



Business Performance Improvement

Dean Robb, Ph.D.

Businesses are consistently asked by their stakeholders to improve business performance – i.e. enhance revenue, reduce risks, and minimize costs. Because of this, continuously improving business performance is a central focus of CEO’s and senior executives. This central challenge is so multi-faceted and difficult that the perennial problem of business performance improvement has spawned an entire professional discipline, and accompanying consulting industry, to address it.

There are a myriad of models, tools and techniques that have been developed in response to the challenge of improving business performance. These tools include (but are not limited to):

- Six Sigma
- Lean Manufacturing
- Shopfloor Work Design
- Process Management & Improvement
- Reengineering of Core Business Processes
- SPC (Statistical Process Control)
- Problem Solving/Quality Tools & Techniques
- Scorecards
- Performance Management Systems
- Benchmarking

Each of these focuses on a particular facet of the total business performance improvement problem. There are also *systemic* approaches, such as the criteria used by the United States Baldrige Award. The Baldrige national quality award honors companies that meet or exceed criteria that are believed to drive continuous improvements in business performance. The Baldrige criteria are grouped into seven major categories. As illustrated in the graphic below, the combination of the seven distinct performance improvement categories, and the *interrelationships* between them, comprise the Baldrige award’s *integrated system* for business performance improvement.



Business Performance Improvement (BPI) tools are tremendously valuable in helping companies improve business and operational results. Earlier in my career, I was the Quality and Organizational Effectiveness Manager for a business unit of a large telecommunications corporation. I spent much of my time helping line managers implement various BPI tools, and I can testify to their effectiveness.

I've come to realize, however, that while powerful, they also have serious limitations. The primary limitations of BPI tools are:

- They were designed primarily to address the challenge of strategy execution, but are substantially less effective with the challenge of innovation.
- They stem from a mechanistic understanding of organizations and people.
- They depend primarily on extrinsic (external) forces to shape human behavior.

Execution Bias

BPI (business performance improvement) tools were designed primarily for improving results within a relatively stable strategic and operational framework: i.e. to improve *strategy execution*. Results improvement stems from continuous, incremental *refinements* to the current value chain structure.

Clearly, strategy execution is a critical core capability. In the 21st century economy however, strategy execution is just one half of the challenge of sustaining excellent business performance. The other half of the problem is "creative renewal" or "reinvention" – continuous creation of *wholly-new* business models, products, services, value chains, processes, systems, culture, leadership and management tools and styles, etc. BPI tools are much less useful here: there is a vast difference between incremental refinements to an existing system, and creating wholly-new systems. The former problem is best addressed using engineering-oriented thought processes and tools; the latter problem is chiefly one of creativity. The former is more heavily slanted toward left-brain abilities; the latter is more heavily tilted toward right-brain abilities.

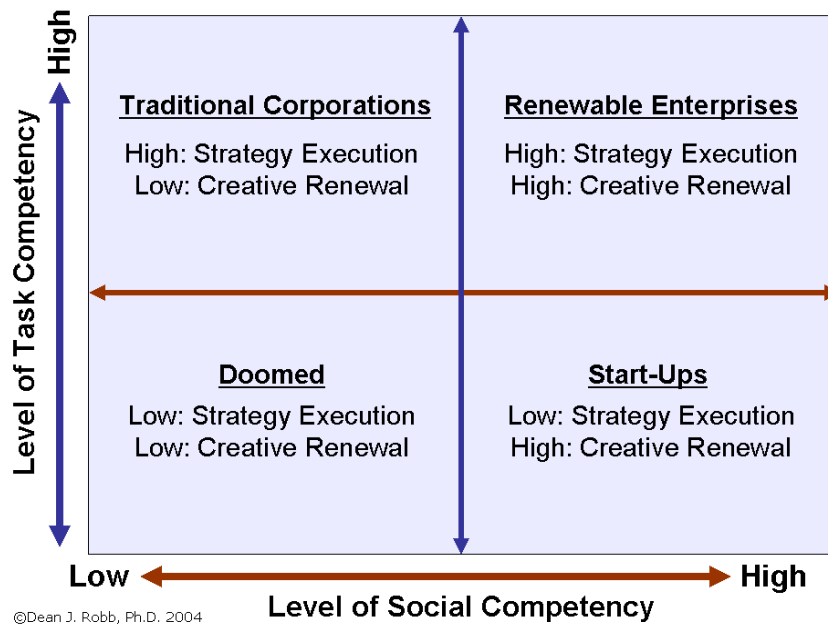
Mechanistic Paradigm & Extrinsic Motivation

