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Performance Anatomy

The missing link

How employee mindsets can be assessed to improve business performance

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Executives instinctively know that fundamental employee attitudes and behaviors matter. To date, however, most efforts to measure this key organizational trait have come up short. A new approach promises to change that by helping companies comprehensively assess the employee mindsets that are most critical to high performance.

At a successful US-based biotech firm, plans to grow were robust and expectations were high. But in the winter of 2006, senior executives noticed a number of red flags concerning employee attitudes about the company's ability to execute its aggressive new strategy. For the second year in a row, internal survey results indicated that from middle management on down, people were worried that decision-making speed was dropping, that accountability had become too diffuse, and

that more time was being spent on getting consensus than on getting results. This trend was worrisome: Could it derail the company's growth plans?

The problem faced by the biotech firm is a common one. Employee mindsets—the attitudes, behaviors and practices that determine how an organization approaches tasks critical to the execution of its strategy—are essential to a company's ability to achieve or maintain

high performance. The wrong mindsets, such as those at the biotech firm, can compromise these efforts. Many organizations use surveys to measure such facets of employee mindsets as job satisfaction, engagement and learning, but few feel they are able to gauge the impact of these mindsets in a comprehensive, meaningful way. “Blind men and the elephant” is a common phrase managers apply to the problem. Even those that have included assessments of these mindsets in their balanced scorecards learn little that they can use to boost performance.

Senior management may get some information from these efforts that seems like it logically should be linked to high performance, such as “80 percent of our employees are satisfied or very satisfied with their work.” But the actual connection—much less a causal relationship—remains unclear. In the absence of a proven linkage, the task of optimizing mindsets to achieve high performance is reduced to guesswork.

Executives frustrated by this dilemma instinctively know that employees mindsets matter. But how? And what can they do to instill winning mindsets?

For more than three years, Accenture has been intensively studying the attributes of high-performance business. We found five critical mindsets that are directly linked to business performance. High performers cultivate these mindsets and translate them into organizational practices that produce superior business outcomes. Once top executives become aware of the connections between mindsets, practices and outcomes, they can begin to leverage culture for better business performance. We refer to this combination of mindsets and practices as an organization’s performance anatomy.

We have now developed a comprehensive assessment—the Accenture Performance Anatomy Opportunity Inventory—that shows executives how well (or poorly) mindsets and practices are aligned in their organizations, and help them identify strategic initiatives that will leverage mindsets to create value and achieve high performance. The PAOI also guides efforts to build the next generation of leaders, align top executives around strategic priorities and use hard data to act on soft issues.

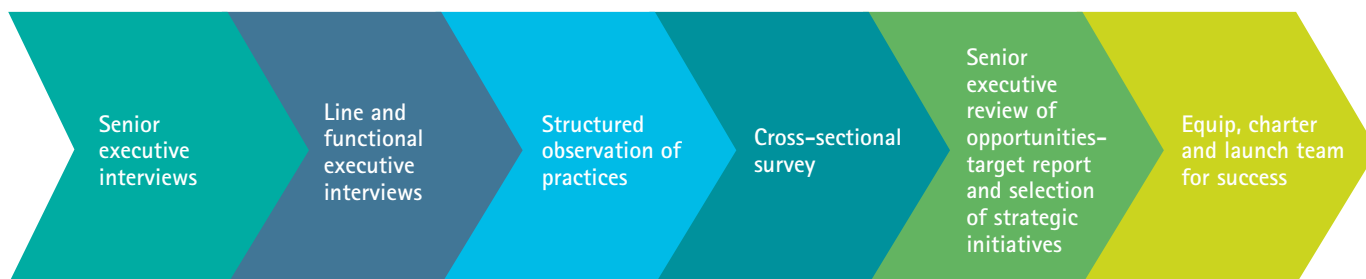
Realignment

Here’s how the biotech company cited above used the tools of the Performance Anatomy Opportunity Inventory to assess multiple misalignments—to gain a better understanding of what was behind the plummeting execution scores on its internal surveys and, more important, to separate the underlying causes from surface-level symptoms so that the company could successfully implement its growth strategy.

Given the senior leadership team’s plan to expand the firm’s product line, many changes were on the menu—increased headcount, including the addition of new managers; reorganization; and the formalization of processes. Outstanding execution would be essential to continued market penetration and financial success, but having a lot of new employees in new roles seemed a recipe for even more confusion about decision making and accountability.

The company’s Performance Anatomy Opportunity Inventory consisted of a multidimensional investigation that combined qualitative interviews; a survey, sent to everyone in the organization, to gauge the alignment of performance anatomy mindsets; and structured observation, including an organizational network analysis.

The Performance Anatomy Opportunity Inventory: How it works



Step 1. Senior executive interviews

Interviews with senior executives to clarify the company's strategy and the top team's alignment on critical issues.

Step 2. Line and functional executive interviews

Interviews with line and functional executives to determine whether middle management understands company values and how mindsets are translated into action.

Step 3. Structured observation of practices

Launch of a structured observation of practices to gauge the alignment between what management thinks is happening on the "factory floor" and what employees are actually doing (including an organizational network analysis to determine who is connected to whom).

Step 4. Cross-sectional survey

Administration of the PAOI survey—fine-tuned to reflect dominant aspects of the organization's performance anatomy as they relate to high performance for maximum relevance and accuracy—via the Web.

