



THE CHARACTER OF A HIGH PERFORMING ORGANIZATION

Our experiences with businesses at various stages of maturity suggest that there are characteristics common to companies that consistently perform in the top quintile of their respective industries. The intent of this paper is to describe the character (or culture) of high performing organizations in a straightforward and behaviorally anchored manner, so that definitions are clear, easy to customize and practical to implement.

High performing businesses have distinct technical/functional competencies that are core to strategy, and as such, are a source of sustainable market advantage. In addition to these technical/functional skills, the high performing organization has a focused agenda for establishing and communicating shared values and organizational competencies. Organizational competencies in leadership, planning, information exchange, rewards, teamwork and learning/innovation are the basic building blocks of culture, and as such, guide the decisions and behavior across the high performing organization.

Shared values stem from the company's heritage and roots and tend to reflect the personal values of leadership. Organizational competencies also reflect this individual influence, yet in high performing companies, tend to flow more deliberately from the company's vision and strategy. When grounded in the business strategy, they become more meaningful and measurable for all organizational members.

Technical/functional competencies describe what a company has that is "special", while shared values and organizational competencies describe how the business will run, and ultimately, become the essence of culture, enabling clarity of goals and highly accountable roles for all.

Business Values

Shared values have tremendous impact on the cycle time, quality and credibility of management decisions in the eyes of shareholders, partners, customers and employees. When they are a part of the day-to-day running of the business, shared values serve as a point of continuity and stability through the turbulence that most management teams experience.

High performing organizations have shared values; fundamental beliefs and principles that serve as guideposts for key business decisions as well as the day-to-day activities and behavior of the organization. These are not merely words, but clear standards upon which people judge success and each other's contribution to winning.

One of the best examples we have seen was in an organization whose senior leadership confronted an economic and "moral" turnaround of a 100-year-old failing company. Realizing that the challenge they faced would require tough decisions, they set out to develop a set of shared values upon which decisions would be made. As this turnaround team came together from various other companies, the leaders had the opportunity to develop a common language, prioritize actions and come together to create common values that would guide action. Much of the benefit of these early discussions was associated with individuals getting to know what made each other "tick" and ultimately agreeing on



values. As the final test, each member of this leadership team declared that they were willing to hold themselves and each other accountable to demonstrate these values on an ongoing basis.

Having recently come together from other companies, these executives were driven to avoid the trappings of typical mission/values exercises. These processes traditionally result in organizational cynicism due to gaps between espoused and operative values. Rather than communicating with fanfare, they choose to apply these values in the course of making and communicating difficult decisions to employees, shareholders, partners and customers. In spite of cutting 30% of the workforce, reducing dividends and earnings forecasts, this leadership team quickly earned a new level of credibility through very tough times.

Leadership

The shadow cast by the leader has a material and lasting influence on the organization. High performing leaders are those who are driven to see the possibilities for their companies. They set clear direction and distribute accountability. Their vision is typically shaped as a result of blending the perspectives of external experts and members of their leadership teams with their own seasoned instincts. As a result, the vision created is grounded in market facts, integrates the intuition and experience of key managers, and is therefore positioned well for organization-wide communication, understanding and ownership. Wherever appropriate, top leaders are driven to include diverse perspectives in shaping the vision, even though the process may take more time and be a bit noisier. They are typically impatient and passionate about measurement, yet work hard to temper their tendency to be overbearing by working hard to listen to all constituencies. High performing leaders continually resolve and communicate, not rationalize the conflicts that naturally exist among the needs/requirements of investors, business partners, customers and employees. They will only be exclusive in situations where public disclosure issues call for them to work with an inner circle.

As a result of this behavior, they secure significant trust and commitment from their organizations and are positioned to act with precision and urgency. When in place, this leadership profile rapidly dispenses of all irrelevant activities and focuses total company resources on a finite agenda to assure performance against clear measures of success. People know what leadership expects, people know what their respective accountabilities are and understand the accepted norms for surfacing and resolving conflicts.

High performing organizations place an exceptionally high priority on making sure that they have the right people in the right leadership roles, and as such invest consistent with their strategy for leadership talent acquisition and development. They know that it all starts with having the “right people on the bus”.

Planning

Strategic and operational planning is a natural part of work in high performing organizations. In fact, leaders view strategy setting and planning as a continuous and iterative activity necessary to assure organizational alignment in an evolving marketplace. Top executives are extremely active in the process and define/communicate the planning process and expectations for deliverables and accountabilities. They assure that strategy is created and implemented to support the business



mission and that it balances customer and market opportunities with the needs of investors and employees. Most publicly traded companies have competing agendas in these areas, but see conflicts as natural and encourage them to be resolved in a strategy setting. High performing organizations see the need to translate strategy into operating plans as a means of testing do-ability and affordability, understanding critical accountabilities and interdependencies, discussing risks and controls as well as determining priorities and trade-offs. The best companies integrate simple measures into all plans to assure that progress can be discussed using a common language. It is not unusual for the high performing organization to shift strategy as a result of this kind of rigorous planning process where the reality of implementation is tested.

While this might sound like a lot of process, in application it becomes a simple road map of how decisions are made and day-to-day activity is managed and measured. This environment eliminates role confusion and assures attention on the critical few deliverables, arming teams and leaders with the tools to be successful.

Information Exchange

Data management along with the creation and dissemination of information is another common element. High performing organizations have simple, meaningful management reporting in place and build information systems that generate the facts that managers need to make decisions. These systems generate information essential to business planning. Regular business reviews include key data on the industry, markets/customers, key projects and initiatives, effectiveness of key processes, financials and human resources. Top leaders do not wait for the perfect solution and have the drive to continually refine their organization's ability to develop insight from information. The initial MIS of some of the best companies starts with many blank spaces and uses proxy data until capability is built. Most importantly, management information is used to learn, not only for "rear view" monitoring. Business performance information is broadly shared, discussed and understood by employees. Simply stated, when operating in optimum fashion, information systems generate high quality data, that when manipulated, creates information, that produces knowledge, that when applied, results in actions that have a positive impact on performance.

