

# Realizing the Promise of Performance Improvement

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The promise of performance improvement is an intoxicating one. It holds out the alchemical possibility that you might, with little or no change in worker strength, product or physical plant, transmute the lead of your current less-than-satisfactory output into the gold of profitable results. And in times when resources are constrained, it may, in fact, provide the most significant contribution to the survival of the organization. But improving the performance of an enterprise is more than just applying new techniques to old problems. It requires rethinking and re-purposing of the role of people skills in the ultimate success of the corporation.

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If we all found ways to work more efficiently, just think how much more we would accomplish, and how much more personal time we would have to enjoy the rest of our lives. When asked a question about the importance of performance improvement, I suspect most of us would place a high value on doing more with existing resources. And these days we have ample information about techniques and practices that will help us do that. The advent of Total Quality Management, with its emphasis on top-to-bottom organizational transformation, resulted in numerous success stories about the gold created from the lead of old habits and patterns, and evangelists like Deming and Peters and Crosby raised our corporate consciousness by demonstrating that doing it right the first time was, in fact, better for the bottom line than shoving something out the door you had to fix later.

There is no question that American business has profited from these changes in attitude, but the reality is that performance improvement is too often used more like aspirin than vitamins and exercise...for symptomatic relief rather than for overall long-term health. If a company misses its financial targets, it will still most likely reach first for the lay-off pills, or the expense reduction potion, and only when those remedies fail to cure the corporate malaise will it turn attention to making the operations more efficient, and the employees more productive. Though there is considerable lip service paid to the development of our human capital, in too many cases, it is merely that...lip service.

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Wanting to get more out of what you have is not a desire new to modern times. There has always been more work to complete than people or time to complete it. And for most of human history, this work has been accomplished by brute strength, with the labor of our hands, on the backs of willing or coerced men, women and children. In less-sophisticated times, performance improvement methods were usually quite crude. It is doubtful, for example, that there were any quality circles among the slaves conscripted to build the pyramids. More likely, the techniques in vogue at the time relied quite heavily on intimidation, on the whip and the scourge, on the harsh reality that failure to produce often meant loss of life, or on the paradoxical withholding of rations until production improved – a strategy that brilliantly ignores the obvious fact that a person weak from hunger is unlikely to be able to exert sufficient energy to accomplish much of anything.

But the overseers of these workers were often at risk themselves, and they were using the only methods they had at hand to meet their objectives. Their livelihood and their lives were also forfeit to their ability to squeeze the last drop of effort out of a reluctant, often unskilled, workforce. In classic middle-manager fashion, they carried a great weight of responsibility with minimal authority, except over the health and well-being of the workers who toiled in their “employ.” Paradoxically, at the end of the day, the workers had the ultimate power...if they didn’t make enough progress, it didn’t matter how many times their manager had beaten them,

or abused them, or exhorted them. The work wasn't done, and the overseer had to answer to a higher authority that might or might not have compassion about the failure to meet quota. In this environment, how people felt about their work was not even a consideration. Slaves had no autonomy, no rights, and no real existence within the society except as faceless, soulless providers of service. Overseers had to manage and motivate a workforce composed of subjugated peoples from different tribes who spoke different languages and who really didn't want to be there in the first place. And they had to do all that against a backdrop of the insecurity of their own position.

Today the performance improvement challenge is simultaneously simpler and far more complex than in ancient times. Certainly we have been relieved of much of the hard, physical labor of previous centuries by numerous technological advances, and we have a far greater understanding of how to humanely motivate our work force. But there have been times in my personal business career when the statement, "Floggings will continue until morale improves," hit far too close to home.

Even within the relatively sheltered environment of the corporate world, we are still subject to the stresses created by arbitrary demands for increased production, and there are times when we may even feel we are back there in Egypt, soullessly building the pyramids. The current climate in Silicon Valley is a testament to the fact that the more things change, the more they stay the same. As companies cut employee strength to the bone in order to improve the bottom line, the amount of work remains constant, or even increases, as they scramble to regain their market position and their financial security. The remaining employees are asked to not only continue doing all the tasks they were doing before the layoff, but also to do the work of those who have been let go.

