



*Performance
Equations*



Driving Organisational Performance

How Do You Drive Organisational Performance

Economic, market and organisational challenges are all vexing senior leaders in their efforts to drive their companies' performance. But what can they focus on internally that would enable them to fully execute their companies' strategy and achieve their business goals? How can they drive execution and organisational effectiveness? Joe España, MD of Performance Equations considers four fundamental areas that drive business performance.

It's unsurprising that senior managers in most organisations are exhorting additional effort from their managers and employees in cutting costs and boosting sales – especially in the current climate. Both these factors are undoubtedly important, but they don't in themselves help senior leaders actively manage sustainability performance. Building the business pipeline and closing sales obviously leads to top-line growth, but says nothing about how effective the organisation is in delivering its goods and services. Managing costs and margins clearly help with bottom-line profits, but says nothing about where growth is going to come from.

Approximately 70% of business strategies and goals are not fully executed and achieved not because of a focus on these two aspects of business, but because of four clear levels that, according to research, senior leaders need to pay attention to in order to drive strategic business performance.

What are the four drivers of organisational performance?

Strategic Focus

The first is strategic focus. Organisations need to create clarity, unity and engagement behind its strategy. In my business experience working with clients in a broad range of sectors, many organisations have a strategy and vision but by the time it leaves the executive team it has been filtered, interpreted, become hazy, ambiguous and difficult to operationalise. Moreover, very often strategic goals are communicated solely as headline figures, providing no back 'story'. What are the particular customer needs the company specifically wants to meet? What are the business processes and initiatives that are required in order to meet those needs, and what are the organisational capability requirements in order to ensure the business can actually achieve its intended goals?

According to Robert Kaplan and David Norton, the founders of the balanced scorecard and strategy mapping, only 5% of employees understand their company's strategy. It is important that all staff have an understanding of the strategy and its rationale and how it drives the business. The need to make sense of what it looks like operationally and how they can contribute and add value. They can only do this if they know where the organisation wants to go.

Additionally one of the elements that motivate people to perform is the size of the challenge. A strategy with little or no challenge will not encourage staff to give of their best. Equally, too much, unrealistic challenge (give available resources) will de-motivate people as they perceive there to be little if any chance of success.

Organisational values also play an important role in strategic focus. As guiding principles they help all employees to understand and contribute to 'the way things are done' in the organisation – its culture. Organisational values need to be clearly understood by everyone in relation to the business' strategy, and role modelled by every influential person in the company to that they become ingrained.

Performance Management

The next performance driver is performance management. Human beings do not cope particularly well with ambiguity. Although different individuals will have their own ambiguity tolerance levels, the greater the clarity about goals and performance expectations the more comfortable we are. The problem in most organisations is that they have more business performance indicators than they know what to do with. The tangled mess of objectives, goals and indicators becomes meaningless to the poor frontline operative trying to make sense of what's important this month, this quarter, this year. Clarity about goals and expectations is an integral part of getting commitment. Individuals tend not to buy into things that are not clear to them. Having goals, therefore, that make sense and can be envisioned as possible are more likely to engender motivation and energy investment in their achievement.

Understanding by itself is not enough. Eventually any organisational vision, mission and strategy have to be translated into team and individual goals. Without this alignment individual goals would sit in a vacuum. Organisational goal 'fit' tells the individual that their job is important and how their piece of the jigsaw puzzle contributes. This 'fit' provides understanding that their effort makes a difference and links their performance to the rest of the organisation.

At the same time, just like the level of challenge in organisational strategy, the level of challenge in individual goals will determine the amount of effort individuals will put into their achievement. Goals that are under or overly challenging influence the level of energy expended on their achievement. Review of performance and feedback received must be appropriate in terms of frequency and quality. As a leadership tool, feedback is one of the most powerful means of developing and sustaining performance, creating a sense of challenge, and motivating human endeavour.

Leadership and Management

The role of senior leaders in clearly articulating a vision for the company and a sense of inspiration for the organisation as a whole is a key performance driver. Acting as role models for the organisation's values and principles, and managing major organisational processes are vital to delivering the

organisations intended results. Perceived leadership behaviours strongly influence the way staff feel about their company and the extent to which they feel engaged with its goals and ambitions.

While senior leaders may set the overall tone for the organisation, line managers influence the immediate work climate that staff experience day to day. Manager's influence task and job structures, informal reward systems and operating processes. They also operate as interpreters of the organisations vision and strategy for their team members. Their effectiveness in managing structures, systems, processes and people have an enormous impact on the organisations performance.

