Revolution of Leadership and Work

Evidence of the impact of High Impact Leadership & Teaming, and High Performance Organisation Cultures

The world of work and leadership is undergoing a seismic shift in which clearly definable leadership practices enable organisations to significantly outperform their competitors and to secure the longer term sustainability of those organisations.

The research rooted in empiric research is making it possible for the people in organisations to make a distinct move away from more conceptual ideals about how organisations should operate and instead provides replicable practices and attitudes that entrench sustainable high performance and stakeholder engagement.

This evidence increasingly poses the challenge to leaders, “If the evidence is so clear and consistent, then why do the majority of organisations still cling to antiquated approaches to leadership and organisational behaviour?”

Evidence about the new world of work

A growing body of evidence has, since the mid 1980s, demonstrated that a new form of working world is taking root. Ongoing research and analysis is describing the leadership and working practices that organisations need to be competitive within this transforming business environment. The theories of the leading business thinkers and philosophers of the 1960s and 1970s such as Maslow, McGregor and Herzberg are no longer simply theories. They have been demonstrated in practice. If anything, the realities of our business environment have taken the possibilities described by these respected theorists a step further.

More recently the work by Jim Collins in Good to Great demonstrates that organisations that embed a set of key practices outperform their direct competitors by orders of magnitude in the medium to long term. More recently the research delivered in Firms of Endearment (Rajendra S. Sisodia, David B. Wolfe and Jagdish N. Sheth) goes even further and concludes that organisations who make “share of heart” the core purpose of existence which entail endearment for all stakeholders outperform their competitors and the market by several hundred percent over periods of five to ten years.

The behaviour of organisations reflects and imitates the global and local context.
time, the requirements of international investors, global organisations and entrepreneurs are shaping the responses of nations and reinforcing the global trends.

It is not a simple cause and effect relationship with global and national trends directing organisational developments. It is a dialectic process in which the global, national, organisational and personal developments evolve simultaneously and shape one another. As the New Economy and globalization take root it is likely that the developments at the micro level of organisations will have an increasingly powerful impact on the direction of countries and the world.

The empowerment of smaller entities and even individuals is a primary consequence of the larger democratisation that is taking place globally. Organisations, particularly smaller ones, and individuals are capable of responding much more rapidly than nations. Transformation at the micro level is very often a harbinger of what to expect at national and global levels.

The emerging world of work is a living laboratory of how the New Economy is affecting our daily lives. It reveals how the larger forces of democratisation and the new rules of the game are being translated into day-to-day workplace practice. The international research helps to remove the mystique and provides clear and practical images of what the New Economy means for organisations.

Research methodologies and assumptions

Various research projects have been explored and summarized. In essence the projects have either compared the more competitive organisations with the less competitive ones, or examined the underlying attitudes, structures and practices, which lead to more competitive performance. The following methodologies have been used by the various research projects:

- **Longitudinal studies:** The most complex processes have tracked the performance of wide ranges of organisations over extended periods of time, ranging from three to 50 years. The highest and the lowest performers were identified. This has generally been based on hard financial performance indicators such as profitability, market share, revenues, and stock price growth. The highest 5% to 10% of performers were then compared to the poorest 5% to 10% of performers. A variety of statistical techniques have been applied to determine the correlation between certain workplace and leadership practices and the high or low performance. In this way the variables that have a meaningful statistical correlation with the high performance have been identified.
**Best practice and performance studies:** Over time certain best practices have been identified. This research approach also set out by identifying a range of higher and poorer performing organisations. The presence of the best practices was then evaluated for both sets of organisations. In this way it has been possible to determine the extent to which higher performers have adopted certain best practices, and the extent to which they are present of absent in the poorer performers.

**Assumptions guiding this South African research**

This type of research has not been done to any comparable degree in South Africa. This is probably due to the cost of conducting such research, and the resources that are necessary to manage it effectively. The research that has been used in this work is consequently based upon evidence that has emerged from studies conducted primarily in the USA and Europe. In adopting this approach we have made three assumptions:

1. South Africa and South African organisations are part of the global economy and have to respond effectively to global developments and trends. South Africa, and its organisations, cannot afford to operate as an island by claiming that, “We are different and must find our own unique solutions.”

2. It is essential for South Africa and its organisations to develop authentic responses that take local conditions into consideration. But, it is not possible or feasible to develop a totally unique way of doing business. To be globally competitive means adapting and adopting certain globally proven and required practices, and using these as a springboard for exploring suitable responses.

3. It is no longer necessary to research what has to be researched. There is such a vast body of knowledge available that this would be a waste of valuable time. Instead, it is necessary to use available knowledge as a springboard to develop productive responses that address local conditions and challenges.

**The Empiric Evidence**

Research conducted over the past 25 years demonstrates that organisations that adopt New Economy practices, at organisational and operational level, significantly outperform those that resist change. The rules applicable to multi-dimensional democratisation at the global and national scale, are transferable to the world of work. The challenge is to find appropriate ways to apply the larger-scale dynamics at organisational level. It is dangerously shortsighted to claim that...
“business is not a democracy”. Instead, it is essential to ask, “How must business, or any other organisation, respond to and apply the principles of democracy and market-friendly worldviews?”