When in place, this kind of information capability validates the appropriateness of controls, improves decisions, empowers managers, and greatly reduces the cycle time needed to shift resource allocation across the business. In a high performing/high information environment, people not only know what is expected, but have an up-to-date sense of how the business, their unit/team and individuals are performing against plan. Acting on this performance feedback becomes a highly interactive part of leading and managing a business to win as solutions to gaps in performance are continually and creatively sought.

Information exchange is not restricted to the top of the house in high performing organizations. The leaders of these businesses demonstrate an unwavering commitment to informing all employees about market happenings, business performance and shifts in strategy. They work very hard to balance the need for confidentiality with the need to creating an open environment.

Rewards

A strategic reward system reinforces critical objectives, accountability, teamwork, delegated authority and leadership. At the end of the day, all have “skin in the game”. The key organizational impact is indeed reinforcement of the road map to success. A well-designed reward system not only draws attention to the end (expected financial results), but also reinforces how development of technical and organizational competencies and their subsequent impact on the quality/quantity of business activity can accelerate the path to winning.

Recent studies on high performing organizations illustrated the trend for CEO’s to introduce incentive compensation to all levels of the organization. Business leaders are seeking to better link pay to company performance in markets and segments. If a company performs at the 75th percentile relative to their competitive peer group, payouts are at the 75th. Of course, if performance falls short of market based goals, then payouts are less. The concept of creating “line of site” for all employees is foundational and balancing motivation with expense has become a key agenda item for the leadership of high performing organizations. High performing leaders seek ways to shift fixed cost to more variable expenses, while vesting all employees in company performance. In addition to traditional financial measures, line of site is specifically tied to additional metrics such as quality of decisions, cycle time, operating cost, productivity, market share, customer satisfaction, etc. The ultimate goal of incentive pay is to compensate people based on what they can and do contribute.

Additionally, organizations have become sensitive to the excessiveness associated with executive prerequisites and are establishing a much sharper focus to executive pay through both cash and equity elements.

Beyond pay, high performing organizations are introducing recognition programs that reinforce the application of core values and the contributions of teams, not only individuals. The result of all this is an environment where everyone understands the goals and how what they deliver will impact the company and their own pay.

Teamwork

High performing organizations know that the global economy demands speed and increasing levels of efficiency. These businesses know that market complexities can no longer be effectively managed by individuals and realize that team ownership and empowerment are essential. Divergence and diversity of thinking is encouraged and seen as the key to the development and maintenance of intellectual property. High performers recognize that the benefits of centralized control are not worth the sacrifice of team-based business models. Teamwork is enabled by the kind of leadership, planning, information exchange, and rewards previously described.

One of the greatest challenges for the high performing organization is to create a business model that attracts and retains high performing individuals that are committed and capable of working as leaders and as members of teams. Many a business turnaround or start-up has been unable to move to the next stage of growth due to the fact that the smart and courageous leaders that were brought in to save or start the company do not have the motivation or skills to act as team members. While more mature businesses in periods of accelerated growth still must maintain its focus on results, core



processes become more important as infrastructure must be built to support scale. New levels of teamwork are required to make this happen. At times, it is very difficult for leaders to let go of sole ownership and authority, seek and integrate the diverse views of new comers, delegate, and really listen.

The business impact of teamwork in high performing organizations is dramatic. These businesses are quicker, more agile, more cost effective and better able to respond to shifts in market dynamics. They are equipped to shift goals, redesign roles as needed, resolve conflicts as they arise and manage to the appropriate level of policy and procedure without ever slowing the pace.

Learning and Innovation

The high performing organization is one that continues to learn and innovate. In these organizations learning is part of working. Empowered leaders and teams have stretch goals and incentives to deliver what they promise. High performers know that knowledge is power and have learned how to distribute knowledge across the enterprise, rather than have it held only by a few at the top. They know the skills they need and what they have. They leverage competence, yet never assume that learning can stop. Based on superior human resource planning, development plans are jointly created and implemented by employees and managers. Key skill gaps are closed through a combination of external recruiting and internal development. Regular business reviews provide updates, not only results in financial areas, but highlight the acquisition and application of new skills.

The high performing organization is designed to deliver on objectives and demonstrates the ability to continually realign its structure with its strategy to optimize results and the utilization of resources. Formal organization charts reflect the way that work processes operate. Core work that impacts revenue and profits is the focal point, while support/staff work is designed to support line operations. The result is an environment where people seek and give input and provide feedback and suggestions.

A high degree of learning and innovation creates an environment where people seek and give input and provide feedback and suggestions. High performing organizations have the ability to learn from mistakes and discover and implement breakthroughs that allow them to leapfrog their competitors. It is these businesses that will continue to shape, rather than merely react to, the new rules of competition.

Summary

High performing organizations demonstrate shared values in all they do. They are exceptional at communication. Their strategy is clear and their brand is distinct, while both are demonstrated in the day-to-day behavior of the organization. Leadership thinks and acts systemically to create a high performing culture. The company has an unwavering focus on results and is continually fine-tuning the alignment of company resources to reflect shifts in strategy. These organizations have clear operating models and a set of well-defined competencies that are aligned with the vision, mission and strategy. The high performing business demonstrates solid general management discipline that compliments the value of visionaries and strategists to unleash passion and an unwavering drive for financial results, customer value creation, operational excellence and continual learning.