Rick Poppell, Vice President of Gartner's Human Capital Management Practice, believes that these circumstances will result in more attention being paid to enterprise business alignment. He says, "I see companies spending a lot of effort to ensure that people, processes and organization structure are seamlessly connected to the businesses they serve. Performing the same or increased amounts of work with fewer people requires a finely-tuned strategy." I couldn't agree more. But I have my doubts about the number of companies that are, in fact, following Mr. Poppell's wise advice.

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A recent study performed by a group of California government Human Resources professionals and executives highlights some significant, and disturbing, trends. For one, organizational loyalty is declining bilaterally. Employers feel free to jettison employees when times get tough, and the employees have no qualms about leaving an employer to take on a more attractive opportunity. As a result, the labor force has become a family of gypsies, often staying no more than two years at a company before moving on to greener pastures. In Silicon Valley, there has even been an assumption that if you've been at any company longer than two years, you are considered to be so technologically stale that people will ask you why you stayed so long!

From a strategic perspective, this rapid turnover is a lot like changing the roster of a baseball team every two years. Management loses the opportunity to form a cohesive organization where every player knows each other's moves, and runs the risk of every initiative being done with newcomers. Organizations also end up with a work force that has brought with it the values and the expectations of previous employers, often resulting in a diverse and unpredictable culture bound only by the four walls of the corporate headquarters. The management challenge presented by this shifting employment tapestry intensifies when companies are faced with a dwindling revenue stream, and begin to reduce headcount. The surviving employees may or may not be the ones who truly understand the organization, or the ones who have the most loyalty. And when good times come again, they are unlikely to be the ones who will stick around to nurse the organization back to health.

Another trend the California HR study identified is that, in the near-term future, there will be increasing interest in measuring the "soft skills" of job applicants. For one thing, employees will continue to be asked to function effectively in a highly-mobile corporate environment where it is necessary to rapidly develop healthy work

relationships and mobilize to get the job done. But far more importantly, “soft skills” are increasingly the key success factors of the future. Soft skills prepare us to communicate our message, the value of our product, or the desirability of our strategy in the most effective manner. They are what allow us to negotiate, to mediate, to make our point, to influence, to manage professional relationships. They include logic, creativity, leadership, cooperation, collaboration, communication, motivation, teamwork and teambuilding, speaking and writing, problem-solving, customer service, sales, understanding business concepts and implementations, and interpersonal expertise. This is an impressive roster of essential business skills, all lumped under the imprecise term “soft.” But as job assignments and tasks continue to change rapidly, and as the personnel doing them change as well, the organization will require these skills from its employees to remain flexible and to survive economic ups and downs.

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I had the opportunity in October of 2000 to attend a presentation given by Mary O’Hara-Devereaux of The Institute for the Future to a group of corporate learning professionals. Embedded in a heady discussion of the future of learning was an assessment of the critical skills that would be required of future corporate employees. Among them were facilitation, mentoring, cross-cultural awareness, the ability to manage and package information, the ability to rapidly shift context, the ability to weave a web of relationship and solutions, and a flair for creative improvisation that would allow them to respond successfully to a volatile environment. The attendees at my table were surprised, having expected to hear that the dominance of technology would mandate a more highly-technical learning curriculum. Without diminishing the impact of technology, the presentation made it clear that an increased use of technology would mandate a corresponding increase in interpersonal skills, rather than diminish their usefulness. Ms. O’Hara-Devereaux also offered the (unfortunately) radical opinion that it will be vital that employees pay attention to developing a personal identity. Put succinctly, she said, “Who you are matters a lot.” It was an intoxicating thought, and as we gathered after the session to share our impressions, I found myself caught up in the enthusiasm of corporate employees seeing a vision of a time when they, too, would matter a lot.

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A study of Fortune 500 CEOs conducted by the Stanford Research Institute and the Carnegie Mellon Foundation found that 75% of long-term job success depended on people skills, and only 25% was due to technical knowledge. These statistics may describe the reality of job performance, but unfortunately, too many corporations consider people skills to either be things you should already know how to do that don’t require further attention, or things that are unnecessary when times are tough. In a down economy, when we are desperate for an exquisitely-tuned ability to negotiate our way through the corporate minefield, we are told that soft skills training is a luxury. After all, hard times demand hard skills, right? We just need more hard work, more hard statistics, more hard tools, and we’ll make it through. When things get easier, there will be plenty of time for all that touchy-feely stuff. It’s the product that matters. Technology will pull us through. Or so they say.