Forward-thinking and more competitive organisations report a long list of gains that differentiate them from organisations that resist making the shift to New Economy practices. They achieve:

- Higher levels of growth in terms of profits and sales
- Increased market share
- Sustained better productivity improvements
- Greater workplace flexibility and responsiveness
- More rapid response to new competitive challenges
- Greater employee retention
- Decreased absenteeism
- Better improvements in stock prices

In hard terms the research describes, often breathtaking, competitive advantages enjoyed by organisations that have embraced New Economy workplace practices:

- Dennis Kravetz reports 160% more growth in sales and up to 400% more growth in profits.
- Mark Huselid demonstrates that the impact of a range of competitive workplace and people practices delivers between $15 000,00 and $60 000,00 greater market value per employee.
- Sam Stern found that organisations that apply New Economy workplace practices obtain 200% more patents as their workforces focus on innovation and perpetual improvement.
- John Kotter and James Heskett tracked the performance of organisations over 11 years. The New Economy adherents achieved 500% greater revenue growth, 800% employment growth, 1 200% greater stock price growth, and 756% compared to 1% net income growth over the 11 years.
- James Collins and Jerry Posner compared the performance of 18 pairs of direct competitors over a period of up to 50 years. A $1 dollar investment in 1926 would have grown to $955,00 by 1990. The same investment in the real winners would have grown to $6 356,00 – or 600% more over the same period.
- Marcus Buckingham and Curt Coffman demonstrated that business units will significantly outperform others within the same company by orders of magnitude: 4,56% above sales budget versus 0,84% below budget, 14% ahead of profit budgets versus missing budgets by 30%, and significantly better staff
The really competitive performers appear to have anticipated the New Economy’s essence long before it became fashionable to define things as Old or New Economy, as authoritarian versus participative, or as bureaucratic versus democratised. These competitive champions did not wait for proof before adopting New Economy ideas. In true entrepreneurial style, they went ahead of the pack.

International research as the basis for constructing an emerging model of New Economy people and workplace practices:

It would be possible to structure the international research findings into an integrated model. However this diminishes the sharp definitions of workplace practices that emerge from the many research projects and case studies. Therefore, the findings of several of the important research projects are first offered without attempting to incorporate them into a model.

The findings of the research that was conducted during the 1990’s and first decade of the 21st Century are presented below. This was used as the basis for constructing the integrated model that was then tested within South African organisations In fact, two models emerged. The one enabled us to explore the status of seven factors of workplace and people competitiveness in South African organisations. It was turned into a combination of quantitative and qualitative research, in which participating organisations were asked to rate their current status against a range of competitive workplace and people practices. A second model emerged during the research. It highlights the people leadership challenges. This model has not yet been tested quantitatively.

One of the benefits of this approach is that it makes it possible to compare the knowledge that is available through international research with potential models for local application. The models that were developed for this research need to evolve. They need to be subjected to the same intensity of debate that was common during the hectic and pressurized 1980s. At that time South Africa faced the massive challenge of carving out a political solution to the abuses and bankruptcy of Apartheid. The youthful South African democracy faces many challenges, but few are as great as the need to become globally competitive and attractive to international fixed investment. Both the international research and the results of this project are in the early stages of development.

An early objective of this research was to adopt an attitude of...
abundance in which people from the broadest possible array of interests would participate in actively exploring the challenge of the competitive quest. Declaring victory too soon, or prematurely defining the scope of the challenge, cannot meet this objective. South African organisations and stakeholders need to turn the debate and active experimentation associated with the competitive quest into a preoccupation. It needs to dominate the thinking and action of every Boardroom, and guide the decisions made in the inner enclaves of management meetings and union debates. No one has the luxury of reinventing wheels in this process. By presenting a summary of the international research, and then offering an integrated model of challenges facing South African organisations we can hopefully provide a user-friendly basis to accelerate the achievement of the competitive quest.

**New Economy People and Workplace Practices Pay Big Dividends!**

Dennis Kravetz first surveyed the financial performance of 150 organisations over a period of five years. (*Human Resource Revolution.* San Francisco: Jossey Bass, 1988.) He then researched the human resource practices of the highest and lowest performers amongst these organisations. As indicated in the table below, the high performers made use of a set of human resource practices, while the poorer performers had not entrenched these practices to the same extent. This research does not establish a direct cause between higher performance and the New Economy human resource practices, but it does demonstrate a correlation between competitiveness and certain workplace and people practices. In other words, high performance and certain practices co-exist.

