

# Leaders Drive Productivity

*Are you building a High Performance Environment?*

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RESEARCH

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Are you building a High Performance Environment? It is the Leaders challenge to create the circumstances that stimulate improved performance and execution from the people within their organization. The key question for business leaders is not “why” high performance but rather “how”?

## IT'S ABOUT LEADERSHIP CAPITAL NOT HUMAN CAPITAL – TO DRIVE PRODUCTIVITY

### Three Vignettes

1. The Dean of the Juilliard School of Music sits in his office. He needs to improve the performance ability of his students and identify who has that X-factor – what does he do?
2. How do Military Commanders ensure that their Special Forces teams constantly innovate, improve & perform in situations of uncertainty and extreme pressure?
3. A CEO & her leadership team have agreed to their new strategy. Knowing how often new strategy initiatives fail at implementation, what can be done to ensure the organization successfully executes the new strategy?

In all of these situations leaders need to get more from their people in order to be successful. Whether it is maintaining the prestige of a great artistic institution, creating elite military capability or succeeding in business it comes down to Leaders' ability to stimulate performance.

Of course having the right people is critical, super critical, but once “on the bus”<sup>1</sup> how does a leader create an environment that improves the performance of those people? That is the leaders challenge and when it is not done it will matter little if you have the right people or not. An ineffective leader can render useless an entire organization. Like a great coach improves the performance of an athlete, effective leaders in business improve the performance of their people.

## THE LEADERS CHALLENGE — IMPROVING EXECUTION & PRODUCTIVITY

Improved business performance is a factor of better strategy execution through improving individual performance contribution.<sup>2</sup>

We know that some companies are driving real productivity improvements. As discussed in Moving Mountains whitepaper ([www.returnonexecution.com](http://www.returnonexecution.com)) we see how SuccessFactors customers to various degrees drive superior financial results from improved execution and productivity. The question is not whether you should do it but rather HOW. So HOW do leaders drive improved execution and individual contribution? How can leaders consistently make the right move to ensure their influence percentage is on the rise? How can leaders ensure that performance improvement scales throughout an entire organization? The answer is to create and maintain a High Performance Environment.

### WHAT IS A HIGH PERFORMANCE ENVIRONMENT?

If a regular environment can be defined broadly as a set of circumstances that a population of people find themselves in, then a high performance environment can be defined as an environment that stimulates the individuals within that context to improve their performance. The pursuit of “Better, Stronger, Faster”.

The Juilliard School is a High Performance Environment. Military Special Forces teams are High Performance Environments. The Olympic Games is a High Performance Environment. Is your organization a High Performance Environment?

### WHY HIGH PERFORMANCE?

Why does High Performance Management matter? The answer is simple. Better results. These results will come in the form of increased revenue, improved utilization, higher productivity, better quality & safety and greater engagement.

Leaders who manage for high performance get more from their people; their staff is more engaged, more committed. Better results leads to greater rewards in the form of recognition and financial returns, increased influence and significance.

### PEOPLE CHANGE WHEN THEIR ENVIRONMENT CHANGES

It has long being held that people will adapt to their environment. Physically, mentally, emotionally people will make subtle and sometimes significant shifts in their behavior based upon the environmental circumstances. Driven by this presupposition a research project, conducted by Elkiem, has been investigating the specific environmental circumstances that stimulate improved performance in human populations. Elkiem is a member of SuccessFactors Thought Leader Network.

Through a process of interviews and analysis, Elkiem has spent the last 16 years researching human high performance and the factors that shape a high performance environment. Research subjects include: Nelson Mandela, Carl Lewis, Sir Edmund Hilary, Military Generals, leaders of NASA, MIT, Harvard Business School, the Juilliard School of Music and CEO's of Leading Corporations amongst a bank of over 6500 research participants.

## THE HIGH PERFORMANCE ENVIRONMENTAL STRUCTURE

The culmination of this research is called the High Performance Environmental Structure® (HPES). It describes the common concepts and components of high performance environments. It provides a simple method to understand the strengths and weaknesses of any performance environment and a step by step plan to implement High Performance.

