

Seven Steps to Success through People

Breaking new ground, people performance management takes familiar disciplines and integrates them across functional lines to maximize results.

Overview

Even in today's soft economy, there's a competitive edge overlooked by many organizations: people performance management. That's the term for putting a strategic focus on achieving financial success through loyal customers and motivated employees. Justification for people performance management is supported strongly by these statistics:

- 82 percent of customers will stop using your product if they lose trust in your company (*source: Harris Interactive*).
- Disengaged workers cost the economy \$300 billion or more a year (*source: The Gallup Organization*).
- Companies with a strong link between enterprise strategy and rewards programs generate a shareholder return almost 40 percent higher than competitors without such strategies (*source: Aberdeen Group Inc.*).

Compelling reasons make it clear that people performance management will become the predominant business strategy in the coming decade. "Customers, both retail and industrial buyers, are getting smarter about the value of service," write William Davidow and Bro Uttal in their book, *Customer Service: The Ultimate Weapon*. "They're increasingly frustrated and more willing than ever to take their business elsewhere."

Loyal customers entail lower selling and processing costs and generate more incremental revenue and referral business. "Companies that score higher than their competitors in customer satisfaction and repeat business have the upper hand in financial performance," according to Davidow and Uttal, citing a hotel chain that has profit margins 13 percent higher than its competitors just because customers like it better. The biggest tool this company uses to generate superior service, say the authors, "is the way it trains and motivates its lowliest workers."

People performance management involves disciplines familiar to most business people but puts them together in a way that cuts across the traditional organizational boundaries. Fred Smith, CEO of Federal Express, underlined the importance of doing that when he said, "How can we deliver world-class service without world-class people?"

People performance management doesn't cost more money or add a new level of bureaucracy. It redirects resources to focus on what counts the most: motivating every employee, salesperson, and reseller to do as much as possible to attract and keep customers.

Here's a guide to the Seven Steps to Success through People Performance Management (continued on page 2):

1. Leadership that Moves People

What do Bill Gates and Jack Welch have in common with such renowned leaders as Napoleon and Gandhi? The ability to make things happen by motivating people. There is no way to get the best out of customers and employees without leadership and management.

"Leadership provides the passion, management the system," according to Daniel Stowell, author of *Sales, Marketing, & Continuous Improvement*. For him, leadership starts with a vision of where the organization is going; actively listening to customers, employees, and associates; providing regular feedback; recognizing and rewarding people for accomplishments, and implementing performance measures that clearly align customer needs, compensation, and employee priorities.

Others expand on this view. "Transformational leaders provide a more nurturing and, in most cases, motivational environment," according to the authors of *High Performance Sales Organizations: Creating Competitive Advantage in the Global Marketplace*. They point out that successful leaders inspire admiration, respect, and trust, leading by example and "continually modelling and reinforcing desirable attitudes and behaviours. They empower their good performers...."

People performance management requires leaders who understand the fundamental role played by people-customers, employees, resellers-and who recognize that, like any great leader in history, their primary job is to motivate and inspire everyone in the organization.

2. People Relationship Management

People performance management puts customer relationships and employee relationships on the same platform. "The best customer-centred strategy in the world is only as good as the employees' ability and desire to implement it," says James A. Unruh, former CEO of Unisys and author of *Customers Mean Business*. "Organizations have to develop pro-customer employees-employees who proactively serve customers. This development takes place through staffing, communication, education, empowerment, and reward and recognition programs."

People performance management takes the concept of customer relationship management and integrates it with employee relationship management. In *Customer Loyalty: How to Earn It, How to Keep It*, Jill Griffin describes a national automotive service chain that implemented a customer retention program. "In a year, the company increased its retention rate by seven percentage points and reduced mechanic turnover to a fraction of former levels," she writes. "If an employee is dealing with satisfied customers, he or she is likely to enjoy the job more, do a better job, and remain with the company."

Combining consumer and employee motivation requires integrated external and internal marketing that rarely exists in organizations. It involves linking customer needs to the process of motivating all the employees in a position to help meet those needs.

3. Alignment and Communication

Communication starts with fostering vertical alignment, which "is about rapidly moving the company strategy through the organization, turning intentions into actual work," write George Labovitz and Victor Rosansky in *The Power of Alignment: How Great Companies Stay Centred and Accomplish Extraordinary Things*. "It gets strategy down to the ground where it can do some good." The best way to do this is to have a strategy that "reflects the contributions of the work force and is executed rapidly and effectively," say the authors, and that, in turn, aligns "activities with the intentions of the business and invigorates employees."

