

**BALANCED LEADERSHIP, PROFESSIONALISM, AND TEAM TRUST**  
**PREDICT POSITIVE ATTITUDES TOWARD PERFORMANCE MEASUREMENT**

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**ABSTRACT**

In our four-year study, we advised the Logistics unit of a medium-sized Dutch firm during their development of their unit's performance measurement system (PMS). We gathered four sets of quantitative survey data, involving a panel of 42 Logistics employees. At the end of this time frame, we found significantly improved attitudes toward performance measurement and a heightened level of employee professionalism. Regression results show that a positive attitude toward performance measurement is predicted by balanced team leader behaviors as well as a high level of employee professionalism and team trust.

Adler and Borys (1996) contrast two types of formalization: "coercive" and "enabling." Enabling formalization provides "organizational memory that captures lessons learned from experience" (p. 69). Enabling formalization supports and complements employees' own knowledge and experience: "to help users form a mental model of the system they are using" (p. 70). An *enabling PMS* supports employees in their work and facilitates employees to refine extant performance measures in order to make the performance measures more accurate and effective, rather than it being a mere control device of senior management. Due to an enabling PMS employees feel motivated to use the PMS to their own benefit and, at the same time, to the benefit of the organization.

The introduction of performance measurement in an organization, whether appearing in an enabling or coercive formalization mode, is essentially an organizational-change process. Leadership in change contexts is widely assumed to affect how people experience such change. For an effective impact of PMS, leadership is vital since PMS are never 100% valid, complete and understandable. Employees are easily threatened by PMS; they often feel that their performance "as measured" does not necessarily reflect their "real" performance. Because of this, there is an important role for managers in dealing with the stress, ambiguity, and uncertainty that performance measurement may invoke.

Leader behavior must always balance well between people-orientedness (as in protecting people by representing their interests in PMS design decisions, setting realistic targets, interpreting outcomes respectfully, etc.) and behavior that demands certain results (as in being clear about expected performance and confronting people in the case of substandard results). Particularly well-balanced leadership behavior does not only demand solid employee performance but, at the same time, is also engaged in creating the conditions wherein employees

can thrive. If leaders/managers are able to resolve this inherent, daily challenge of being both task- and relationship-oriented (Amabile, Schatzel, Moneta, & Kramer, 2004) and if they do this in a way that is seen as fair by employees, then such leadership works positively for employees, also in PMS affairs. In other words, an effective leader is someone who is clear on what is expected of employees, uses performance measures (next to other inputs) to assess results, and does not hesitate to tell people to improve results when needed. At the same time, such a leader is someone who can empathize with team members, is willing to discuss issues concerning the validity or completeness of extant performance measures, and empowers employees in the pursuit of goals. An effective team leader is able to strike a balance between these seemingly opposing leadership elements (Amabile et al., 2004; Bommer et al., 2005; Bass, 1985; Eisenbach, Watson, & Pillai, 1999). Recent leadership literature is starting with a specification of the corresponding leader behaviors. Besides employees' sense of "balanced leader behavior" our longitudinal study will examine two other forces hypothesized to affect positive employee attitudes toward performance measurement: high "employee professionalism" and high "team trust."

Adler and Borys (1996: 76) pose that professionalism is an important factor for creating enabling formalization. We propose that high employee professionalism is a key condition for the successful introduction of PMS in a developmental, enabling-formalization mode. Drawing on Adler and Borys' framework (1996) in the context of developing PMS, if one builds on employee experiences, one is invoking professionalism. Adler and Borys (1996), for instance, mention "a professional orientation toward the performance of duties" (p. 76) as an important prerequisite for adaptive development. They mean here "the emergence of practices that solve incipient operational problems, practices developed by employees in the course of their work that were not deliberately instituted by superiors" (p. 76). In other words, Adler and Borys (1996) argue that when employees are involved as users in the process of formalization and when they build on their own experience, they need to be professional with respect to the performance of duties. "Professionalism" we define here as the degree to which employees are actively engaged in the continuous improvement of their work and work environment. It is reflected in a positive inclination toward continuous learning for improving both the business and professional quality of one's job. Caldwell et al (2004) found that employees' motivational orientation and their achievement pre-disposition predict satisfaction with organizational change. Whatever the various causal agents of "professionalism within a particular job" are, we note that, if employees are inclined to improve their daily work tasks with the help of professional values and norms, performance measurement is likely to be seen by those employees as a positive development. This will be especially so if these employees are actively involved in the PMS formalization process itself (see also Brown, 1996) as present in our case situation.

