

PERFORMANCE IMPROVEMENT: creating a high performing organisation

May 2008 * New Delhi

Introduction

Learning organisations," organisations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together. "...quote from The Fifth Discipline

'Performance' is widely recognised as the critical catalyst to success in a competitive environment, just as the one in which growing enterprises struggle to gain an edge. Further, excelling in such an environment demands that organisations continuously improve on every parameter. Over time, business leaders realise that they are not alone in fighting these battles; and therefore, 'experience based insights' become a highly valued element of the 'knowledge' needed to move towards improved performance, and to inculcate the quest for perfection within teams.

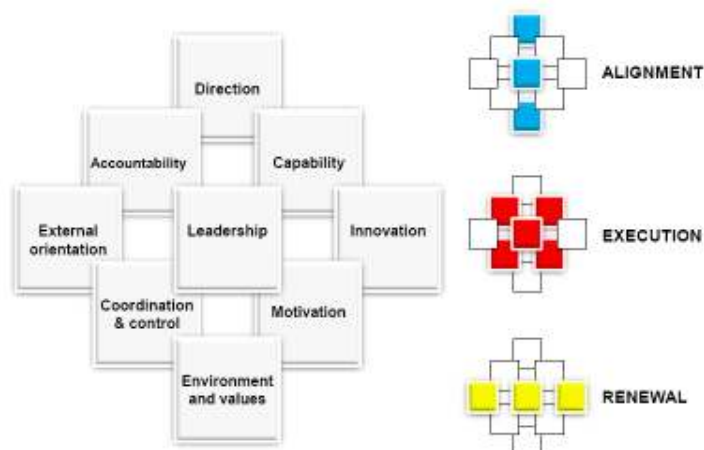
At The Growth Institute's¹ first briefing session held in New Delhi, Pramath Sinha, ex-McKinsey and also the Founding Dean of the ISB (now a co-founder of 9.9 Media) shared his perspectives on how organisations can become 'good to great'.

BACKGROUND

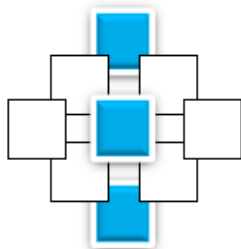
The importance of 'medium sized enterprises' in India's long term sustained economic growth cannot be overstated. Today, their existence is instrumental in shaping India's economic destiny, very different from the role they played a few years ago, when it was purely the prerogative of the large corporates. Within the mid-sized segment too, there is a group of companies that are forward looking, progressive and keen to grow – these are the ones redefining productivity and therefore, setting improved performance benchmarks.

THE KEY ELEMENTS OF HIGH PERFORMANCE

There are three key elements of high performance - 'alignment', 'execution' and 'renewal'. The grouping of these drivers is very important. Often entrepreneurs or owner-managers end up focusing on 'execution' before they address 'alignment'. One of the biggest reasons for this slip is the lack of a construct – people forget to view the company as one large complex system and instead see it as a conglomeration of problems. It is necessary to have a clear understanding of where the company is headed, how one gets there, and getting everyone to align to that vision. *Being explicit is important!*



¹ 9.9 Insights' recently launched **The Growth Institute**, is a premier peer network for leaders of India's 'growth companies'. It offers opportunities to gain insights into relevant and contemporary issues in business and economy; gain exposure to experts; network with like-minded senior peers, gain access to research support; learn from successful practitioners – and equally, to contribute to the pool of 'collective wisdom'.



ALIGNMENT:

Direction plays an important role in the alignment process. Articulate where the company is headed and how to get there and then align people around that vision.

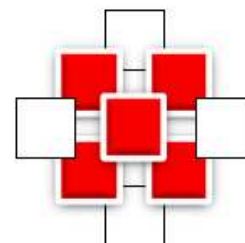
This requires strong and inspirational **leadership** at the top. Leaders must shape and inspire the actions of other organisational members to drive better performance. If people at the top can inspire others follow, they create a starting point of high performance.

The third aspect of **environment and culture** often gets ignored. There must be a focus on shaping the quality of employee interactions (e.g. culture, work space design) and foster a shared understanding of the core values. Usually, too much time is spent in trying to change habits without even knowing why it is important. The easiest way to bring about change is by putting processes in place. Communication is also a useful tool when trying to do so since change is met with resistance when people are insecure and not clear about what that change may mean for them. Symbolic moves, such as, hiring people from outside are also a signal of change – although, too many such moves can create problems rather than benefits. Changing the culture can be a slow process and requires immense patience.

EXECUTION:

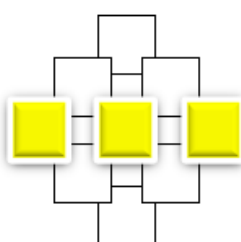
Execution comprises of four elements - **accountability, capability, coordination and control, and motivation.**

It is imperative to focus on ensuring that requisite institutional skills and talent exist to support the company's strategy and create competitive advantage. Along with ensuring the right '**capability**' levels, individuals need to be made '**accountable**' for every decision taken, every resource deployed or money spent to achieve the business objectives. Design structure/ reporting relationships and evaluate individual performance to ensure that people are accountable and take responsibility for their results.



The organisation requires a formal review process to measure and evaluate business performance and risk – this serves as a '**co-ordination and control**' mechanism. For instance, companies like Hindustan Unilever or Coca Cola, have operational driven parameters to ensure control – they fix the price, margin and the cost structure, and then focus on these. All they worry about is the total quantity sold in the market. On the other hand, Mittal Steel carefully watches the daily yield of steel and cost of production. They use both operational and financial parameters because of the high fluctuations in their business.

Finally, a high level of '**motivation**' is required to inspire and encourage employees to perform and stay with the company. Apparently, there is no 'right' way of doing this. Some organisations use financial motivation, others use public recognition – these are tools available to the leadership. But ultimately they have to fit the culture, the nature of the company and its own stage of evolution.



RENEWAL:

To renew, an organisation should engage in constant two way interactions with customers, suppliers, partners, or other external groups to drive value. In addition to this external orientation, there should also be a simultaneous focus on innovation – generate flow of ideas and change such that the company can sustain itself, survive and/or grow overtime.

There are two key impediments to organisational renewal – organisational



'habits or culture' and the organisational *'ability or ethos'* to deal with underperforming human resources. One thing that people find very difficult is to deal with 'underperformers'. The idea is not to be harsh on them, but if you don't deal with them, it derails the entire execution process and de-motivates the high performers. This, in turn, would inhibit superior business performance. Mostly, organisations have different ways of dealing with this business problem. Companies like GE tolerate non-performance for at best three quarters. Others "park" their underperforming resources to less important roles or functions. The intent is to not have people leave, but to make sure that there is a sense of urgency to perform well and move up the ladder.

At the end of the day, for any organisation to see its vision translate to reality, people need to perform. No one can waffle their way to the top, and therefore, a need to recognise the importance of 'high performance', and effective ways of getting there.