Alignment is supported by continuous communication, which can include such methods as "management by walking around" to get face-to-face contact with all employees (a favourite of consultant Tom Peters); regular meetings; and print and Internet communications supported, if necessary, by incentives and promotions.

Employees perform best when they have a clear understanding of how their performance affects customer satisfaction and corporate success. Companies dedicated to people performance management understand the need to market to their internal audiences as much as to their customers.

Effective communication has an even more practical purpose. People need to know what's going on throughout the organization so that their "work stays coordinated and mutually reinforcing," notes Jeanie Daniel Duck in her book, *The Change Monster: The Human Forces that Fuel or Foil Corporate Transformation & Change*.

4. Training

"Sales executives and training managers at top-performing organizations agree that the best sales training decisions are linked to an organization's key business objectives," according to the authors of *High Performance Sales Organizations*. These companies "create a common language in which all employees discuss the organization's sales strategy and develop activities that support that strategy. Creating this kind of unity requires tremendous focus, discipline, and leadership."

People performance management recognizes the critical role played by training not only in supporting the alignment process but in equipping employees at every level with the knowledge necessary to support their role in satisfying the customer. Programs should explain all aspects of customer service management, from providing improved service to the consumer to streamlining processes that reduce costs or improve value.

People performance management puts a new twist on training by recognizing the importance of training your organization's *customers* as well. This takes the form of equipping them to be better customers by fostering an understanding of your product and how it can help them. That means introducing communications and marketing that, in addition to selling, helps customers by providing them with useful, objective information.

5. Rewards and Recognition

In a ground-breaking study for World at Work, a leading trade organization, Sibson & Co. highlighted the benefits of a "total rewards" strategy encompassing compensation, workplace environment, benefits, and other related factors in order to get the best possible utilization of the work force. Formal strategies, such as incentive and recognition programs, play a critical role in drawing attention to organization values, driving the behaviours that count, fostering loyalty and commitment, and encouraging participation in training and communication efforts. Unruh writes, "Most organizations have lavish programs to recognize their top performers. World-class organizations also recognize the consistently good performers."

Stowell outlines the full range of recognition, saying, "Besides giving employees feedback on how well they are doing their jobs, leaders also recognize and reward people for their accomplishments. This recognition can be as informal as a pat on the back, a thank-you note, or a commendation at a sales or team meeting. It can also include rewards, such as a night on the town, a cash bonus, a merchandise prize, or a trip to a company recognition event." Performance-driven companies, Stowell says, recognize "that positive recognition is the most effective way to reinforce desired behaviours. People tend to repeat the behaviours that they believe will be rewarded."

An executive white paper published by the Aberdeen Group Inc. points out that reward programs not only provide "the appreciation craved by most employees," but can "lead to coaching, feedback, and mentoring by managers." The paper notes that companies with superior employee relations programs (AOL, American Express, Compaq, Dell, Delta, and Federal Express are typical) grew more rapidly than others by a factor of four to one between 1986 and 1995.

What makes people performance management unique is the equal emphasis on recognizing and motivating employees, customers, and even vendors. In *Winning through Enlightenment*, Ron Smothermon writes, "There is something that must be in order for loyalty to endure: it must be noticed. If you simply remember that no one owes you anything, loyalty will be easy for you to notice and acknowledge. If you begin to think they owe you loyalty, you are in trouble."

In *Customer Loyalty*, Griffin quotes a Steinway & Sons advertising director: "We are trying to engage our customers in not just a one-purchase deal, but in building a relationship. We think of things that will add value, or perceived value, to the purchase." In this context, properly structured consumer promotions go beyond spurring one-time behaviours. They thank customers in a way that builds loyalty over time through sustained recognition.

6. Measurement

The concept of people performance management is grounded in return-on-investment measures. According to the Aberdeen Group, an organization can measure its people performance management efforts using Kaplan and Norton's Balanced Scorecard, which looks at how the organization affects:

- **stakeholders**, who are concerned with such factors as stock price, return on investment, value added, revenue growth, cost reduction, and productivity improvement;
- **customers**, who may be categorized by such measures as the rate and cost of customer acquisition, customer profitability and satisfaction, dealer satisfaction, customer retention, and market share.

The scorecard evaluates the processes at which an organization excels. That could include measuring the number of new inventions, post-sale service quality, response time, cost levels, new product introductions, yields versus waste, scrap, rework, returns, and cost of safety problems. It also looks at how well the organization improves over time, measuring such things as employee satisfaction, information system availability, employee retention, productivity, and revenue per employee.