This popular assumption is being challenged from a number of expected directions...HR professionals, performance improvement organizations, OD consultants, etc....but I have been surprised by the unexpected number of opinions I hear challenging the dominance of technology that were offered by people in and about the Information Technology profession. There is a growing realization that knowing more about the technology is not sufficient in and of itself to improve the performance of the people we have come to rely on so heavily to keep our highly technical work environments running smoothly. IT professionals are being called on to communicate effectively, negotiate with their corporate stakeholders, exert influence at all levels of the organization, provide leadership to their employees and assist in setting strategic direction. In a survey of the IT industry sponsored by the Computing Technology Industry Association (CompTIA), four out of five CIOs said that the most important skills for IT service and support professionals are the ability to diagnose system problems (82%), to understand user problems (79%) and to have patience (76%). It could just be my imagination, but that sounds suspiciously like soft skills! In addition, the systems and services that IT develops

and maintains are intended to be used by ordinary people, not by techies. IT professionals whose interpersonal skills enable them to listen to and empathize with the challenges of their stakeholders will provide the most satisfactory solutions, and correspondingly experience the greatest job satisfaction.

Jonathan Thatcher, a certified development manager for CompTIA, writes:

Few things hold the IT profession and the IT professional back as much as senior management's perception that we lack basic business understanding and communication skills. Think of it this way: IT has been primarily focused on the features of technology—bits, bytes, protocols, packets and what have you. ... What skills does an IT professional need, for example, to complete an IT project successfully after buying equipment, integrating it and writing code? The IT worker must know when to communicate, what to communicate and to whom. He or she requires the abilities to motivate teammates to perform and to interact successfully with internal customers, external users and channel partners in order to understand the benefits the system should deliver.

In a recent *Washington Business Journal*, an article weighing the need to train soft skills against the requirement for hard skills reinforces the message that technology itself is creating a more pressing need for soft-skills training. Jeanne Piersall, an information management consultant who also provides soft-skills training for organizations, suggests that the rise of the personal computer is creating generations of young people who are able to communicate in relative isolation through email and chat rooms, and who can become highly educated and technically proficient with a minimum of human interaction. When these students enter the work force, they are often lacking basic interpersonal skills like teamwork, courtesy, cooperation and personal accountability. The absence of these essential life skills can sabotage workplace success.

In addition, the trend toward hiring younger, more technically-skilled workers over older workers means that there are fewer in-house role models and mentors for these less-experienced employees. The impact of this situation on performance can be seen dramatically in the recent dot.com boom-and-bust. The enthusiasm and creativity of the young, highly-technical dot.commers made them the apples in the eyes of countless venture capitalists. But shortly before the bubble burst, I began to see articles in the business press about the hiring of "old business" managers, some as old as 50 (Can you imagine that?), who had actually run a company and understood the human dynamics required to turn an idea into an organization. Sadly for these experienced managers, many were caught in the startling fall from financial grace that plunged us into straitened economic circumstances. Had they been involved from the beginning, however, they might have been able to find answers to the questions I always found myself asking when surrounded by young entrepreneurs who had just raised their first million dollars in funding: What is your product? How are you going to make money? How are you going to create an organizational structure that will support you through the down times? The dot.com companies who survived the shakeup possessed something more than just a good idea. They were able to communicate, to negotiate, to evaluate. Like the third Little Pig, they built their house of bricks; soft skills provided the mortar.

This increasing requirement for more sophisticated human capital management throws a harsh light on our current corporate priorities. As we have seen, soft skills are often thrown out with the dirty dishwater when times get tough, and yet, ironically, when times get tough, we need them more than ever. Unfortunately, Human Resources -- the anointed keeper of the soft skills flame -- is too often marginalized as a minor player in the game. I have worked in companies where the HR function was staffed mainly with recruiters who were rarely qualified to handle an internal people problem. In other organizations, HR existed primarily to help avoid lawsuits, or to develop compensation and benefit plans. Without the unifying, empowering infusion of people skills that HR can provide, these organizations rather dramatically began to look like the latest panels in a Dilbert cartoon.

