



Maximizing your return on investment in human performance

By Terence V. Neill and Martin H. Borell

How businesses treat their people has a demonstrable effect on the bottom line. But few executives know how to encourage the kind of high-performance work practices that will help employees create value for their companies. A comprehensive new human-performance framework can help organizations invest in their people so that performance—and, ultimately, overall business value—will increase in a consistent, predictable way.

People are critical,” an executive told researchers at Accenture during a recent survey. “They are the single most important reason for the success or failure of our company. Motivated, educated, hardworking, enthusiastic—with that we go forward. Without that, we stand still.”

Yet if this widely echoed sentiment is true, why aren't people managed more optimally in today's organizations? Why isn't human performance directed more effectively toward overall business performance and the bottom line? We talk about “strategic IT” all the time. Why not “strategic human performance”?

Finding the right answers will be essential to the success of every business in the next century. According to “Vision 2010: Designing tomorrow's organization,” a report co-written by Accenture and the Economist Intelligence Unit, 75 percent of the executives surveyed glob-

ally ranked human performance ahead of productivity and technology as a source of competitive strength. Eighty percent believed that “the ability to attract and retain the best people” will be the primary force influencing business strategy by the year 2010.

Organizations today are moving from a state of workforce surplus to workforce shortage, particularly of professionals, or “knowledge workers.” To remain competitive, they must not only create a work culture that attracts good people, they must also design a human-performance environment that, in spite of potential shortages, optimizes the productivity of their workforce and its impact on the whole business.

Two major problems stand in the way. First, although corporate executives are beginning to acknowledge the critical contributions of their workforces to overall business performance, their actions often reflect a

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much different, and much more deeply held, attitude: Labor is simply another means of production to be secured as cheaply and used as efficiently as possible—and then disposed of as quickly as possible when economic factors dictate. When executives think workforce, they think human resources; when they think workforce improvement, they think training. In other words, they think costs.

But even if all business executives everywhere in the world were true believers (and there are, in fact, signs of an increasing awareness of workforce issues), there would still be the second problem: To date, there has been no comprehensive way to show companies how human performance can be integrated into the totality of their businesses.

Planetary alignment

How then does a company invest in human-performance improvement, and how can it trace those investments to strategic and economic benefit? The place to begin is with a *framework* that would give business-people a common understanding of human performance. Implemented with wisdom and compassion, this framework would create a common development structure for the design of a human-performance environment linked directly to every part of the business—to technological and business innovation, strategic goals and economic success.

A convergence of a number of academic, economic and workforce factors has created a kind of "alignment of the planets," making this the right time for a new approach to human performance in the workplace. The intellectual raw material is there. There is several decades' worth of research—from fields such as education, psychology, sociology, contem-

porary anthropology and organizational behavior—into what motivates people, what they need to succeed and how they can be helped to work successfully within large organizations, including businesses. Impetus has also come from earlier work in the 1990s about the value of intangible assets, particularly knowledge and the people who hold that knowledge. Moreover, these issues are gaining credibility as executives hear the message about the centrality of the worker from business gurus, academics and industry leaders.

A second factor is emerging. Companies have seen concrete examples of what happens when corporate initiatives are launched without properly taking people into consideration.

A major oil company embarked on a bold new strategy to move into different kinds of markets. Two years later, it had to admit defeat and return to its traditional business because the company's culture—its people—had not only resisted the strategy but actively undermined it. A products company implemented new enterprise application software. The technology worked, but after the conversion, the company discovered it had given inadequate attention to how employees would actually interact with the new technology. The business effectively shut down for almost a week: No product left the company.

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Understanding the linkages

The Human Performance Framework (see next page) is not the only way to look at the structure of a business. It is, however, an intentionally *human-centric* approach. It puts people—specifically the abilities and motivations that drive human perfor-