McKenna and Maister (2002) argue that a key to the creation of a trustful climate is the valuing of the advice, ideas and opinions of employees. Communication, employee input as well as similar norms, values and beliefs are important in creating a climate of trust and in creating a good relationship among employees and between employees and their bosses. Kiffin-Petersen and Cordery (2003) show that when employees trust their co-workers and their bosses they will be more inclined to effectively work in teams. Team trust thus pertains to the confidence that team members place in their colleagues to achieve success in their work and to share it within their teams. Applied to our study's context it includes the faith that employees have in their team leader and colleagues to interpret the results of the PMS openly and honestly. Also Tierney (1999) reports that team relational quality and perceptions of team climate may reflect the psychological climate for change among employees. Team trust can thus enhance employees' attitude toward change, in our case the development of performance measurement systems. We

submit that employees who are able to trust their immediate colleagues will be more inclined to view the development of a PMS as a good thing; in other words they know they can trust the interpretation of the results of the PMS in an honest and constructive way. *In sum, the key hypothesis of this study is: In a developmental PMS context, a positive PMS attitude is predicted by a high level of balanced leader behavior and a high level of professionalism and team trust.*

## METHODOLOGY

This longitudinal research is part of a larger study that started in August 2002. We set out to study employee experience with performance measurement while advising managers and students concurrently and thus also contributing, indirectly, to these experiences. This form of action research took place in the Logistics unit of a Dutch medium-sized beverage manufacturing company.

Since the start of our cooperation in 2002, the PMS within the Logistics unit expanded. This was triggered by recent strategic decisions. The company had made very significant investments in a new manufacturing and office site, its major one, aiming for efficiency improvement and further growth through quality improvement and product innovation. In this context, the strategic role of the Logistics unit had been explicitly formulated. And the Logistics director and his senior managers felt the need to get multidisciplinary advice from the two senior authors who work full-time at the local university (one in Organizational Behavior/Change and the other in the field of Managerial Accounting). This initiative was further stimulated by the arrival of a new CEO who put significantly more emphasis on performance measurement than ever before and who introduced a company-wide “Balanced Scorecard” initiative. In addition, the company’s newly implemented information systems (including the Business Warehouse module of SAP) created additional possibilities for performance measurement.

The two first authors met regularly with the Logistics management team and with the senior managers of the Logistics unit. The research students were also frequently on site, to collect survey data and to assist team members in refining extant or new performance measures. We felt that it was important to build on and improve existing skills, knowledge and practices of those involved in the PMS shaping process. The literature had shown that bottom-up, incremental, changing and improving of the PMS through employee experimentation, and building on user/employee experience, would lead to sustainable organizational change and improvement (Abrahamson, 2000; Lowe & Jones, 2004; Zollo & Winter, 2002) and also enhance the development, implementation, acceptance and effectiveness of the PMS. As advisors we tried to put this wisdom into practice. The approach taken in all subsequent developmental projects built on working together with those people in the organization who would later have to work with the performance measures being developed. And in the developmental process, detailed attention was paid to already existing informal performance measures in the organization, and considerable time was spent on building prototypes of new measures using real data as soon as possible, and allowing generous experimentation with new measures.

Some time into the project, April 2004, the company’s top-management started a company-wide project to implement a standardized performance measurement format. We interacted with the director leading this initiative. This director leading the company-wide project used the Logistics unit as an example within the company, because they were furthest with performance measurement. The Logistics unit convinced the project leader to leave room for their developmental approach, which could have been compromised by the standardized new format that allowed less time for user involvement and experimentation. Hence, Logistics’

employees were asked to stay involved in developing PMS through experimentation. On the basis of their intimate familiarity and hands-on experience with the local conditions, they were enabled to self-create, incrementally, a situation-specific, team-based PMS.