Step 5. Senior executive review of opportunities—target report and selection of strategic initiatives

Presentation of a holistic picture of the organization's performance anatomy at a structured off-site meeting with senior management.

Step 6. Equip, charter and launch team for success

Carry out the initiatives identified in Step 5.

The assessment confirmed that company leaders were right to be concerned about execution. The PAOI analysis revealed that although the top leaders had demonstrated a powerful macroscopic view of the market, they were myopic about their own impact on execution inside the organization. In performance anatomy terms, the team's focus on market making and disciplined execution was out of balance, with the scales tipping heavily toward the former.

Consider how attitudes about decision making were found to be misaligned. Interviews with 54 senior and middle managers (out of a total of 80) revealed a widely held belief that the senior executive team was sending inconsistent signals about

who had responsibility for making various decisions. Several senior managers complained that the executive team insisted on being kept in the loop on matters great and small, and offered numerous anecdotes to back up their claims.

Results of the assessment confirmed these disconnects between the views of senior executives and the rest of the organization. In fact, the further one went down the hierarchy, the greater the misalignment. The results suggested that top management was out of step with the rest of the organization on other indicators as well. For example, middle- and lower-level employees

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Why most organizational assessments fail

Whether developed internally or purchased, many tools designed to gauge employee mindsets—their attitudes, behaviors and practices—operate at a surface level. Individual items or questions do not point toward larger constructs or “scales” that accurately reflect an organization’s performance anatomy, one of the three building blocks of high-performance business. For example, “Describe the level of satisfaction you have with your work” measures only one thing (in this case, employee satisfaction)—it is not connected to broader aspects of the organization, such as whether employees see IT as a strategic asset, or if they understand company success in terms of carefully chosen measures (two of five key performance anatomy mindsets identified by Accenture).

In addition, most assessments fail to link questions to strategic and measurable objectives, such as using a specific set of metrics to determine whether a company is a top-quartile player in its industry.

Beyond problems with the surveys themselves, assessments often fail for lack of a comprehensive process. That is, they are haphazardly begun and brought to abrupt conclusion without any action being taken. One common result: Problems uncovered by the data are rationalized away—blamed on external factors beyond management control, like a downturn in the economy—or simply ignored for lack of a clear solution.

If senior management is not fully committed to the process at the outset, it may be unwilling to make changes based on the results. Such inaction only leads to employee cynicism over time. As companies have become aware of the costs of dealing with falsely raised hopes, many have simply decided to stop surveying their people.

But the biggest problem with most of these efforts is that they fail to capture the relationship between employee mindsets and business results.

A satisfied and engaged workforce might logically seem to be connected to performance, but it is difficult to prove the connection. In fact, it’s just as easy to imagine how satisfaction and engagement may be undermining performance. For example, it’s possible for employees to be satisfied with long-established, comfortable routines without being terribly productive.

And it’s possible to be engaged—committed to the business, making a serious effort—while occupied with tasks that are not focused on achieving high performance. For instance, an engaged survey-certified manager may spend too much of his time leading marginally useful meetings rather than meeting with customers.

Another difficulty: In many surveys it’s impossible to distinguish cause and effect. For example, do engaged employees lead to superior financial results, or is it the other way around? It’s hard to blame executives for failing to act when the data at hand are ambiguous.

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expressed concerns about their ability to trust senior management and to safely take risks (in the form of offering creative ideas).

Finally, an organizational network analysis—the mapping of the informal organization, which revealed how the company actually worked, including who relied on whom to make decisions, things rarely evident from a formal organizational chart—confirmed that the senior executive team was squarely in the middle of organizational decision making, creating a bottleneck to effective execution. This finding dovetailed with survey results indicating that all but the senior team saw hierarchy as a negative organizational characteristic.

The combination of investigative approaches not only unearthed a serious unraveling of the shared mindsets that had enabled this company to achieve dramatic growth in market share, it also helped management figure out what to do to realign the mindsets. Results from the Performance Anatomy Opportunity Inventory formed the foundation for a data-driven discussion among senior managers about how to address a number of critical issues: decision rights and accountabilities; reformulation of the charter of the senior executive team so that it mirrored the realities of a larger and more complex organization; and how to acculturate new and recently promoted managers so that they could achieve a level of

discipline in execution reminiscent of the days when the organization was smaller and far less complex. Though still a work in progress, the changes brought about by management's review of the results are already having a positive impact. The company's president has said that "the project more than paid for itself by just the savings generated on a handful of decisions, not to mention the impact on the organization's behavior and the preparedness for aggressive growth."

Simple, actionable recommendations

The Performance Anatomy Opportunity Inventory that helped this biotech firm move toward superior execution is a multistage, multidimensional tool that produces simple, actionable recommendations.

Four features make it distinctive. First, it is a reliable method for benchmarking organizational mindsets in the critical areas Accenture has identified as constituting a performance anatomy. Second, it shows how widely and deeply the mindsets are shared, from the top team to the front line. Third, where mindsets are not in sync, it identifies opportunities to improve their alignment. Finally, it helps companies set priorities and initiate projects to enhance their performance anatomy.

The PAOI gathers both quantitative and qualitative data in a six-step process (see chart, page 3).

Assessing employee mindsets is too important to be left to approaches that fail to deliver meaningful results. As companies of all sizes and in all industries come to understand the importance of creating and instilling winning attitudes, behaviors and practices, they will need tools like the Performance Anatomy Opportunity Inventory to help them align key mindsets and optimize their performance anatomy.

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