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DELIVERING ORGANISATIONAL PERFORMANCE

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FOREWORD

News flash! Good management really does make a difference in the performance of a company.

Some schools of thought in recent years have suggested that organisational performance is mostly a result of external factors, or simply the right product, or luck, rather than management practices. Yet my own experience in HR and the findings of this report show that organisations that outperform their peers generally have the ability to manage employee performance effectively.

Studies show that management practices do make a difference to organisations, including productivity and profitability. However, it is not enough to have a well-crafted performance management system on paper; the real challenge is to translate it into the everyday behavior of people across the organisation. That, as they say, is simple but not easy.

Too often there is a fairly wide gap between what senior executives think people are doing and what they are actually doing. There can be a misalignment between individual goals and company priorities. When that happens – and it happens all the time – it is possible for individual employees to meet or exceed all their goals without any improvement in the performance of the organisation. Whoops.

This is why it is essential to have a clear understanding of the organisation's priorities and to ensure they are well-communicated, understood, and accepted by employees at all levels. To embed a high-performance culture, it is critical to reinforce it through shared assumptions, expectations, and leadership by example from senior executives. Goals must be well-defined, clearly communicated, and made public, with a focus on setting a small number of key corporate priorities and sticking to them. Agile goal-setting is necessary to stop activities that no longer serve the greater purpose.

Simplification is also crucial and requires continuous feedback to adjust behavior when activities are no longer aligned with priorities. It is essential to have a mechanism that supports continuous feedback to address issues as they arise, such that feedback and course correction is a daily part of the culture, not a once-a-year exercise. Candour is encouraged when managers confront difficult issues as they arise and both give and get honest feedback regularly. Let's be honest, though, many managers lack the social skills to give feedback where it is needed, and need coaching and support in that process.

Having a 'grip' is about planning work and understanding what people are spending their time on. Managers need to have frequent check-ins with their employees to make sure they understand what their teams are working on so they can stay in alignment with organisational priorities.

Yes, performance management makes a significant difference for most businesses. Investing in management capability and the systems needed to support a high-performance culture, and following the formulas outlined in this report, will be essential to meet the challenges and opportunities of the next decade, and make the most of the abilities of our people. By implementing these practices, organisations can improve their performance and outperform their peers, even in highly competitive markets.

Aisling Teillard, Head of Customer Success at beqom

1.0 INTRODUCTION

What makes some organisations perform better than their peers or competitors? Why is it that some organisations achieve their goals, be it growth, profit, market share or saving lives, and others don't? Some companies may have developed an innovative product that no-one has yet matched or been first to exploit a new technology. Sometimes these product related advantages exist outside the control of their current management.

However, our area of focus in this report is those aspects of superior business performance that can be attributed to the process by which senior management delivers performance – i.e., the impact of the 'delivery process' as distinct from the 'product'. Our aim is to focus on the impact of a company's management and the role that senior and middle managers have in enabling the organisation to perform. How much of the company's success is due to the way it has been and is being run?

We are also interested in how investors evaluate the quality of management performance, when deciding whether to invest in or acquire a company. When two companies in similar markets are seeking investment, what is it about the delivery process that persuades investors to back one rather than the other?

PARC's Performance Trilogy in 2021-22 looked in depth at the various definitions of organisational performance. Taking into account the perspectives of different stakeholders, and considering both the financial and non-financial measures, we concluded that the definition and measurement of business performance is itself complex. But equally challenging is the task of delivering that level of performance and cascading the understanding of it throughout the organisation. Getting the performance model off the presentation slides and into the parc

everyday behaviour of people across the organisation is more difficult than the theory would suggest. This is the task of the organisation's leadership.

In terms of reward for performance, companies can often spend a considerable amount of time and energy distinguishing between what is fair to attribute to the contribution of management and what was due to events beyond the executives' control. This can apply to both high and low performance. In some industries, external events can have catastrophic consequences or can lead to a profit and share-price bonanza, regardless of the actions of the executives.

To gain greater clarity in terms of qualitative data, we interviewed a broad sample of chief executives, senior executives, non-executive directors, investors, and consultants.

In **Section 2** we examine 'the case for management'. What evidence is there that superior management process in the delivery of performance makes a difference to organisations? What does the evidence tell us about the sort of things managers actually DO?