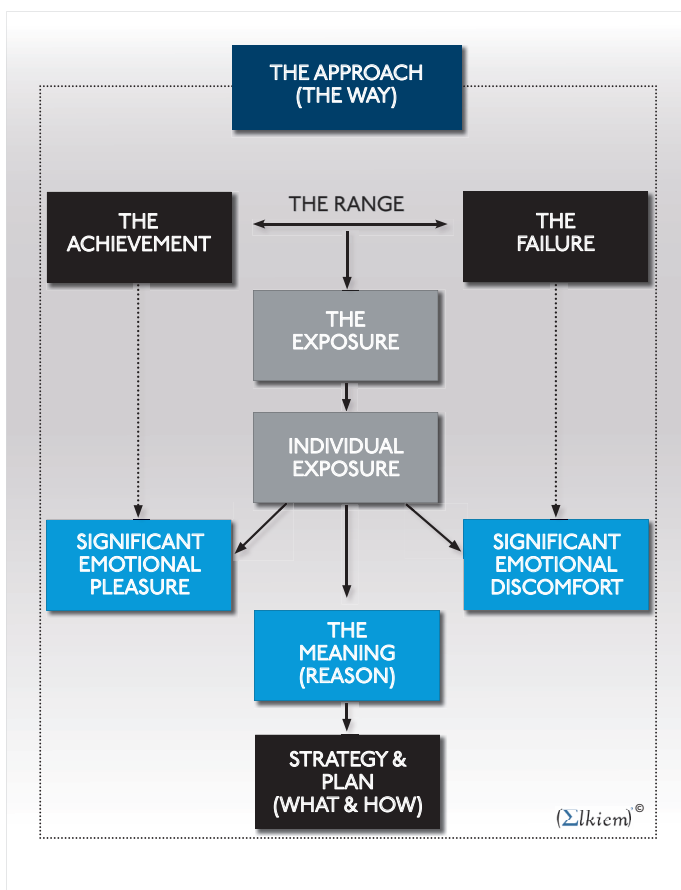


FIGURE 1: THE HIGH PERFORMANCE ENVIRONMENTAL STRUCTURE.

### PURSUE HIGHER QUALITY COMPARISONS

Ensure You Are Comparing Yourself To Something Better Than Yourself

Humans are comparative machines. In order to answer a question of how tall, how short, how fast, etc. we must make comparisons. In performance terms, if we desire improvement, our primary comparison must allow a sense of dissatisfaction with our current performance level. The easiest way to feel like a high performer is to mix with a population of low performers. With regards to this principle, there are two arts to leading a high performance team: Firstly leaders must identify the primary performance comparison in the population and then they must know when to introduce a new primary comparison to the population.

#### What is the evidence that a new primary comparison is required?

- ▶ A SENSE OF COMPLACENCY: ESPECIALLY SUCCESS DRIVEN COMPLACENCY.
- ▶ A FEELING IN THE POPULATION OF 'WE ARE DOING ALL WE CAN'.
- ▶ REPETITION OF PERFORMANCE BEHAVIOR RATHER THAN INNOVATING NEW PERFORMANCE BEHAVIOR.
- ▶ PUSH BACK/DISBELIEF IN THE POSSIBILITY OF GREATER OUTCOMES.
- ▶ PROTECTION OF CURRENT POSITION RATHER THAN ADVANCING TO NEW POSITIONS

Every performance population has a primary comparison. Leaders' need to ensure this comparison drives performance.

## THE KEY TO BUILDING A HIGH PERFORMANCE ENVIRONMENT

The key to implementing high performance in organizations is clarity & effectiveness. Not only does an environment need concepts defining direction, performance status and motivation, those concepts must be clear & effective if a performance outcome is desired. It is the Leaders job to provide this clarity and ensure effective implementation throughout an organization.

Many environments have goals and objectives that are not stimulating performance. Equally many workplaces have consequence systems that don't motivate the population to perform or appraisal systems that are viewed as bureaucratic process not a tool for performance exposure. Each concept has a set of "effectiveness criteria" that needs to be met in order to stimulate improved performance in a population. This issue, a lack of clarity & effectiveness in one, some or all of the nine components of the HPES, is the cause of many of the problems with driving improved execution and enhanced productivity in business today.

Leaders believe they have provided goals and measures and rewards and have engaged employees but there are merely ticking the boxes not making those concepts "clear & effective" in stimulating performance.

What criteria would a goal or objective have to meet to stimulate improved performance?

### SMART — Specific, Measureable, Attainable, Relevant, Time-bound

There are several versions of SMART and all of them target similar concepts related to making goals effective. If the SMART criteria are not met then it is likely that the goal in question just won't work in driving performance. Taking it one step further, in terms of a goal that would stimulate High Performance, you would like to capture a concept of stretch or "just possible" to the attainment of the goal.

Great leaders know that there is a small window in human psychology where a goal will have the desired effect of motivating the performance population to improved outcomes. Too hard a goal will result in disengagement — equally, too easy a goal can result in a lack of effort to pursue an objective. So there is a window of just possible that will make some goals more potent in driving improved performance.