## **Sample**

This survey was designed as a longitudinal panel-study; data was collected with the same survey instruments: from the same respondents, four times over a two-year period. There were, at the time, 150 employees who made up the four departments in the Logistics unit. The sample included 42 employees, selected to be representative of the Logistics unit, and with individual membership proportional to the number in each of the four departmental teams. In terms of the sampling procedure we first asked the team leaders to make a list of employees who were representative of their teams in terms of their attitude toward the PMS. The Logistics management team then reviewed the list of prospective panel members and made some adjustments so that the representativeness selection criterion was upheld. Panel members had to have been permanently employed (for at least a year) in that team. All four team leaders were involved in the panel survey, because of their key role in the developmental PMS process. Within our four-year period, through trial and error as well as experimentation, all departmental employees came to work with the performance measures in one way or another, including the review of the generated PMS results. And they all did this on the basis of their experience with the local conditions pertaining to the performance measurements already in place.

The first, third and fourth data wave generated 42 complete questionnaires (from all respondents). The second data wave, however, generated only 40 completed questionnaires. This was due to 2 illnesses. Meanwhile, one person on the panel had left the company, just before data wave 2, whom we replaced carefully; that substitute panel member remained responding in the two following data waves. Thus, the slight attrition on the panel was resolved satisfactorily.

We had asked for demographic data only when a participant participated the first time. At the beginning of the study, the average age of the respondents was 42.4 years old, and they had worked 17 years for the company (with a range of tenure from 1 to 40 years); of which 13 years in the Logistics unit (with a range of tenure from 1 to 33 years) and 10 years in their current function (with a range of tenure from 1 to 33 years). The vast majority of the respondents were male (83%).

## **Longitudinal Data Collection**

The actual data collection started off with a formal request to participate in the panel survey. In several team meetings and through a letter, signed by the director of Logistics, the respondents were given an explanation of the study's purpose, and their role in it. During these meetings our assistants ensured participants that the data gathered would be confidentially held. Confidentiality was important to the respondents because certain teams were quite small, and the management team also knew which employees were members of the panel. We promised that we would never report results at the team level, only at the departmental level: for all of Logistics. To further ensure confidentiality, the completed questionnaires were filed at the university, which made it impossible for anyone in the company to come to know anything about the completed questionnaires. We consistently emphasized the confidentiality of the data, which resulted in the panel members giving honest and useful answers.

For the first administration of the survey, appointments were made with all panel respondents. In the second, third and fourth administrations, appointments were only made with those members on the panel who were unaccustomed to filling out these kinds of questionnaires by themselves. For the regression analyses of this paper, we used only the data from the third and fourth data waves. The first data wave we considered a pilot study, after which we added new questionnaire items. In other words, the scale construction was finalized by the beginning of data wave 3. Another reason for using data from data wave 3 and 4 only pertains to our study's focus: the attitudinal outcome of our intervention (best described and illustrated in Wouters and Wilderom, in press) that transpired at time 4. Moreover, Wouters and Wilderom (in press) already reported the regression results based on data waves 1 and 2, and the results are entirely compatible to the results reported here.

*For the employed measures in this study, consult Wilderom, Wouters, and van Brussel (2007).*