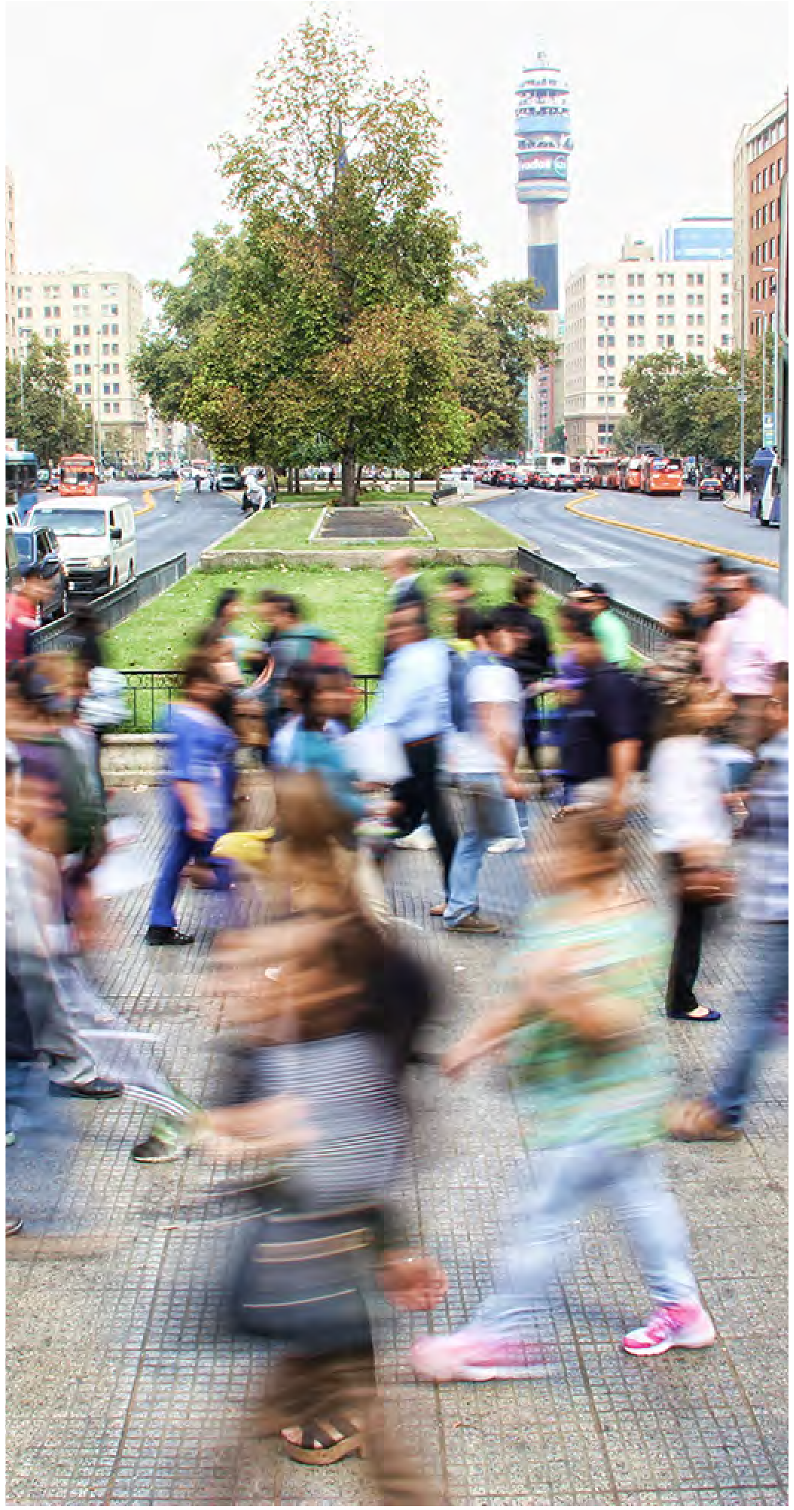
In **Section 3** we look at the current discussion of 'organisational performance' and the disconnect between that and most of the published literature on what is generically termed 'performance management'.

In **Section 4** we investigate the 'performance gap' – the gap between the organisation's objectives and what activities employees are spending their time on and getting rewarded for.

Section 5 looks at some case study evidence from the perspective of a high-performing organisation.

In **Section 6** we examine the themes that have emerged from our interviews with senior leaders and investors – what does it tell us about the blockages to high performance – and how they might potentially be overcome?

Section 7 pulls together these themes, makes some recommendations and draws some conclusions.



ACKNOWLEDGEMENTS

This report has been written with the help of expert advice from chief executives, senior executives, non-executive directors, investors, and consultants. Because of the sensitivity of the subject some of these contributors have asked not to be named in the acknowledgments. We thank them for their advice and comments.

Thanks in particular to the following people who gave their detailed insights:

- **Rob Briner,** Professor of Organizational Psychology at Queen Mary, University of London
- **Faisal Galaria,** CEO, NED and technology investor
- **Alan Giles OBE,** Remco Chair, portfolio NED and former CEO
- **Dennis Layton,** Senior Advisor and former partner, McKinsey
- **Helen Pitcher OBE,** Chair, Advanced Boardroom Excellence Limited, non-executive director and board level coach
- **Aisling Teillard,** Head of Customer Success, beqom
- **John Van Reenen,** Ronald Coase Professor of Economics, London School of Economics

Thanks as always to Harriet Ojo for her presentation and layout without which the report would not be nearly as engaging.

Whatever other factors are at play, it is the management practices that determine the difference between high and low organisational performance.

2.0

GOOD MANAGEMENT MATTERS

Are business executives simply witch doctors? This was a challenge thrown down by Chris Dillow, Chief Economist at *Investors' Chronicle*, about how much difference a company's management actually makes to its performance.

> *"To a large extent, the value of firms is beyond the control of CEOs. Management functions are rather like witchcraft. It's a set of rituals which are wrongly supposed to have effects on the outside world. When, by happy chance, those effects materialize, the witchdoctor takes credit. And when they don't, he blames external malevolent forces – if not the debt crisis, then the 'challenging economic environment', 'fragile consumer confidence', or (more feebly) 'operational issues'."*

It was a provocative remark but one that highlighted a question that has been at the core of much of the discussion about performance and reward. Arguments about how far a company's managers are responsible for its performance, as opposed to that performance being due to other factors, is probably as old as the emergence of a class of professional managers in the 19th Century. As we noted in our Performance Trilogy in 2021-22, sometimes a company's fortunes can be affected, positively or negatively, by something totally beyond the control of the management.

