

# Beyond Lip-service

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Success relies on people. Human capital issues are higher on the corporate agenda today than at any other time. Yet recent findings suggest many organizations are still unclear about just what drives their performance and are failing to manage

accordingly.

## EMERGING CHALLENGES

By looking at organizations worldwide, we can see some emerging trends in the challenges facing businesses today. My firm's research confirms that now, more than ever, organizations need help to address the following three challenges:

1. *Define the success formula and make strategy everybody's business.* Plenty of resources and consultant hours have been spent defining visions, missions and strategies but many organizations still fail to communicate internally and make strategy explicit – meaningful for people at every level. If the overall business strategy is unclear, how should HR leaders and their teams make sensible and consistent business decisions?
2. *Strengthen and support senior managers to be effective business leaders.* Organizations need to get both the dynamics and the mechanics of leadership right. Employees look to leaders throughout the business for passion, energy and organization. Sound strategy without high-quality leadership is dead in the water and personal agendas tend to take over. Our research shows that today few leaders display the qualities needed to make strategy a reality.
3. *Manage HR like a business and invest in people practices to drive value.* Culture, workforce and people practices should be aligned with corporate objectives. By focusing on employee relationships the commitment and motivation gap can be closed.

The challenge is to move beyond lip-service and focus on driving all three elements of business success.

## BUSINESS SUCCESS

Business research has demonstrated that success is not simply achieved by developing great strategies, nor is it achieved by great leadership alone. Without a clear direction even the best leadership is ineffective and an excellent strategy with poor leadership is pointless.

What is more, without an aligned and competent workforce nothing concrete is achievable. I believe therefore that three elements are required to drive value: strategy, leadership and people practices. My firm's research sheds light on significant gaps in all three areas.

## Strategy

Despite decades of strategy workshops and a blizzard of buzzwords, it seems that many organizations are still struggling with this fundamental element of business success. Of course, clear and appropriate missions and visions, translated into a coherent set of operational strategies, are a prerequisite of performance. These in turn must be understood and bought into by the organization – and this is precisely where my firm's research found the first gap.

Strategy – where it exists at all – is just not making it out of the boardroom and the minds of leaders. Fifty-three per cent of respondents to a survey of UK professionals conducted by my firm reported that no clear strategy was being communicated and a stunning 75% of respondents believe a majority of employees could not accurately summarize their company's strategy. Two-way communication is the key here, as elsewhere.

Clearly articulating the company's strategy is not just about giving out information and PowerPoint slides. It is about making individuals at all levels understand, reflect and comment on the impact of the strategy on what they do. This is what creates a sense of shared purpose and engagement around corporate objectives.

These findings underline my experience of well-meaning management teams investing time and energy to develop elaborate strategies only to have their workforces continue with business as usual in blissful ignorance. In reality, strategy implementation should be everyone's job but communication breakdowns mean that this frequently isn't the case.

With HR managers increasingly adopting the role of strategic business partner, the need for clear strategy is essential so that functional decisions are consistent with the overall desired direction of the business. For example, the policies that support strategic and equitable HR objectives, based on actual performance rather than the individual whim of line managers, can be

realized through such decisions. High performers can be properly rewarded for good work and for delivering on business objectives and the uncomfortable conversations that need to happen with low performers will start, so that everyone understands what the business requires of them.

The system will reward desired performance, encouraging such behaviour in the future in a consistent fashion, rather than treating high and low performers similarly with mediocre reward across the board. Where reward policies have historically been inconsistent with strategy, it may be tough to develop a new performance-based culture and strong leadership is fundamental to making that shift.

### Leadership

Our research suggests a significant lack of confidence in leaders' ability to implement strategic plans. I expected a certain degree of scepticism about this but was surprised by the extent of poor leadership perceptions, with 65% of respondents believing that their organization's leaders lack the qualities necessary to make strategy a reality (see FIGURE 1).

I do not believe that these leaders as individuals are necessarily poorly prepared. Nonetheless, sadly in this respect, perceptions are reality, for a lack of trust and confidence in leadership ability will manifest itself through unmotivated, unfocused, cynical and even disruptive employee behaviour.

There appear to be two main factors behind the lack of confidence in leaders. Firstly, survey respondents highlighted their leaders' inability to influence and energize. The dynamic factors of leadership include: communication (the single most important quality, mentioned by 28% of respondents in unprompted questioning), followed closely by 'energy and passion' (20%). Employees look to their leaders for information and inspiration and the survey suggests many are being disappointed.

Secondly, survey respondents highlighted a lack of technical leadership skills. The mechanical functions of leadership include having relevant knowledge and experience and, above all, simply being able to organize (mentioned by 12% of respondents). Staff expect their leaders to be able to manage themselves and others efficiently.

It is important to have strong leadership across all areas of the business but particularly in the area of compensation and benefits as it plays such a key role in reinforcing desired performance to drive business value and, ultimately, the 'bottom line'.

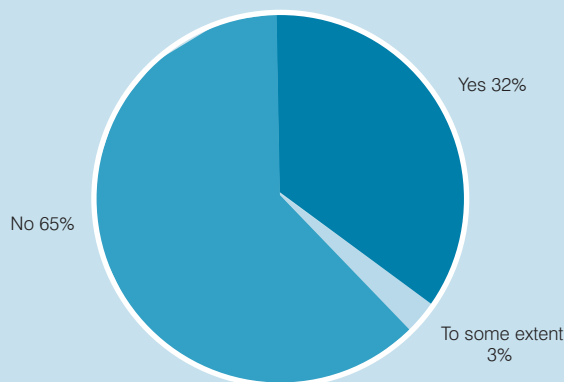
In many cases the failure to inform and inspire, coupled with a perceived inability to organize, results in leadership talent being rated as distinctly mediocre. It doesn't take much to envisage the impact of this on corporate performance and business success.