## RESULTS

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 Table 1 about here  
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The hypothesis was tested using Ordinary Least Squares regression analyses. Model 1, 2 and 3 of Table 1 support the hypothesis. After controlling for age, length of employment and education level, all three independent variables appear to have a significant effect on PMS attitude. Comparing the first 3 models of Table 1, team trust is found to explain most of the variance while both other hypothesized forces have additional explanatory power. The most comprehensive model (Model 4 in Table 1) shows the leadership variable ( $\beta = -0.05$ ) not significant. This does not disconfirm the Hypothesis, since Model 3 can explain one-fifth of the variance and is clearly based on a significant zero-order correlation between balanced team leader behavior at time 3 and PMS attitude at time 4 ( $r = .44, p < 0.01$ : see Wilderom, Wouters, & van Brussel 2007). The significant zero-order correlation between team trust and leader behavior at time 3 is nearing multicollinearity (0.67). Hence in Model 4 of Table 1 we can read that team trust may have "pushed out" leader behavior from contributing significantly. As shown in Model 5 of Table 1, when the leadership variable is omitted from the regression equation, professionalism and team trust remain significant with a slight decrease in R-square ( $\Delta R^2 = -0.001$ ). In Model 6 of Table 1, team trust is removed from the regression equation, resulting in both balanced team leader behavior and employee professionalism significantly affecting PMS attitude at time 4; noteworthy across Models 5 and 6 is the large reduction in R-square: of .16. Nevertheless, the central Hypothesis is supported.

## DISCUSSION

PMS may function as an enabler for employees whose performance is being measured: aiding them to learn about the current performance in order to improve it (Adler & Borys, 1996). Also the employees in our study appear affected by PMS processes. We studied how employees' attitudes toward PMS are affected by their professionalism, team leader behavior, and team trust. PMS have been researched from many different angles, such as technical PMS aspects (e.g., Beamon, 1999; Bourne et al., 2003; Medori & Steeples, 2000), antecedents and consequences of

PMS characteristics (e.g., Chenhall, 2005; Fullerton 2002), and from a strategic, top-management perspective (e.g., Simons 1991, 1994). Some studies have investigated PMS in more detail, in their effect on how people in the organization interact (e.g., Bisbe & Otley 2004, Ahrens & Chapman 2004, de Haas & Algera 2002). Our study investigates a specific developmental context for PMS and helps to understand factors that help cultivate a supportive, enabling or positively seen team-based PMS. The hypothesis built on insights from the Management Accounting and Organizational Behavior/Change literatures.

We carried out a longitudinal survey study within a Logistics unit of a manufacturing firm for a period of four years. While we advised managers at various levels within the Logistics unit and worked with MSc. students on how to enable employees to self-develop their team-based PMS, we collected survey data at four points in time. We assessed balanced team leader behavior, employee professionalism, and team trust as forces hypothesized to affect PMS attitudes of employees. We found that those three forces had indeed a positive effect on employees' attitudes toward performance measurement.

For more detail on this study we refer to:

- Weide, van der, J.G., & Wilderom, C.P.M. 2007. Gedrag van effectieve middenmanagers in grote Nederlandse organisaties: Een video-observatiestudie. **M&O: Tijdschrift voor Management en Organisatie**, 60(5): 35-54.
- Wouters, M., & Wilderom, C.P.M. in press. Developing performance measures as enabling formalization: A longitudinal case study of a Logistics unit. Paper provisionally accepted for publication in *Accountancy, Organization and Society*.
- Wilderom, C.P.M., Wouters, M., & van Brussel, J. 2007. **Attitudes toward developmental performance measurement: Professionalism, team trust and leadership**. Paper under review and presented at the annual meeting of the Academy of Management, Philadelphia.

## OTHER REFERENCES AVAILABLE FROM THE AUTHORS

**Table 1**  
**Results of Regression Analyses on PMS Attitude**

Variable	PMS Attitude (4)					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Professionalism (3) <sup>a</sup>	.515**			.438**	.433**	.448**
Team trust (3)		.623**		.592**	.557**	
Balanced team leader behavior (3)			.408*	-.050		.322*
Age (1)	.118	-.187	.051	-.167	-.159	.062
Length of employment (1)	-.011	.051	-.057	.149	.148	.045
Education level (1)	.054	.075	.089	.006	.004	.020
R	.523	.608	.450	.726	.725	.605
R <sup>2</sup>	.274	.370	.202	.527	.526	.366

<sup>a</sup> Number of data wave is between brackets behind the variables.

\* p < 0.05

\*\* p < 0.01

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