Chris Dillow's statement might be an extreme stance, but it is useful in that it forces those in management roles to articulate what it is that they think they do and, coming from an economist working for an investors' publication, it is a legitimate piece of provocation.

Fortunately for business executives, there are quite a lot of data that show management practices DO make a difference to organisations. Probably the largest longitudinal study is the World Management Survey (WMS). Researchers from top business schools, including the LSE, Harvard, and Stanford, have studied some 15,000 organisations since 2002 and have correlated management practices in three areas – target setting, performance monitoring and incentives – with a number of measures of business success, such as productivity and profitability. Improvements in scores on these three areas correlated not only with firm productivity but also with other performance measures like market share growth and sales growth. They even correlated with non-financial performance measures in the public sector, such as survival rates and lower length of stay in hospitals, and better teaching scores and research outcomes in universities.

Crucially, the WMS has found its correlations to be robust across countries and sectors so, regardless of contextual factors, these management practices have been shown to improve organisations' productivity. Furthermore, the WMS found that more than 80% of the variation in productivity between firms occurs within a given sector in a given country.

The WMS has built up a massive data bank to show that good management works. In short, whatever other factors are at play, it is the management practices that determine the difference between high and low organisational performance. These practices may look obvious (and the WMS authors say the headings are *"fairly non-controversial"*) but what the survey has done is to back up what many of us would say is common sense with some robust statistical data, gathered over time from a large number of organisations across different countries.

Similar conclusions can be drawn from the Bank of England's data on UK productivity. Using a similar methodology, the UK's Office for National Statistics researched management practices in 2018. In a survey of 10,000 firms based on the WMS management practices, it found a sharp contrast between companies in the top productivity decile and the rest.

LABOUR PRODUCTIVITY BY MANAGEMENT SCORE DECILE: Great Britain 2016

Source: Office for National Statistics, 2018

As the Bank of England's former Chief Economist Andy Haldane said:

> *"There is a statistically significant link between the quality of firms' management processes and practices and their productivity. And the effect is large."*

He concluded that, if more of the UK's firms can be persuaded to make just a few improvements to the way they manage their businesses, the effect on the UK's productivity could be significant.

Two of the academics leading the WMS research, Professor John Van Reenen of the London School of Economics and Professor Nicholas Bloom of Stanford University reckon that half the productivity gap between the UK and the USA can be attributed to poor management practices. If more organisations don't start getting this right, the UK's ability to meet the challenges of the coming decade could be severely hampered.

However, one caveat in this long-term macro data is that it deliberately ignores the contribution of business strategy management decisions. The practices covered by the WMS deliberately focus on operational improvements. As its authors say:

> *"We are not measuring 'strategic' aspects of management such as innovation, pricing, advertising, M&A, leadership, the decision whether to enter new markets, shut down existing operations, etc."*

These are less easy to measure in a methodologically robust way. The WMS does however provide established good evidence of the link between operational management practices and high-performance outcomes for organisations. So, we have dealt with Chris Dillow's challenge that management doesn't make much difference. It clearly does. What is less clear is how.

In the next two sections, then, we look at the gap between the setting of organisational performance goals and the translation of those goals into performance within the organisation.

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3.0 'PERFORMANCE MANAGEMENT' – ORGANISATIONAL vs INDIVIDUAL

Much of the recent focus on the topic of 'performance management' has been on the individual – in terms of the quality of their engagement, goal setting, performance appraisal, and development. Individual feedback is one of the most emotive subjects in business. If performance appraisals are effective, they often involve uncomfortable conversations. If they are not effective, they usually involve avoiding these uncomfortable conversations. The process can become either unpleasant, ineffective or both. There is therefore a ready market for anything that offers a way of improving the process.

This perhaps explains the volume of effort, resources and media space given over to redesigning performance rating systems, competency and capability frameworks. However, there is very little evidence that any of it makes much difference to the upside performance of organisations. Towards the end of the last decade, there was much discussion of a 'radical new approach' to performance management that involved abolishing performance ratings. The number of articles covering the subject ran into the thousands. In the event, academic studies found that few companies (around 5% in the US and UK) had actually abolished the concept of 'rating' individual performance.

Changing the appraisal process may even make the situation worse. The more complex the system, the more likely people are to become stuck in the detail and thereby avoid having the difficult conversations. As a result, each new iteration of the performance appraisal process fails to resolve the underlying problem.

The term 'performance management' is rarely used in the context of the performance of the organisation as a whole. Consequently, the discussion tends to leap from defining the criteria for the over-arching goals of the organisation to a discussion about performance appraisal, individual objective setting and whether performance ratings work. Even the Center for Evidence-Based Management concluded that the much-discussed 'performance management revolution' amounted to little more than tinkering with performance ratings, with little demonstrable impact on business performance.

There is, then, little evidence that variations in the processes of individual performance management have 'caused' much impact on the performance of the organisation. In our conversations with executives, investors, non-executive directors, and consultants, when asked about the drivers of organisational performance, none of them mentioned performance appraisals as a critical factor. As one of the senior executives we spoke to remarked, *"You can't performance appraise your way to success."*

So if the appraisal and rating system is not the answer, what is it that executives do to improve the performance of their organisations?