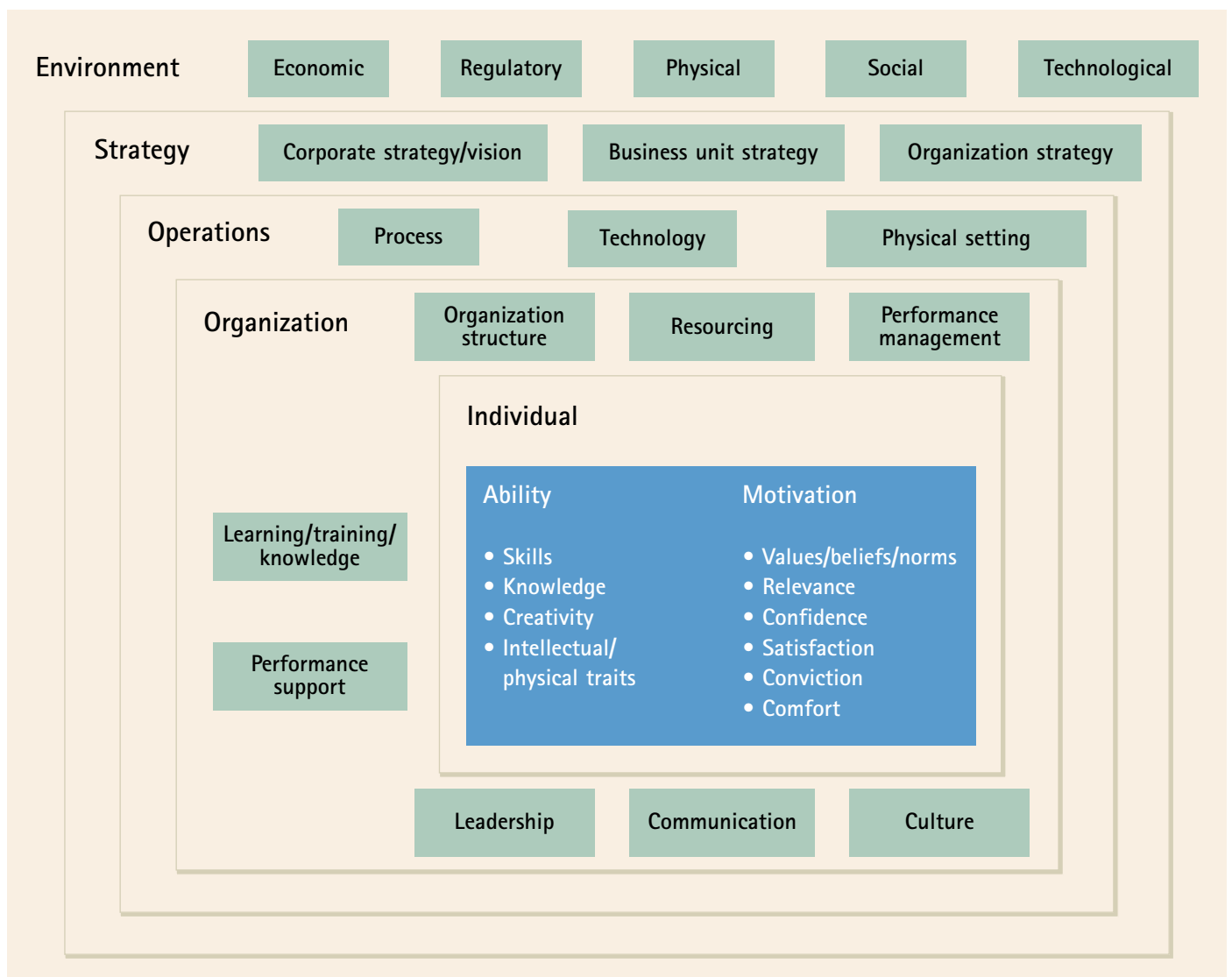
mance—at the center, and illustrates the richness of the entire system of human performance. At the same time, the framework strongly affirms that human performance cannot be understood in isolation. Every business is a complex, adaptive system—like an ecosystem—and no part of it can be understood without reference to all other parts.

In this way, the individual is surrounded by an organization design

that either enables or inhibits the link between ability/motivation and the actual behaviors that form a part of overall business performance. The organization layer of the framework includes a number of components that we call “influencers.” They are, for the most part, well-known and well-documented sets of activities that influence performance: structure, culture, recruiting, performance management and support, training, leadership and communications.

Human Performance Framework

The Human Performance Framework provides a holistic approach for understanding all of the forces and elements that impact an individual's abilities and motivations. It is only by understanding those forces in their totality that an organization can optimize human performance.



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In turn, those organizational influencers are themselves influenced by the other layers: the operations layer of the company, especially the processes and the enabling technologies; the strategy layer, which includes the corporate and business unit strategy as well as the organization strategy; and the external environment layer, where the influencers cannot be controlled but must be accounted for in any performance design.

What does the framework tell us that we didn't already know? In fact, there is nothing new in any isolated aspect of the framework. What is new is the holistic approach it provides to the challenge of optimizing human performance. No one piece by itself will accomplish the goal. Just as an understanding of the whole human anatomy is required for a physician to diagnose and treat ailments, so is an understanding of the entire system of human performance necessary for an executive to diagnose a company's condition and make it healthy.

The Human Performance Framework has a number of benefits:

Common language and understanding. The Human Performance Framework provides a common language by which people in different functions within a company can discuss the human dimension. The common understanding of what human performance really means can lead to some significant insights. Recently, when we produced a diagram of the framework during a discussion with a senior government administrator, he immediately reached out and put his finger on the "motivation" box. "There," he said, "is our problem. We've been concentrating on helping people learn new skills to do new things, but they're not motivated to do them. So we're not being successful."

A rigorous organizing principle.

As with any field in its infancy, the study of human and organizational performance has sometimes been seen as more art than science: If approaches to technology have been "hard," then approaches to people have been "soft." This is often justified by a belief in the unpredictable nature of people, and in the need to influence human performance not as engineers but as something more like orchestra conductors or theater directors.