Financial rewards also play an important role in driving performance. Being remunerated for work done in a way that is perceived to be fair and reasonable for the job level, is well understood by organisations as one of the drivers of performance. What is often overlooked, however, is how misalignment and perceived unfairness can creep into the system. Often organisations encourage team work, for example, and reward achievement of individual goals. Bonus schemes are often notorious for being managed to fit the system and the 'bonus pot' rather than truly rewarding performance.

What is often underestimated and under-utilised by managers is the potential impact on performance derived from psychological reward and recognition. Managers all too often rely on monetary rewards to drive performance, even though years of research and evidence points to the greater influence of recognition as a driver of performance.

Likewise, the extent to which staff feel involved, appropriately, in goals, decisions and plans that affect them makes a significant contribution to organisational performance. Participation gets the best knowledge, information and expertise focused on an issue (the best place to solve a problem is as close as possible to where it exists). Participation and involvement increases individuals' commitment to implementation of decisions. Participation and involvement also devolves influence throughout the organisation as well as builds capability. Study after study has shown that organisations with devolved influence are better able to cope with business challenges, and participation enables organisations to manage change more effectively.

Building on this element, it is also vital that organisations encourage and sustain cross-functional collaboration and team work. Typically when companies measure satisfaction and co-operation among teams, they very often report that the level of co-operation and collaboration is perceived to be far less from other teams with whom they have to interact.

Structure and Resources

The formal structure of an organisation is usually presented in the form of the organisation chart, designed to show the relationships and reporting lines between individual positions and functions. This formal structure determines

information flow, decision processes and often positional status. The informal structures of a company may operate differently, however. Who knows who, the unspoken relationships and cross-boundary influences, and socio-political working of the organisation. Organisational structure determines how people behave towards one another. It can create defences or encourage collaboration. It is a driver of organisational performance because it can create efficiency or inefficiency in communication, innovation, product and service delivery.

Likewise, the way that jobs themselves are structured – the nature of the task requirements of job roles – is a driver of performance. Jobs can either be satisfying for the holder, tapping into their creativity and skills, or they can be designed to stifle these, leading to a sense of little autonomy, high dependency and frustration. Jobs that are designed to make best use of the cumulative skills, motivations and potential of the job holder, contribute significantly to their sense of satisfaction and motivation, helping to drive engagement.

Traditions and rules also provide a contextual driver of organisational performance. The way things have always been done, the tried and preferred ways and the rules and policies may provide a reference point for managing performance, but can also act as a break to strategy execution, particularly if that strategy requires new ways of working. This is often seen in post M&A integration activity, where two conjoining departments find that their operating methods and procedures clash and preferences are involved.

An absence of appropriate resources/facilities, too, impacts on organisational performance. While efficiencies and cost-effectiveness is a perpetual consideration, lack of resources often means that individuals and teams cannot perform effectively and struggle to deliver the expectations demanded by the business strategy.

These sixteen factors operate within the four primary drives of organisational performance. They combine and influence one another in dynamic ways. When trying to measure and manage organisational performance, senior leaders are well advised to consider these drivers and factors and the extent to which they are either helping or hindering the full execution of their strategic intent.

In order to drive an organisation's performance so that it builds a high performance culture over time, the first step is to understand how the drivers of performance outlined above are operating today. What is helping? What is hindering? Without this analysis it is very difficult to pull the appropriate levers that make any real difference to organisational performance.

We believe, through practical experience, that most organisations have the capability and capacity to build the kind of engaged, high performance environments they aspire to – they just need a little hand-holding in making the right choices to affect the changes they need. We help by providing a very clear fix on the gap between the organisational performance that is desired

and what exists today. We then ensure that each intervention is strategically connected to the companies vision, purpose and specific goals.

about the author

Joe España is Managing Director of Performance Equations, a specialist organisational development and change consultancy. Performance Equations helps companies and individuals become more competitive by directly linking strategy to people and business performance. Their areas of focus are: Organisational culture & change, Leadership development, Team development and Service excellence. Joe and his team provide measurable solutions that are bespoke to particular needs, and that deliver performance where it matters most; the bottom line.

For a free information pack call +44 (0)1252 545171. Joe can be contacted by email at info@performance-equations.co.uk. To find out more about Performance Equations and how they help organisations achieve better results, visit www.performance-equations.co.uk.