Translating the organisational performance model into the everyday behaviour of people across the organisation can be a challenge.

4.0 THE 'PERFORMANCE GAP'

What is it that business leaders do to create the conditions, the behaviours and the processes that will deliver superior organisational performance? The textbook model for drawing the link between organisational and individual performance usually looks something like the process below:

1. Explain the business model – how your organisation plans to generate a sustainable profit stream.
2. Define the performance model – what you want people to DO – in order to execute the business model.
3. Communicate the business and performance model.
4. Cascade the business and performance model into individual objectives.

The reality is usually more complex. Translating the organisational performance model into the everyday behaviour of people across the organisation can be a challenge. Somewhere between the high-level definition of what business performance should look like at a corporate level and what gets translated into performance measures and individual objectives, the process often breaks down. As we have seen, it can result in framing the delivery of 'performance' as a set of activities that are focused on the individual rather than the over-arching goals of the organisation.

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The gap between theory and execution is often wider than senior executives anticipate. In many companies, there is a jump from the macro level of defining superior organisational performance to the individual level of objective setting and performance appraisal, with no clear and obvious link between the two.

Indeed, a disturbing gap between what senior executives think people are doing and what they are actually doing was a recurring feature of the experts we spoke to. As one senior HR professional put it:

> *"There are people in this organisation working away on projects in which the Senior Leadership Team have long since lost interest."*

Based on his research and consultancy work, Dennis Layton of McKinsey found that, in most organisations, there is a significant disconnect between the senior executives' priorities and the work people are actually doing. **Typically, some 20-40% of what people are working on has little or no relevance to the organisation's goals.** Many senior executives, he says, do not have a clear grip on their companies. They simply don't have enough understanding or control over what the people in their organisations are doing:

> *"The managerial conversation doesn't focus on 'grip'. Executives don't know what people are spending their time on. It often comes as a surprise when we tell them. There is not enough focus on work planning, and managers are often reluctant to look into the data and challenge."*

His research on the healthcare sector as part of the LSE-McKinsey Management Matters Survey found that management capability was key to achieving this level of grip.

Aisling Teillard, Head of Customer Success at beqom, found similar results from the work they have done. The company's software is built to align corporate and individual goals. Pre-implementation data they collected showed a significant disconnect between individual goals and the corporate objectives set by the executive team.

It is therefore entirely possible, as Professor Rob Briner of Queen Mary University London says, for individual employee performance to increase against the goals they have been set without the performance of the organisation actually improving.

As RemCo Chair, portfolio NED and former CEO Alan Giles points out, cascading objectives is all very well in theory but the practicalities of it are challenging.

> *"Cascading objectives top-down through the organisational hierarchy takes too long. In a large organisation it could take months. By the time it gets to the front line it is time to start again.*
>
> *It doesn't work bottom-up either. Leaders need to tell people what they want, rather than just letting people set their own goals. The skilful leader knows how to balance the two – to give enough clarity that enables clear goals to be set without a drawn-out process."*

A similar finding from an article by Professor John Van Reenen, of the London School of Economics, and John Dowdy, Senior Partner at McKinsey, was the lack of understanding among managers of their own effectiveness.

> *"Interestingly, there's an almost complete lack of self-awareness among managers about the productivity or management effectiveness of their own companies: we found virtually no correlation between their independent rankings of the management practices of their companies and our own assessment, conducted as a double-blind study."*

When we followed this up with John Van Reenen, he remarked that:

> *"Some good managers were aware, but the overall level of self-awareness was stunningly low."*

If even the good managers don't really understand what it is they do that makes the difference, perhaps we should not be surprised that there is a gap between what their teams are working on and the overall objectives of the business.

So how do organisations, especially large ones, align organisational performance without going through a burdensome bureaucratic process? The next two sections look at a case study and some evidence from our interviews.

5.0 RENTOKIL CASE STUDY

As a case study in managing organisational performance, Rentokil is a particularly interesting organisation because it has achieved FTSE Top 30 status in an industry where differentiation is extremely difficult and the barriers to entry are low. As we previously stated, being first to a new and expanding market can propel a company to great heights. But achieving real performance differentiation in an activity like pest control must be due to something the company's management has done.

CONTEXT: THE PEST CONTROL INDUSTRY

Pest control is a problem wherever you are in the world. Given that most pests are difficult to eliminate, controlling them therefore provides a recurring and predictable income stream. The barriers to entry are low in that pest control is, for the most part, low tech. Many of those operating in the field are small businesses. It is easy for one person with a van to set up a pest control company. Some of the small businesses are set up by former Rentokil employees.

RENTOKIL'S PERFORMANCE

At the end of 2021, the Lex column in the *Financial Times* described Rentokil as *"a UK stock market darling again after decades in the cold"*. The FT noted that the company had significantly outperformed the market in the period between 2016 and 2021, almost trebling its share price. The company has moved from being outside the FTSE 350 to one of the Top 50. Rentokil is now in 70 different markets and is No.1 or No.2 in most of them. It is building its footprint in emerging markets, where the demand for pest control tends to increase along with a society's level of affluence.