As it turns out, though, the field just hadn't yet acquired the experience necessary to begin synthesizing repeatable frameworks for solutions. Indeed, there is a great deal of science behind the Human Performance Framework. To be sure, people are not inanimate "technology" boxes. But we know a lot about what makes people tick, and the framework organizes that knowledge into something we can apply with rigor.

Tracking the interactions. The framework ensures that complex interactions, or actions with multiple consequences, are not ignored when designing a new performance environment. For example, the chances that recently redesigned processes at the United States Postal Service would succeed were increased by using the framework as a guide. With this, managers could document where the effects of the process change were going to be felt most strongly, and determine which management interventions—based on the organization layer of the framework—would offer the most benefits for the investment.

Similarly complex interactions came into play recently at Continental Airlines, where President & Chief Operating Officer Greg Brenneman has been overseeing a radical organi-



zation transformation and turnaround. As Brenneman says in a *Harvard Business Review* article, when he took over the ailing airline he “had never seen a company as dysfunctional as Continental.” Interestingly, he puts the problem in very human terms. Because the company had been through so many changes in top leadership, the workforce had adopted the tactic of doing nothing during the seemingly perpetual management shake-up. “Managers were paralyzed by anxiety,” he says.

The turnaround at Continental Airlines is a classic story of tracking the interactions and influences, especially the human ones, within the whole system of business performance. Straightforward corporate and operational strategies were coupled with some very sensitive and powerful actions to lead the people of Continental and to enable them to

perform optimally. Strategy had to be clear, but its implementation had to be even clearer.

A diagnostic tool. The framework acts as a “completeness check” for a human-performance environment. It is being used in many organizations to assess or diagnose a current situation to determine where a company should focus its initial efforts, and where efforts should be directed in the future. At the United States Postal Service, for example, the framework is being used to establish a human-performance baseline for the organization, which will allow managers to measure the effects of investments in new processes, technologies and management influence programs.

Consistent, standard development. The framework should not be thought of as a methodology for designing a human-performance



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solution. It is, however, a framework to *guide* development—again, serving as a completeness check, making sure that all necessary and appropriate aspects of the entire system of performance are being considered.

At a major health insurance organization, the Human Performance Framework permitted the tracking and integration of the many and varied pieces of organizational change. This company was facing both strategic change and the need to update its aging technology. The framework allowed the diagnosis of other problems that might have been overlooked. The corporate culture represented one of the most significant barriers to change. This company had dominated its market for many years. Success had only led to further entrenchment of a culture that revered tradition, was fascinated by the process of problem analysis and resisted change. Given the new strategy, the framework helped identify the need for a new culture that encouraged action and risk-taking rather than tradition and risk-aversion.

To move the workforce toward the future performance environment, the company focused on all relevant aspects of the organization layer of the framework. Organization structure and job design, for example, were critically important to support the new business capability that was being created in accordance with the strategic vision of the company. A focus on resourcing and performance management led to new programs in staffing/recruiting, rewards/compensation and development to support the new jobs and the new organization. Training and performance support have also shown dramatic returns on investment.

The bottom line for this company: In its current performance environment, the typical amount of time required for people to reach 80 percent proficiency on job tasks ranges from 9 to 12 months. The company is now well on its way toward its target of lowering that time to three months. All work focused on optimizing human performance has been conducted not as single-point, haphazard steps, but rather in the context of the company's strategic goals—and explicitly directed toward those goals.

What is the ultimate payoff of a rigorous and holistic approach to human performance? Companies are only now discovering the economic benefits. One research study looked at a broad range of organizational practices, such as employee skills, organizational structures and employee motivation. These “high-performance work practices” had a profound impact on overall organizational success, according to the study. One standard deviation increase in such practices could be traced to a 7.05 percent decrease in turnover and, on a per employee basis, \$27,044 more in sales, and

\$18,641 and \$3,814 more in market value and profits, respectively. Another related study was even more dramatic, showing that one standard deviation increase in high-performance work practices resulted in an increase in shareholder wealth of more than \$40,000 per employee. For companies with large workforces, those are significant numbers.

Beyond these measurable benefits, however, are benefits that relate more to altering the entire attitude with which people are viewed and treated within organizations. The history of the human-performance field, after all, has not always been exemplary. The Industrial Age, factory insights of F. W. Taylor—where people were treated more like machines than humans—were in too many cases transferred wholesale into the service industry and the Information Age. Inevitably, people were considered too little or too late. Recent history has shown us that technological and strategic initiatives fail when they are placed in the center of a company's field of vision, to the exclusion of the people who will operate that technology and carry out that strategy. The biggest names in the reengineering movement of several years back admitted, belatedly, that most reengineering initiatives failed because they left out the people.

The Human Performance Framework takes the simple step of placing people at the center, and then asking, "How can I enable these people to succeed, not just for themselves, but for the entire organization?" If we can—with both rigor and compassion—direct the performance of people toward the strategic ends of the business, we will finally and truly tap into the value of that most important asset. ■

This article is based on two studies: "Vision 2010: Designing tomorrow's organization," written by the Economist Intelligence Unit in cooperation with Accenture, and "Global human performance study," written by Accenture.



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