FIGURE 2: THE SUCCESSFACTORS SMART WIZARD ASSISTS ORGANIZATIONS CREATE GOALS AND OBJECTIVES THAT STIMULATE IMPROVED PERFORMANCE

It is also worth touching on the importance of meaningful goals. A goal without meaning can never be effective in stimulating high performance outcomes. This point reinforces the importance of Goal Management within organizations. If individuals understand how their individual goals and objectives align and tie back to those of the overall organization there is a heightened prospect of greater levels of purpose and meaning being derived from those objectives. High amounts of meaning are critical to success in High Performance Environments as these are environments that will create performance pressure. Without strong meaning it would be difficult to sustain the pressures that come with the need to perform.

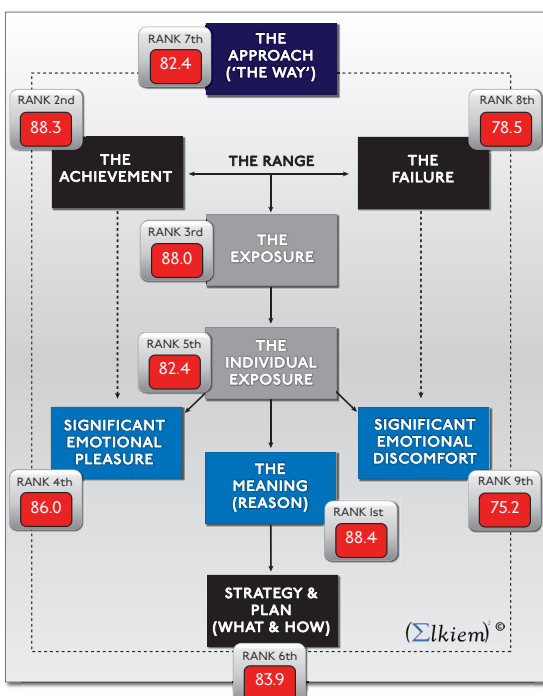
## GOALS ARE THE STARTING POINT

It is important to emphasize again that ALL components of the HPES have a set of criteria, just like the SMART principles for goals and objectives, that drive clarity and effectiveness. For example; problems with performance reviews are often at cause due to the measurement systems not meeting their criteria — trusted, fair, accurate, providing a useful comparison, timely and transparent.

Equally reward and compensation systems can be made more potent if management ensures the rewards that are used by the environment to motivate the pursuit of objectives meet the effectiveness criteria for clear & effective Significant Emotional Pleasure. (Emotionally felt, relevant, meaningful to the population, timely, linked to achievement).

Improving the clarity & effectiveness of both of these components and capturing those criteria in an effective pay for performance system will enhance the potency of your performance environment.

Understanding the relative clarity & effectiveness of each of these components allows leaders to get an accurate picture of their current performance environment.



Equipped with this understanding; a leader can make informed decisions when taking action to create high performance. The aim is to try and work out what performance initiative is necessary to make and for how long. This is the leadership art. Leaders who do this successfully can scale throughout an entire organization by implementing an effective performance management platform to standardize across the business.

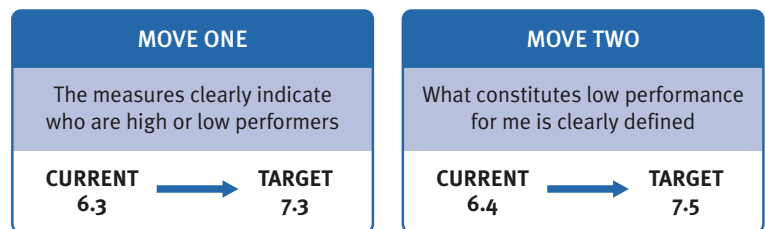


FIGURE 3: WHAT ARE THE STRENGTHS & WEAKNESSES OF YOUR ENVIRONMENT?  
WHAT IS YOUR NEXT MOVE TO IMPROVE PERFORMANCE?

## THE RANGE, VARIANCE & DEAD WEIGHT

To be a true High Performance Environment leaders' must maintain a narrow range of acceptable performance standards. This lesson has come from studying performance environments such as the Juilliard School of Music in NYC which maintains extremely high performance standards. Why do organizations such as Juilliard maintain such high performance standards?