THE TURNAROUND

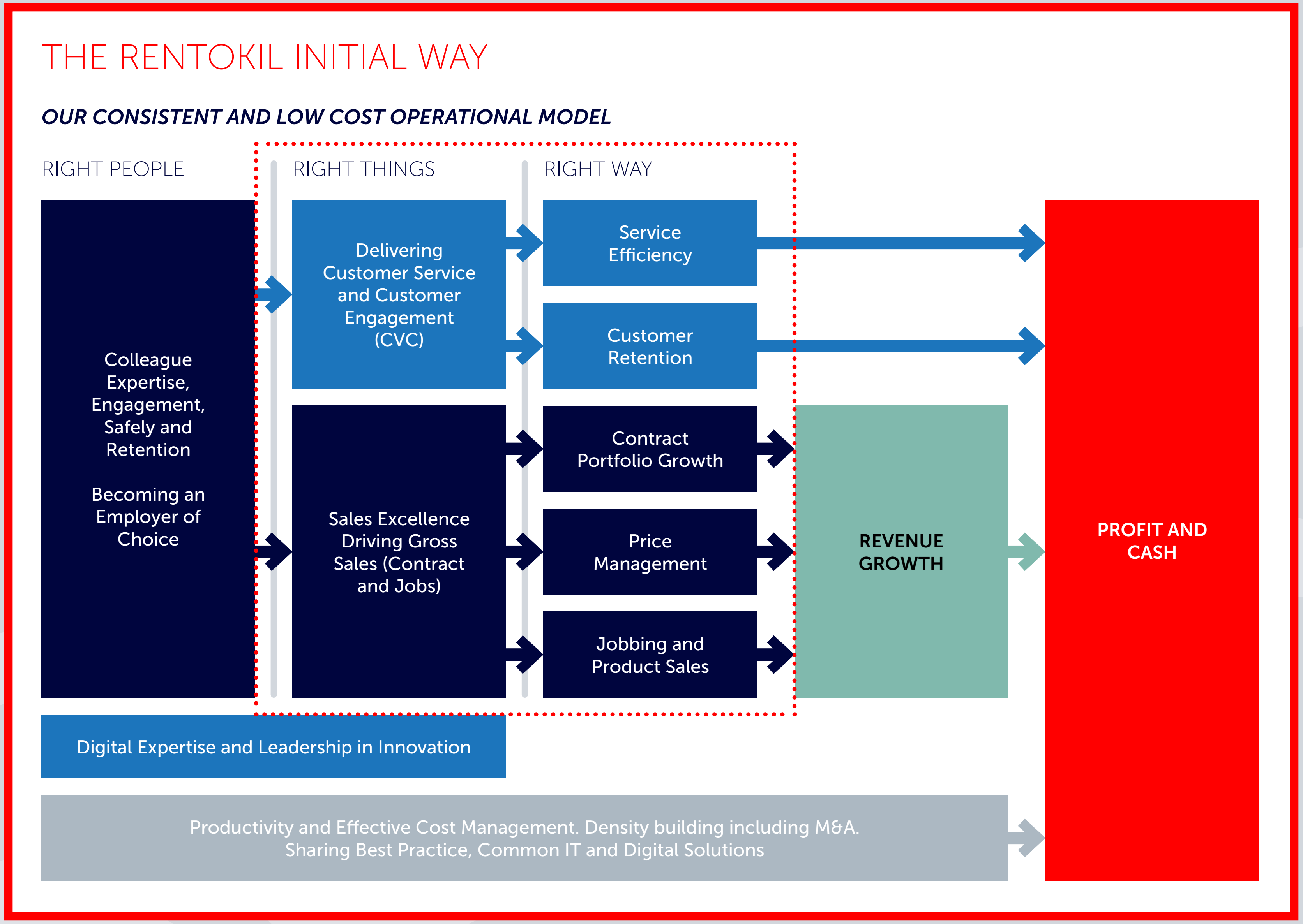
However, the turnaround took some years and can be dated from a wholesale change in the senior management of the company in 2008, when John McAdam, Alan Brown and Andy Ransom were brought in. By this time, it was an under-performing diversified conglomerate, after having gone on an acquisition spree that took it into a number of new unrelated product markets and left the company without a clear focus.

- Under Alan Brown's leadership as CEO from 2008 to 2013 the company divested itself of many of these acquisitions and returned to its core business, focusing on pest control. The company also introduced new standards and controls.
- In 2013, Andy Ransom, as the new chief executive promoted internally, introduced the Rentokil Initial Way – a simple description of how the company would work. It contained the same script for internal and external audiences. All on one slide.
- The company did not attempt any acquisitions during the early stages of the turnaround and only began to acquire businesses once the Rentokil Initial Way was embedded.
- More recently, its acquisition of Terminix in the US has made headlines, however, most of the company's new acquisitions have been small pest control businesses, usually family owned and sometimes run by former Rentokil employees.
- Rentokil is very respectful in how it treats the culture of acquired companies and their employees. It identifies target acquisitions often a decade before the business becomes available for sale, and during that period will get to know the current owners and win their confidence. The respectful treatment of previous acquisitions is a key differentiator in winning bids, and with 40 to 70 businesses bought each year Rentokil has a well-developed playbook of how to integrate acquired companies. In addition to treating employees with respect, the main focus is to build the density of clients on existing routes, therefore greatly increasing productivity and profitability. Acquired companies are also quickly migrated to Rentokil's best-in-class systems.
- Covid highlighted public health concerns worldwide. Rentokil showed great agility during the pandemic, redirecting its workforce into disinfecting offices.

