory on hand, or for having trained employees ready to react, the spill probably would not have been left uncontained for 59 hours rather than the 5 hours specified in the contract with the state of Alaska.

Prohibited Procedures

Prohibited procedures are a published listing of procedures and/or actions that simply will not be tolerated by the company. This listing of behavioral standards, often termed a "Code of Conduct," generally differs in two important ways from the mission statement. The mission statement usually is very idealistic; the conduct code frequently is very realistic. The mission statement is very general; the code is very specific. Examples of prohibited acts that are often included in a Code of Conduct are "Employees of this company may accept no gifts, lunches, dinners, or other forms of entertainment with a value over $25.00," or "Employees of this firm must never falsify accounting records or expense accounts." There often is an emphasis upon financial limits, not mission priorities, in these prohibited procedures.

The Code of Conduct of the Exxon Corporation was reproduced earlier in this chapter. Essentially, it says that laws should never be broken, bribes should never be paid, and benefits should never be accepted. It does not, however, say that ship's officers should never be intoxicated, safety equipment should never be unavailable, or safety training should never be neglected.

Leadership Actions

Often it is possible for the senior executive of an organization to take a dramatic action, or issue a memorable statement, that will indicate to members of the organization the relative weight to be given to profitable outcomes versus social or environmental impacts. It is easy, in many business organizations, to forget the values, goals, and priorities of the mission statement if those differ from an everyday focus on financial performance. It is hard, in most business organizations, to get people, even diligent employees, to carefully read memos or attentively listen at meetings about social or environmental performance. This is particularly true in large organizations in which there are hundreds of memos and numerous meetings. Senior executives, however, simply by the way they publicly choose to spend their time or voice their concerns, can clearly indicate their priorities.

Apparently no senior executive at Exxon had been at the Valdez terminal to publicly inspect spill response capability, or had attended environmental meetings to energetically endorse spill prevention technology, since Lawrence Rawl had become chairman. Mr. Rawl did not go to Prince William Sound after the grounding of the tanker, which seems to indicate his position on the financial performance versus social and environmental performance question. Prior to the wreck, there were many things senior executives could have done, had the company included environmental protection in the mission statement, to convey the importance of that protection. Inspection of sites, interviews with employees, and presentations of awards would all have been possible. These were not done at Exxon, and the result was not only severe damages to the society but huge charges against the company.