

The Source of Future Growth

It's your people, not your processes. But you won't tap employees' potential if you manage them like machines.

by Glenn Phelps

For much of the past 30 years, creating corporate value was a lot easier than it is today. The mistakes most companies made in product quality were often so obvious that the value of fixing them was readily apparent.

For instance, it doesn't take powerful metrics to spot the quality problem if your car breaks down almost every time you drive it -- and to estimate the comparable market value of a car that doesn't. Thank goodness for quality improvement efforts; it's good to have a car that starts with the first turn of the key every morning.

Likewise, corporations are finally reaping the benefits of automating processes. Computers make it easier to count money, design products, produce documents, manage inventory, and countless other business tasks. The benefits are improved accuracy and, more importantly, increased efficiency.

Consumers and businesses have benefited from the trend toward *faster, better, cheaper*. But compared to the giant improvements companies made when quality and reengineering efforts began, gains in competitive advantage via those methods are now incremental. When quality nears perfection and efficiency efforts have picked all the low-hanging fruit, what's next? For researchers at The Gallup Organization, the answer is clear: Improvements in employee performance will provide the next big opportunity for corporate growth.

Quality initiatives for humans

Employee job performance is the one key aspect of business performance in which there has been little appreciable improvement in management techniques since World War II. Think about it. If companies were effectively managing employee performance, consumers contacting any corporate call center would receive consistently high levels of service. Unfortunately, that's not the consumer experience.

Examining job performance data employee by employee reveals a truth that may be unknown to management but that is painfully obvious to customers and coworkers: Too many workers are lousy at their jobs. And poor performance isn't limited to employees who interact with customers. Objective data from virtually any job type that Gallup has studied show tremendous variations in performance. While some employees are great at their jobs, many others aren't carrying their weight. This wide variation in performance is exactly the phenomenon that quality initiatives removed from product manufacturing through improved processes. The question is, why don't businesses implement similar initiatives to improve employee performance? And if they do, why aren't they effective?

Three possible reasons come to mind:

- Managers can't see differences in individual performance because of poor measurement.
- Managers don't realize how an employee's poor performance affects the bottom line -- again, because of poor measurement.
- Managers think they have processes and procedures in place that sustain the highest practical levels of performance.

This last -- and most common -- reason is the most intriguing. How could managers think that every reasonable action has been taken to improve employee performance? Frequently, it reflects a misapplied quality or reengineering concept -- get the steps in the process right, and quality or efficiency will automatically improve. While that approach works in linear systems where machines are responsible for production, it doesn't help improve human performance.

Different people, different motivators

People are notoriously nonlinear. So squeezing every employee through the same set of process ringers rarely extracts the desired improvement.

One of the fundamental problems of using a process-oriented management philosophy to control people is that too many variables affect employee performance. It's impossible for managers to identify all of them. Therefore, the effort to manage via a process that covers every misstep an employee might take is futile, although there are process manuals that try. Even if managers could somehow discover every relevant variable and describe a process that controlled every possible step in a task, their efforts would be wasted simply because each employee is different and will react differently to the tasks they face. For example, some people reach optimal performance when motivated by financial rewards, while others are coaxed to the highest levels of performance by individual recognition.

So what can an organization do? Write a process manual for each employee? That's the right idea (individualization), but it's serving the wrong management philosophy (process control). Companies should heed Will Rogers' sage advice: "If you find yourself in a hole, the first thing to do is stop digging." Stop trying to manage employee performance through process improvement. But if not process, then what? Performance management is the answer to *what*. But for most companies, *what* is the wrong question. The right question is *how*.

The first step is setting objectively measured performance targets, such as revenue, cost, production, or error rate. Supervisor or manager ratings are *never* objective measures. At first glance, it might seem easy to objectively measure performance in some jobs but impossible in others. With a little perseverance, managers can find objective measures by answering the questions: "What does this employee do?" and "What value does this employee create for the organization?" If those questions don't produce clear answers, then it might be time to restructure the job.

Once objective performance targets have been set, the real work begins -- creating an environment that supports employees in reaching, or exceeding, their targets. This is the heart of effective performance management. Organizations must:

- shift focus from process control to goal achievement
- individually develop each employee's ability to reach the highest levels of performance
- create pay systems that reflect actual performance. In other words, employees who create twice the value as the average worker should earn twice the pay.

Creating the right environment to support maximum employee performance requires shifting from rigid, uniform process application to tailoring the workplace to fit individual producers. This whole idea runs contrary to process-focused quality and reengineering principles. Managers adept in the tools of quality and reengineering must shed their old ways for a new set of management skills if they want to be successful.

Can organizations accomplish a shift of this magnitude? Sure, why not? The real question is, why shouldn't they? The payoff of enhanced financial performance should be all the motivation they need. And a look at recent profit numbers from most companies shows there is cause for concern. For some companies, it's even a matter of survival. Productivity has risen recently because workers are working longer hours, buoying the financial performance of their companies. But -- like the stock market bubble of the 1990s -- this kind of short-term strategy is not sustainable. To make real productivity gains -- and gain a competitive advantage -- the surest route is implementing effective performance management systems.

For most companies, this hasn't happened yet. You'll realize this the next time you call about your phone bill, and you hear the customer service representative use your name at least four times and offer you new services three times -- all to meet a quota. You should think, "This company doesn't get it. They still think process control equals management."

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