RENTOKIL'S KEY DIFFERENTIATORS

Rentokil has very few proprietary products. The chemicals it uses are widely available and the equipment used is available to most of the company's competitors. Its customers are therefore not locked in by any benefits of unique intellectual property. Nevertheless, Rentokil has recently increased its investment in R&D, for example developing what might be termed a 'better mousetrap' which uses more humane and environmentally friendly substances and digital monitoring.

The company's main differentiators are brand recognition and service standards. Consistency of culture and execution across geographies has been key to achieving this. The Rentokil Initial Way has given a simple and clear model. Its key points are re-iterated at each team meeting. *"We stick to it and it becomes ingrained."* This has enabled the organisation to transmit its model across the world and to integrate its new acquisitions rapidly.



CULTURE

The underpinning cultural assumptions are described as teamwork and 'low ego'. This manifests in few trappings of status. There are no vision statements or posters on the wall. The company doesn't go in for grandiose displays and retains a cost-conscious culture at all levels.

WHAT MADE THE DIFFERENCE?

Essentially, the factors in the company's success can be summarised as follows:

- Highly visible leadership.
- Simplified and focused business – by getting rid of non-core operations and stopping activities that diverted energy and focus from its key objectives.
- A clear performance model – able to fit on one slide and be repeated. *"We stick to it and it becomes ingrained."*
- Set a small number of clear objectives.
- Communicated clearly in a core message.
- Core message is consistent internally and externally – for all levels of staff and for shareholders and customers.
- Respect for the front line – all senior managers spend time out with the operational staff.
- Devolved IT systems to the front-line.
- Tight cost control.
- Few trappings of status – everyone stays in the Travelodge.
- Low ego – no room for 'vanity projects'.
- Everyone paid and bonused on the same structure.

PERFORMANCE AND REWARD

The focus is on three measures:

1. Revenue
2. Profit
3. Cash Conversion

All employees' individual targets are focused on these metrics. Everyone is bonused on the same structure. The main focus is on delivering the same things each year but improving the way the company does them. All innovations and new projects must be justified in the context of the key areas of focus.

6.0 THEMES FROM THE RESEARCH: BLOCKAGES AND SOLUTIONS

In our discussions with investors, consultants and current and former organisational leaders, a number of common themes emerged.

AVOID INITIATIVE OVERLOAD

Companies that try to do too much end up not doing anything well. One of the HR professionals we spoke to described initiative overload as 'the inland delta syndrome' – where mighty rivers spread out and evaporate before they reach the sea. A company's energy becomes so thinly spread that nothing ever lands. A feature of high-performing companies is that they don't do too much at once.

As Alan Giles commented:

> *"Decisiveness over allocation of time, investment and resources makes the difference between success and mediocrity. There is a lot to be said for just stopping doing things.*
>
> *In one company, we had a leader who introduced a grand plan with 49 different initiatives. He was replaced with someone who established three things the organisation had to do.*
>
> *In some organisations there are illicit skunk works which never get signed off but are never stopped either".*

> ***"Decisiveness over allocation of time, investment and resources makes the difference between success and mediocrity. There is a lot to be said for just stopping doing things".***

Initiative overload is something that most people in organisations will be familiar with, but which has not been the subject of much research. Its proliferation is due, again, to the reluctance to have emotive conversations. As one of the executives we spoke to commented:

"People are really reluctant to can projects in this company. It's uncomfortable to kill something that so many people have put time and emotional investment into. As a result, we let them run on for far too long."

It is much easier for a new leader to challenge and stop unnecessary initiatives. As McKinsey senior partners Scott Keller and Mary Meaney said, one of the most effective actions a new leader can take is to stop the organisation doing too many things.

"Be clear about what you won't do, not just what you will.

When Alan Lafley took over Procter & Gamble, in June 2000, the global consumer-goods giant had become the worst-performing company in the Dow Jones Industrial Average. Lafley increased P&G's profits by 70% and its revenues by almost 30% in his first five years. His success was as much about what he stopped as what he started. Lafley and his senior team quickly ended almost $200 million of experimental technology projects and regional marketing campaigns. They prioritized four core businesses and ten countries.

As Lafley says, 'be clear on what you won't do – what needs to stop…' Most human beings and most companies don't like to make choices, and they particularly don't like to make a few choices they really have to live with.

In our experience, too, senior executives in new roles must be clear not only about what they want to do but also about what they don't. Otherwise, when employees hear about the company's new direction, they will reframe what they are already doing to show that this supports the changes, and many pet projects will crop up in the name of advancing them. Well-intentioned but fragmented and ineffectual efforts then proliferate, and momentum vanishes. Successful leaders are 1.8 times more likely than others to communicate explicit ideas about what to stop, not just about what to start."

Aisling Teillard noticed a shift during the Covid pandemic. It concentrated people's minds on what was important.

"In many companies, people layered on new goals without stopping the old ones. Covid forced people to re-think and to focus on what was important. I see more discipline now. People have 3-5 goals. It's crisper."