While these indicators apply to management of people performance programs, performance-based companies also make a point of measuring the activities of individuals and teams. "Measurement systems are an integral part of the business strategy, giving management feedback on how well its plans are working," according to Stowell. "Measurements tell the organization how well it is doing relative to its performance and improvement goals, its competition, and customers requirements."

To be effective, of course, measures must be aligned with customer needs linked to corporate objectives. Judith Bardwick sums up the issue in her book, *In Praise of Good Business*: "A results-driven culture finds fun in winning by hitting achievable, measurable, specific, stretch targets."

7. Technology

Database technology and the Internet significantly lower the cost of implementing people performance management practices, because they foster one-on-one communication, training, measurement, and motivation. Today, even the smallest organization can identify prospects, customers, and employees on a one-to-one basis and target them with customized promotions or other information. The Internet makes it cost-effective for organizations to make their customers better buyers by providing them with useful information that builds trust, confidence, and loyalty.

Company intranets make it possible to use one-on-one relationships to provide employees or resellers with how-to, reference, and training information just when they need it. Similarly, employees and resellers can share information with one another and keep up-to-date on the company's vision and goals. Intranets also facilitate programs for recognizing employees' achievements or testing their knowledge of company products and policies.

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Common sense dictates that organizations focused on fostering customer loyalty via a motivated work force will outperform those that aren't. A report by the Aberdeen Group, Inc., titled "Reward and Recognition Programs: Driving Employee Performance, Loyalty, and Enterprise Profitability," gives compelling reasons to adopt this emerging business strategy. The benefits include:

- Higher profit margins
- Increased sales
- Increased market share
- Greater net income per employee
- Lower costs
- Better asset utilization
- Increased innovation
- Fewer accidents.

Where to Start

People performance management is practiced all the time at organizations large and small, and many well-known organizations in the USA make it a fundamental way of doing business: Southwest Airlines, Marriott Hotels Corp., Chick Fil-A, and Fifth Third Bancorp, for example. At such companies, people performance starts at the top, because it takes high-level authority to mobilize the entire organization toward achieving new goals.

Information Resources

People Performance Management

incentivecentral.org—the portal for information on performance improvement, incentives, and recognition, it includes a list of companies specializing in people performance management.

ispi.org—the Web site of the International Society of Performance Improvement, it includes an extensive library of information on all aspects of performance improvement as well as access to vendors and consultants in the field.

Leadership

ama.org—the Web site of the American Management Association has extensive information on leadership.

Communications

mpi.org—the Web site of Meeting Professionals International has extensive information on the role of meetings in organizational communication.

ppai.org—the Web site of the Promotional Products Association International offers information on the role of promotional products in business communications.

Rewards and Recognition

incentivecentral.org—this site offers extensive information on research, surveys, books, and reference information in all fields associated with people performance management, as well as information on where to find suppliers.

incentivemarketing.org—the Web site of the Incentive Marketing Association offers access to extensive information on incentives as well as a resource directory of companies that supply incentive products and services. The organization has a formal curriculum on how to implement incentive programs.

recognition.org—the Web site of the National Association for Employee Recognition offers access to seminars and other information in the field as well as a list of vendors.

pmalink.org—the Web site of the Promotion Marketing Association offers access to information on all aspects of added value promotions in marketing.

site-intl.org—the Web site of the Society of Incentive & Travel Executives has extensive information on how travel is used in incentive and motivational meeting programs and on other elements of motivation in general. It contains a directory of suppliers related to incentive travel and motivational meetings, and it publishes results of research on measuring incentive return-on-investment.

goarms.org—the Web site of the Association of Retail Marketing Services covers the use of incentive programs in retail marketing and includes a directory of suppliers.

imra1.org—the Web site of the Incentive Manufacturers Representatives Association has information on the use of incentives in business as well as a list of companies that sell branded awards from leading consumer products manufacturers.

worldatwork.org—the Web site of World at Work has an extensive library on research related to compensation and total rewards.

Training

ispi.org—this site has extensive information on training as it relates to performance improvement.

astd.org—the Web site of the American Society for Training & Development has the largest library of information on training as well as extensive seminar programs.

Measurement

apqc.org—the Web site of the American Productivity and Quality Centre includes a vast library of information on measurement and employee involvement.

site-intl.org—this Web site offers access to the Master Measurement Model, a means of measuring almost any type of employee performance (developed by the American Productivity and Quality Center.)

For more information, call:

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This executive white paper was written by Bruce Bolger for the Incentive Performance Center and its affiliated associations.

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