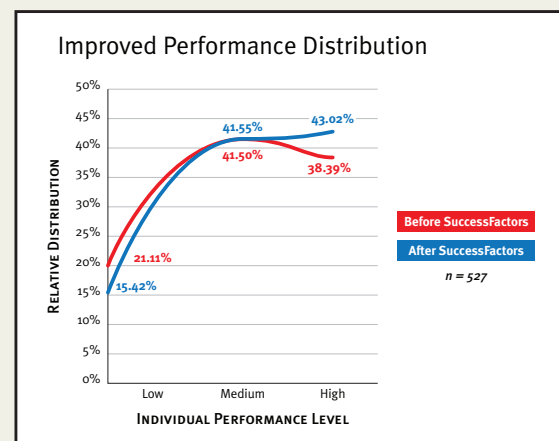
In any organization, industry, or market there is a “range of performance standards” that distinguishes who are the top and bottom performers. In populations that strive for high performance, pressure is partly created by the range of acceptable standards and that pressure will be reduced if substandard performance becomes acceptable within that environment. If allowed to remain the effects can be far reaching. For example the following effects can occur if a performer rated 5/10 is allowed to remain a 5/10:

- ▶ THOSE WHO ARE RATED A 6/10 FEEL RELATIVELY COMFORTABLE AS THERE ARE OTHERS RATED BELOW THEM.
- ▶ THOSE THAT ARE RATED 9/10 CAN FEEL EXTRAORDINARY IN COMPARISON AND MAY GROW IN COMPLACENCY.
- ▶ OTHERS AT 5/10 FEEL SAFETY IN NUMBERS.
- ▶ NEW ARRIVALS TO THE ENVIRONMENT WITH EXPECTATIONS OF A HIGH PERFORMANCE CULTURE CAN FEEL ‘UNDELIVERED PROMISE’ WHEN THEY INTERACT WITH THOSE AT 5/10.

High performing organizations cannot allow the low performers to remain at sub-standard levels of performance. They need to improve or exit the environment.

As we'll discuss in the forthcoming book *Return on Execution*® Berggren & Dalgaard, addressing this issue is a key concept. We'll discuss a new metric called the Dead Weight Score which is the % of the employee's that are scored the lowest for two cycles in a row. That is low performance accepted and kept on board.

The benefits of maintaining a narrow range of performance standards is reflected empirically. SuccessFactors customers are able to increase individual performance levels and hence improve execution of strategy with higher productivity. The curve above demonstrates the benefit of a narrow range of acceptable performance standards and contains real data from SuccessFactors customer's performance distribution curve pre and post using SuccessFactors. This shift represents 5.43% improved workforce productivity.



PERFORMANCE AND TALENT MANAGEMENT SOFTWARE GREATLY IMPROVED COMPANIES' PERFORMANCE DISTRIBUTION BY REDUCING THE PERCENTAGE OF LOW PERFORMERS, AND INCREASING THE PERCENTAGE OF HIGH PERFORMERS.

## LEADERSHIP FIRST — HUMAN CAPITAL SECOND

High Performance is a Leadership issue not a human capital issue. Those leaders who outsource the improvement of human performance to the HR department and do not stay engaged with their HR leaders are missing a great opportunity. Although it can appear a clouded priority when compared to the latest product announcement, competitive threat or financial analysis it is the key to long term organizational health and differentiation.

The combination of SuccessFactors best practices such as SMART Goals, Goal Management, & Pay for Performance amongst others, combined with the management discipline of the HPES Model enable leaders to quickly establish an accurate picture of their current performance environment and provides clarity on what next performance initiative will most dramatically drive productivity.

## Are you building a High Performance Organization?

### THE STEPS TO BUILDING HIGH PERFORMANCE

#### MANAGE FOR 2 OUTCOMES — ACHIEVEMENT & FAILURE

- *Unify & align organization on key objectives and strategy*
- *Define clearly what represents failure (low performance)*
- *Improve the perceived quality of individual performance measures — no hiding places*

#### ENSURE THE POPULATION HAS STRONG REASONS TO REMAIN WITH THE ORGANISATION

#### MAINTAIN A NARROW RANGE OF ACCEPTABLE PERFORMANCE STANDARDS

#### ENSURE THE HIGH PERFORMERS ARE PERCEIVED TO BE RECEIVING THE GREATER SHARE OF AVAILABLE REWARDS

#### IMPROVE THE EFFECTIVENESS OF DEALING WITH LOW PERFORMERS

#### PURSUE HIGHER QUALITY COMPARISONS — ENSURE YOU ARE COMPARING YOURSELF TO SOMETHING BETTER THAN YOURSELF

## REFERENCES

1. COLLINS, J., 2001, GOOD TO GREAT: *WHY SOME COMPANIES MAKE THE LEAP — AND OTHERS DON'T*, RANDOM HOUSE BUSINESS BOOKS, LONDON
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