Much of the BPI literature and tools stems from a mechanistic paradigm. They define *organizations* as a collection of interrelated functions, capabilities, processes, and sub-systems – a structured task system or "profit machine." They also understand *individual* behavior and performance through a mechanistic lens; i.e. B.F. Skinner's behavioral psychology. Skinner believed that human behavior is solely a product of "operant conditioning." Like the rat that is rewarded with a food pellet when it learns to ring a bell, behaviorism assumes that all human behaviors are conditioned responses to *external* (or extrinsic) factors, and thus subject to control through sophisticated manipulation of these factors. Under the Skinnerian paradigm, human beings are, in essence, programmable organic robots.

Under the mechanistic paradigm, business performance improvement is a straightforward engineering challenge for business leaders: identify the critical parts in the profit machine, and manipulate the key levers that improve its performance. These

include: organizational design, business process design, job design, performance management (reward and punishment) systems, training, communications, etc.

The mechanistic management paradigm originated about one hundred years ago. Over the last 100 years, we've learned that at root, companies are complex, dynamic human *socio-technical* systems; they include both technical and social sub-systems. Thus, business leaders must effectively address the social system as well as the task system. As illustrated in the graphic below, a self-renewing company is characterized by a combination of high task competence (disciplined execution) *and* high social competence.



With respect to the social sub-system, social scientists have discovered that the most powerful "levers" for improving human performance are *not* extrinsic factors like monetary rewards, status and power (although these do exert considerable power). Research has discovered that extrinsic motivators function more like "table stakes:" you must align them with industry standards to *stay* in the game. However, by themselves, they are not enough to *win* the game. Well documented research has shown that extrinsic motivators yield "good enough" performance, but over the long run, they will not motivate sustainable *excellent* performance.

The most powerful levers that drive sustainable excellence in human performance are *intrinsic* (internal to the person). They include things like purpose, meaning, contribution, empowerment, participation, engagement, creativity and the like. The "kicker" is that the particular manifestation of each of those intrinsic factors tends to be unique to each individual. The "one-size-fits-all" mechanistic paradigm falls flat on its face here.

Intrinsic drive to excel lies in the soul of almost every human being. A primary task of leaders and managers is working on a one-on-one basis with employees to help them

discover their own individual source of meaning and drive, and then to help devise a way to channel that individual, intrinsic drive toward shared purposes and goals.

To create sustainable excellence in both strategy execution and creative renewal, business leaders must create an “ultra-high engagement” work force. And to do that, they, themselves, must develop ultra-high engagement relationships with their people.

About Dean Robb, Ph.D.

Dr. Dean Robb is Founder and Executive Director of the Center for Corporate Renewal (www.ctrforcorporaterenewal.com). Since 1994, he has helped numerous domestic and foreign business leaders build high-performing, innovative, entrepreneurial enterprises. His expertise combines 26 years of practical, real-world experience in corporate America with in-depth research in human and organizational systems.

The Center for Corporate Renewal helps senior executives build the capability for:

- Strategic Focus: Make sense of a changing environment and gain focus on the next right strategic move.
- Disciplined Execution: Align and mobilize the entire organization behind this new strategic focus.
- Creative Renewal: Renew the entrepreneurial spirit by repeating these two actions over and over again.

For information on how Dr. Dean Robb can work with your organization to instill a spirit and ethic of renewable corporate entrepreneurship, email him at drobb@ctrforcorporaterenewal.com or call him at 908-757-4721,

Permission to reproduce this article is hereby granted, given that the contact information is kept intact with the article.