What Really Drives Performance in Your Organization?

By Warren J. Rutherford

Business owners are increasingly asking these questions –

- What is it that ***REALLY*** drives performance and profitability, and
- How can we identify, quantify, and measure all the assets of our company so that we can increase its performance?

Sounds complicated, but in reality, it is straight-forward. Have you ever been challenged with looking at a series of dots on a piece of paper, and been ask to draw a line between them? If you are like most people, you will draw straight lines to connect the dots. (Remember the analogy about the shortest distance between two points?) Let's discuss below some of the basic factors that drive performance (the dots) and discuss how you might begin to measure and manage these factors more fully (the lines and connectors).

Why is This Important?

The key drivers of performance have actually changed in the last 10-15 years. Most products and services are now bought on the basis of brand, reputation, service, employee engagement, and other factors. Add technology's impact globally and it means that competitors' miles away can reproduce products and services at less cost.

Business value is usually reflected in financial terms. In 1978, when New York University's Stern School of Business conducted a study with the country's major corporations, it found that there was a 95% correlation between a company's balance sheet and its market capitalization. In 2005, the Stern School redid the study, and found that there was now only a 28% correlation!

What Does This Mean?

Business value today is more dependent on non-traditional assets and things not measured on the Income Statement and Balance Sheet. What truly drives a company's performance today? The tangible (financially measured) assets of a company remain important; however, the intangible (the 72% not correlated) assets are more significant to business profits.

Just what do these intangibles comprise? Let's list them –

- Intellectual property,
- Corporate strategy,
- Corporate brand,
- Operational and administrative systems and processes,
- Access to capital,
- Off-balance sheet items (for instance – activities related to knowledge, collaboration, leverage of operational systems),
- Company reputation, and
- The experience and decision making strength of the corporate executive team.

Sound familiar?

If the most business value is intangible, should it be any surprise that -

- Staff now devotes the most of their time solving complex and routine problems by applying their knowledge, collaborating, and leveraging of organizational systems?
- Nearly 8 out of 10 employees produce ***services*** – providing expectations of value, rather than tangible products?
- Activities related to knowledge, collaboration, leverage of operational systems, and other associated activities are not financially valued or analyzed?

Let's look at some further information, based on research by David Norton's Balanced Scorecard Report –

- Only 5% of a workforce understands their company's strategy.
- Only 15% of senior management spends more than 1 hour a month defining strategy and aligning operations to it.
- Only 25% of companies have their operations aligned to the strategy.
- Only 40% of companies align their budget to their strategy.

This research affirms what we increasingly know and understand – developing an intellectual workforce is necessary to drive the success, growth, and performance of our business.

As we develop this workforce, are we able to understand how to increase their performance? Do we understand how our employees think and make decisions? Do we know why they connect their dots the way they do, and why? Each employee thinks about his work tasks differently and has a unique perspective about his role within the business.

We all have a unique view of our world. Our values, likes, and dislikes develop over time. Once in a business setting, we need to understand these "unique views" to help each employee perform better and help the business increase its performance and profit.

Some years ago Dr. Robert Hartman (Yale/MIT) developed formal axiology to measure the thinking process and its impact in a business setting. Formal axiology identifies three core ways a person can think about anything –

- (The Head) – The systemic dimension of thought – intellectual, theoretical, idealistic thinking about what should be, what ought to be, rules, structure, systems, conceptual, big picture;
- (The Hand) – The extrinsic dimension of thought – practical, real-world, results oriented thinking; and
- (The Heart) – The intrinsic dimension of thought – individuality, humanistic aspects of a situation.

No one is pure in any one of these; we each can think in all three of these ways, with different ability levels and preferences. The questions then become – which way is dominant and how do these impact an employee's performance?

Take a few minutes and reflect on the following questions -

As a business owner, are you intent upon understanding each situation and asking a lot of questions before you decide; are you inclined to want to get the work done right now; or are you more concerned with how that decision will impact others? How do others in your business view the same situation?

If your business utilizes a variety of teams to make decisions are they working as effectively as they can, or are there "internal conflicts" amongst team members? When establishing sales targets for your sales staff, are you adapting the sales targets based on the thinking preferences of your sales staff? Does it matter?

If a work task requires a strong, systematic approach, what happens when you place an employee predisposed to just "get the job done" in the work task? Are customers and co-workers satisfied with the results?

What Can You Do?

Managing a company to excellence is not simple – it is not complex either. We described the dots – those basic factors that drive performance. We discussed how you can measure and manage these factors better (the connectors). How can you increase your overall performance and market worth? Let's look at some steps you can take.

First, how do you define your company's strategy? How many of your employees understand it? How aligned are your operations to your strategy? How aligned is your budget to your strategy? Are these dots connected?

Next, what decisions do your employees make? What are the key factors to be reviewed for each type of decision to be effective? Do your employees understand what those key factors are, and why they are key factors? Are your employees making decisions utilizing these key factors? Are these dots connected?

Several other areas to review include employee selection, employee retention, employee management, and employee motivation – especially as these relate to workforce alignment and company performance. Again, are the dots connected?

If they are, then your company quite possibly has the right types of people in the right places at the right times doing the right things right (the first time). Congratulations are in order. Now, seek to reinforce it, again, and again; for the connected dots will always contribute positively to driving your company's success as measured by higher quality products or services, more satisfied customers, effective product marketing, increased sales growth, profitable operations, and increased market share.

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