New leaders or sudden major events might concentrate people's minds, but these are not everyday occurrences. Winding up old projects and stopping new ones is more of a challenge for a longer standing leadership team.

AVOID OVER COMPLICATION

In organisations where strategic goals and measures are less clear, there is greater scope for ambiguity. This leaves more room for politicking and vanity projects which, in turn, create complexity. As non-executive director and board level coach Helen Pitcher put it:

"Bright people are good at complicating things and making the complexity look as though it is aligned to the business goals. People like complexity because it makes them feel important."

Alan Giles made a similar observation:

"Clever people get bored and start to change things for the sake of it. The Leaders I've seen be successful are people who make things simpler. In one company where I worked, we would have an annual conference where we were only allowed to discuss one new idea each year. Everything else had to be building on what went before."

As CEO and technology investor Faisal Galaria put it, when deciding which companies to invest in, one of the simple tests is to look at how clear the leadership team's objectives and goals have been and whether they delivered what they said they were going to.

"We are looking for leaders who say what they do and then do what they say. The executives need to be able to express this in their own words, communicate it and explain how each team contributes."

CLEAR EXPECTATIONS

Clarity was a recurring theme that occurred in both our case study and in the interviews. Avoiding over-complication and initiative overload creates both focus and clarity. A simple message is more easily communicated.

The World Management Survey concluded that high-performing firms had goals *"based on shareholder value in a way that works through business units and ultimately is connected to individual performance expectations"* and that performance measures were *"well-defined, clearly communicated, and made public"*.

In our discussions, a number of the people we spoke to stressed the importance of having a distinct organisational culture. MIT's Edgar Schein, one of the first writers to define the term, said that organisational culture is *"a pattern of shared basic assumptions"*. These assumptions and beliefs underpin the organisation's unwritten rules.

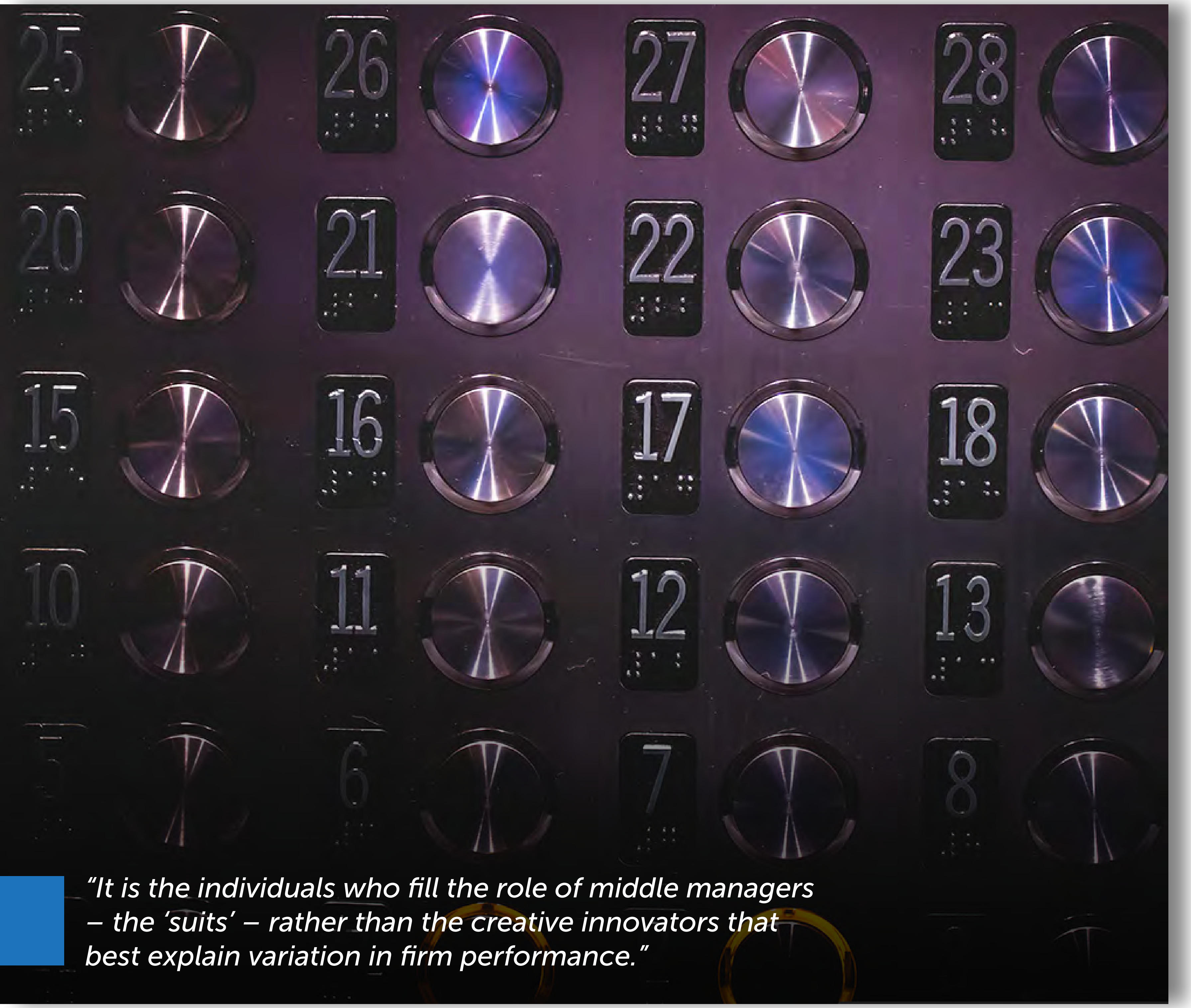
To embed a high-performance culture therefore means changing and constantly reinforcing these shared assumptions thereby reinforcing a set of behaviours that create superior performance. **Shared assumptions become shared expectations about the company's goals, what it values, what it rewards and what it won't tolerate.**