### People Practices

The third business success area where our research uncovered significant gaps is in the alignment of the culture, workforce and people practices with corporate objectives.

FIGURE 1

### Do You Believe Your Organization's Leaders Have the Qualities Needed to Make Strategy a Reality?



One of the critical people practices that relates to value creation is talent attraction and retention. It is a telling story then that 38% of survey respondents estimated that their organizations are not able to attract and retain the people they need, their response to this issue being either 'Not at all' or 'Not very well', with a further 18% stating that their organizations did well at attracting high performers but subsequently failed to retain them. One can only imagine how much money is wasted on inappropriate recruitment, losing trained-up talent and the negative PR associated with these disappointed leavers.

These statistics point to a lack of clarity around the 'employee deal'. What is expected of employees and what will they receive in return? Are they expected to work 18-hour days paid well above the market or in a nine-to-five paternalistic environment on average pay?

Probing deeper, where employees stay, to what degree do individuals have the will and the skills to help drive value for their organizations? Individuals who think of themselves as high performers generally believe that they have the skills needed to be successful (76% in the survey), yet less than 50% of these same people believe that they are as motivated as their organizations would like. Obviously these responses are predicated on employee perceptions of corporate expectations. Nevertheless, it seems that plenty of organizations are still staffed by talented individuals who, by their own admission, are very far from committed or motivated.

I believe that individual motivation is driven by a combination of a strategy that allows for meaningful work, leadership that inspires and challenges, and culture and people practices that encourage employees to maximize their potential. Where HR managers have become strategic business partners they can be highly influential in each of these areas.

Again, I was surprised at the extent to which organizations still seem to have difficulty tackling their people issues. An alienated workforce poses a risk to any business so high performers were asked just what motivates them. The answers seem to lie in the nature

of the employee–organization relationship and fall into two main categories.

### ***The Individual Relationship***

Put simply, employees want to feel their organizations value them as individuals. When asked ‘What does your organization need to do to get the best possible performance from you as an individual?’, by far the most popular response was ‘Praise and recognize my achievements’ (33%), with several respondents explicitly stating that recognition need not be financial. This was followed closely by ‘Train and develop me’ (29%). Other major factors mentioned include ‘Listen to me’, ‘Treat me as an individual’ and ‘Communicate with me’. The good news, then, is that relatively simple factors seem to have a disproportionately positive effect on employee motivation. A few well-timed and public words of praise for great performance can go a long way.

### ***The Holistic Relationship***

Underlying the need to be treated as an individual is an apparent need for employees to be true to themselves at work. Our research suggests 90% of employees believe it is either important or very important for their personal values to be in tune with those of their organizations. By promoting transparency in respect of the employee deal from the start of recruitment, HR managers will be helping individuals make decisions with all the facts, saving considerable recruitment time and money. This is not just a ‘nice-to-have’. In a post-Enron world, several survey respondents cited instances where they had resigned over a matter of principle. Furthermore, three-quarters of the respondents felt they had to hide their true selves at work at least some of the time.

On a large scale these relationship factors set the foundations of an organization’s culture. If the individual relationships are dysfunctional, it is not surprising that overall culture will hamper rather than help business success. Our findings confirm the link, with 60% unable to state that their organizations had the right culture to achieve their goals. That culture ‘fit’ is certainly more likely where organizations are open and honest about what they are offering their employees.

The same can be said of organizational design, with survey respondents not optimistic about businesses’ ability to place the right people in the right positions in the right teams. One respondent summed up the pessimism with “I think it only happens in dreamland.”

## **A CALL TO ACTION**

I do not believe that organizational alignment only happens in dreamland. Tools, interventions, processes, methodologies and approaches all exist to better align an organization to its strategic intent. A few examples follow.

First, define your success formula and make strategy everyone’s business. To achieve this, leaders can clarify their formula for success and link it to all organizational initiatives. By setting organizational direction, priorities and milestones, and by making the strategy explicit, leaders throughout the business can facilitate group discussion and ensure team and individual buy-in.

Second, strengthen and support senior managers to be effective business leaders by energizing and focusing talent. To ensure that managers and leaders are both committed and applying their skills to the business, it is critical to make individual and team metrics explicit so that they can be held accountable both for business results and for developing the desired culture.

Team alignment, individual coaching, leadership development and organizational design initiatives are but a few ways by which organizations are building and supporting the effectiveness of their leaders.

Third, manage HR like a business and ensure that investment in people practices drives value by delivering on organizational and employee expectations. In maximizing human capital investment it is critical to make the organization’s expectations clear. Clarifying and making explicit the employee–employer promise (which includes culture, workforce environment, reward, performance management, etc.) and linking this promise to people practices will allow an organization to deliver on its side of the promise and also to clearly monitor an employee’s delivery against expectations.

Lastly, business success is not achieved by developing great strategies, nor is it achieved by great leadership for, without effective implementation, it all becomes just lip-service. Without a good plan even the best leadership is ineffective and great leadership with a poor strategy is directionless. Furthermore, neither will be successful unless employees are committed to both the work being undertaken and the quality of its implementation. Thus, all elements are needed to drive value and ensure that in this competitive environment an organization does not become toast.      Ω