In the early 80s, HR was still Personnel, and, in too many organizations, was considered a purely administrative function. I was a member of the 1982 Harvard Business School class which had the privilege of experiencing the first Human Resources Management course HBS integrated into its first-year program. Along with

Organizational Behavior, it held my attention through every class and every case. This looked like the perfect combination of my interest in business and my interest in human dynamics. But well-meaning friends dissuaded me from following an HR career path because, they asserted, I would be a pencil-pushing personnel person, and would have no power in the organization. To my regret, I listened to them, and it took another 15 years before I finally succumbed to my endless, compelling fascination with human development and hung out my shingle as an organizational effectiveness consultant. In that time, the sophisticated new technologies and systems of Human Resources have elevated its standing to a much higher level of importance on the corporate ladder. But there are still too few organizations that treat HR as a strategic partner. After all, they are not a line function. They don't design, develop or deliver product. They don't sell product. They don't manage the financial portfolio. All they do is worry about employees. Hmmmm....but wait a minute...aren't they the ones doing all the work?

PricewaterhouseCoopers (PWC) conducted a Global Human Capital Survey in 2002 and 2003 that examined the link between effective people management and profitability. The research was based on data from more than 1000 organizations in 47 countries with a range of employee population from fewer than 200 employees (12%) to more than 50,000 (2%). It explored the paradox we have been considering in this article: people are increasingly seen as essential to corporate performance and strategic advantage, but too many organizations diminish the intrinsic value of people strategies and policies...those "soft" considerations.

One of the most significant questions the survey asked was whether good people management could contribute directly to the bottom line. PWC discovered that there are three people management issues that an organization needs to address if it wants to see bottom line results. First, there must be a documented HR strategy that is integrated seamlessly into the business strategy. Second, the strategy must be delivered via effective people policies and practices. And third, there must be an HR function that is empowered to implement policy and strategy, one that can influence major business decisions. Even so, a substantial two-fifths of the survey participants had no documented HR strategy. And in larger organizations (over 50,000 employees), where you would think that the HR function would be even more essential, the percentage with an undocumented HR strategy rose to more than 50%. But when the survey compared the bottom line performance of organizations with and without integrated HR strategies, there was a clear indication that organizations with a documented, integrated HR strategy realized "higher revenues per employee, reduced absenteeism and more effective performance management and rewards systems." In other words, strategic implementation of "soft" policies made a measurable difference in corporate performance and profitability. This significant impact of HR strategy on improved business outcomes leads to some important insights.

PWC believes that the planning and consultation that accompanies the preparation of a documented strategy gives all levels of the organization an opportunity, perhaps even an imperative, to clarify priorities and to develop new solutions for organizational challenges. It also provides a forum for building relationships with stakeholders and corporate sponsors, as well as for promoting investments in people management initiatives. And when HR is given an opportunity at the executive level to influence business strategy, profit margins show their most significant improvement. PWC attributes this phenomenon to the ability of Human Resources to increase employee satisfaction, control costs, and provide timely management information.

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In the days before codified science, the alchemists of the Middle Ages and the Renaissance practiced a form of chemistry and speculative philosophy that struggled to change base metals into gold, and to find the secret elixir of life. Many intelligent men and women followed a disastrous path to financial ruin littered by the crucibles and the potions and the impossible promises of the alchemists' art. But by the time of Isaac Newton, who held the rather remarkable transitional position of being the last of the influential practicing alchemists as well as the first of the modern scientists, the lure and the promise of alchemy was being overshadowed by the rise of the new disciplines of physics, astronomy and chemistry, whose focus was more on understanding and discovering the natural world rather than on creating life itself.

As a result, these days we are reasonably certain that lead is lead, and gold is gold, and we know that we cannot make one from the other. But we still find ourselves dabbling...albeit more successfully...in the magic of organizational transformation. In this modern alchemical process, we can successfully take a common substance that, in isolation, has limited value, and transmute it into a substance of great value. We can provide the employees of our organizations with tools, training, and essential life skills. We can offer meaningful jobs, create healthy working conditions, and promote dedication and motivation. We can foster inspirational, improvisational leadership. And from these basic elements we can, indeed, create gold.

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**About the Author:**

**Courtney Behm, founder and principal consultant of Viewpoint Solutions, has been a management consultant and executive business coach since 1999.**

She began her career with IBM, and has held management-level positions at Wang Labs, Motorola/Codex, Telebit, Centigram Communications and Cisco Systems. She received an M.B.A. from the Harvard Graduate School of Business, where her areas of concentration were Marketing and Organizational Behavior. A dynamic speaker and skilled facilitator, she conducts client engagements that offer a wide range of creative opportunities for professional and personal excellence.

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