Visible leadership and role modelling from senior executives is crucial to the reinforcement of cultural expectations. Schein emphasised the role of leaders in embedding culture. His seminal work on the subject was entitled Organisational Culture and Leadership. It is important to remember that last bit.

GIVE HONEST FEEDBACK

Again, this is related to the avoidance of emotionally challenging conversations discussed in Section 3. One of the reasons the performance appraisal looms so large in the company calendar is because people avoid giving ongoing feedback and save it up so they can *"get it all over with in one go"*.

As Dennis Layton points out, employees who are considered 'stars' get more management time allocated to them as the conversations are likely to be less contentious. Many managers lack the social skills to give feedback where it is needed – to those performing less well.



"It is the individuals who fill the role of middle managers – the 'suits' – rather than the creative innovators that best explain variation in firm performance."

RESPECT MIDDLE MANAGEMENT

It became fashionable during the last two decades to blame middle managers for defusing and stifling organisational performance. Lack of communication and the failure to get the leadership team's message down through the organisation to the frontline is often blamed on the 'middle management' layer slowing things down. The article criticising middle managers became a hardy perennial. Stuck for what to write in your business column this month? Have another go at middle managers.

It was this thinking that was behind the vogue for 'delayering', and some companies even tried to do without middle managers altogether. The pendulum has swung back in recent years, as some evidence-based studies have shown that good middle management is key to organisational performance. Even in those organisations where one might expect an already high level of motivation and alignment within the organisation, middle managers can make the difference.

A Wharton paper in 2016 found that understanding and clarity of company purpose among middle managers is key to driving organisational performance. The study of 429 high 'purpose-clarity' organisations found that clarity of purpose alone was not associated with superior financial performance. It was the understanding and buy-in among middle managers that differentiated the high-performing companies.

> *"It is solely the middle managers and salaried professionals that drive the relation between high 'Purpose-Clarity' in organizations and financial performance."*

Professor Ethan Mollick found similar results from studying 400 computer game companies. His paper *'People and Process, Suits and Innovators'*, found that it was the middle managers, rather than the creatives, that determined the financial performance of the firms.

> *"Variation among middle managers has a particularly large impact on firm performance, much larger than that of those individuals who are assigned innovative roles.*
>
> *It is the individuals who fill the role of middle managers – the 'suits' – rather than the creative innovators that best explain variation in firm performance.*
>
> *Middle managers are necessary to facilitate firm performance in creative, innovative, and knowledge-intensive industries."*

RECOMMENDATIONS AND CONCLUSIONS

The research we reviewed and the conversations we had when putting together this report led us to the conclusion that delivering organisational performance is about organisation and discipline. Having a clear and consistently communicated delivery process and being committed to it.

In terms of 'organisation and discipline', Dennis Layton's concept of 'Grip' might seem straightforward and intuitive, but it is not very common. Executives who are prepared to spend the time clarifying their organisation's objectives, understanding what their people are doing, and making sure the two are aligned seem to be less common than the management textbooks would have us believe. As he said, Grip depends on having managers with the capability and the will to challenge. The way that Management actually behaves is key to the successful execution of these processes.

Put simply, then, management makes the difference for most businesses. Significant investment in management capability, and the identification of critical behaviours will be essential if organisations are to develop and execute responses to the challenges and opportunities of the next decade, and make the most of the abilities of their people.

The findings and recommendations in this report might look straightforward but both the quantitative and qualitative data from organisations suggest they are nevertheless not often followed.

They fall into that category of 'uncommon sense' or 'simple but not easy'. Much of the key to the blockages is about discipline, the ability to break habits and the candour to confront and challenge the status quo. As anyone who has ever started an exercise or diet regime knows, *"when all is said and done, there is a lot more said than done"*.

For any of this to succeed, leadership is crucial. It is the senior executives who must set the expectations and reinforce the assumptions that ensure that these behaviours become habits. There are any number of reasons why organisations succeed and fail. On balance, though, all other things being equal, those organisations with clear expectations and the assumption that they will be carried out are those that succeed.

To summarise, then, the academic studies, the interviews, and the case studies revealed the following common themes:

1. **FOCUS**
   Setting a small number of key corporate priorities.
2. **SIMPLIFY**
   Being prepared to stop activities and projects that do not help the organisation achieve its goals.
3. **CLARITY**
   Setting clear expectations. Explaining priorities in a succinct and easily understandable way.
4. **VISIBLE LEADERSHIP**
   Leaders reinforce the culture. They set the goals of the company but also the assumptions and expectations of the people within it.
5. **GRIP**
   Planning work and understanding what people are spending their time on.
6. **CANDOUR**
   Encouraging managers to confront difficult issues as they arise. Make feedback a habit.

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