Kravetz’s research is already more than a decade old, but even in the mid 1980s it was clear that particular workplace practices supported greater competitiveness. Several of these practices clearly represent the workplace equivalent of New Economy principles:

- **People matter:** 90% of the superior performers had a people-oriented workplace culture, while only 20% of the also-rans could claim this.
- **Democratised decision making:** 70% of the winners used participative workplace practices, but only 4% of the losers trusted the power of participation.
- **Payback:** 86% of the most competitive players had developed performance related rewards, with 70% of the lowest performers still did not believe in it.
- **Goal-driven:** 80% of the most successful organisations had entrenched goal setting and management processes, but

<table>
<thead>
<tr>
<th>Practice</th>
<th>High Performers</th>
<th>Poor Performers</th>
</tr>
</thead>
<tbody>
<tr>
<td>People matter</td>
<td>90%</td>
<td>20%</td>
</tr>
<tr>
<td>Democratised decision making</td>
<td>70%</td>
<td>4%</td>
</tr>
<tr>
<td>Payback</td>
<td>86%</td>
<td>70%</td>
</tr>
<tr>
<td>Goal-driven</td>
<td>80%</td>
<td></td>
</tr>
</tbody>
</table>

Integrated sets of people and workplace practices drive superior performance.
74% of those that come last still managed to stay alive without it.

- **Creativity:** 62% of the leaders encouraged their people to be creative and learn from their mistakes. A mere 10% of the rest had the courage to provide their people with this latitude.
- **Information sharing:** 72% of the high performers had implemented communication processes and technology that supported participative communication and information sharing, but only 28% of the poorer performers had followed suit.

**Sets or systems of practices:** Kravetz emphasizes that the most competitive organisations made a habit of entrenching sets of these practices. They did not place their hopes on only one or two of the practices. By deploying a range of the practices they established a new system of operation, with each element reinforcing others.

David Lewin was one of the earliest researchers to try and establish direct cause-and-effect relationships between New Economy people practices and competitive performance. While at Columbia University he led a study of 495 large businesses employing on average more than 8,000 people each. He published his findings in 1988. (*Financial Dimensions of Workforce Management*, 1988.) Similarly to Kravetz, he first separated the high performers from the poorer performers, based upon financial performance, sales revenues, profitability, assets and stock prices. Lewin identified very similar patterns to Kravetz:

- **Information sharing:** Organisations that used participative workplace processes and shared information widely performed much better than those that resisted it.
- **Shared rewards:** Companies that shared profits with the workforce outperformed those that did not.
- **Entrenched flexibility:** The higher performers made use of a range of flexible workplace practices such as flexible hours, job rotation and multi-skilling.
- **Knowledge building:** Investment in sustained training and development had a positive impact on the performance of the organisation.
- **Entrenched rights:** The availability of formal processes to manage grievances had a significant impact on the performance of organisations.

**Sets or systems of practices:** Lewin’s research reached the same conclusion as Kravetz’s did. Isolated practices have relatively little impact. But those organisations that deployed a system of practices achieved a significant improvement in performance. **Two thirds** of the improvement could be directly related to the workplace practices that they had entrenched.
Casey Ichniowski and Kathryn Shaw of Columbia and Carnegie Mellon Universities focused their research on the steel industry. They too explored the extent to which particular people and workplace practices made a difference to the performance of organisations – in this instance 80% of all the steel plants in the USA. Familiar patterns were identified. (Human Resource Management and Competitive Performance in the Steel Industry, unpublished paper presented at the What Works At Work Conference, January 1995.)

- **High involvement practices:** Business units that demonstrated the highest index of participation within the workplace were 7.5% more productive than those with few or no entrenched participative practices.

- **Quality yields:** The participative workplaces achieved 13% greater yields of primary quality steel than those that relied on traditional workplace practices.

- **Worker commitment:** It made no difference whether workplaces were unionised or not. The differences in productivity were related to the nature of labour:management relationships, and not to unionisation.

**Sets or systems of practices:** Ichniowski and Shaw conclude that “systems of co-operative labour:management relations and participative practices” make the difference, while ad hoc or isolated practices of participation have little or no impact. Systems of aligned participative practices are “significantly more productive than others.”

Herman Simon targeted what he calls “hidden champions.” These are companies that dominate their market by being number one or two in the world, or at least number one in Europe. They however had less than $1 billion in sales at the time of the research, and tended to maintain a very low public profile. They on average enjoyed 56% greater market share than their closest competitors, and demonstrated significant leadership in customer service, interaction and closeness with customers, and product quality. (Hidden Champions, Lessons from 500 of the World’s Best Unknown Companies, Boston, Harvard Business School Press, 1996.) They achieved this by remaining true to a simple set of rules:

- **Focused:** They clearly define their markets, but view and position themselves globally. They also concentrate their efforts on their core competencies and outsource the rest.

- **Goal driven:** They set audacious goals, and take on more work than people. They defend their competitive position with everything they’ve got, and set goals accordingly.

- **Challenging workplaces:** Although they demand a great deal from their people, they create workplaces that are challenging, encourage people to be innovative, and maintain motivating work environments.
- **Participative practices**: Leaders set firm direction, but then involve people in determining how to get there. Eighty two percent of the organisations rely on participative teams to lead them.

- **Interactive**: These hidden champions have managed to establish workplaces that have less formal and bureaucratised spheres of responsibility. They are not free of internal politics, but they expend significantly less energy on internal wrangling and quarrels.

Mark Huselid involved 222 companies in his research. *(The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance, Academy of Management Journal, June 1995.)* He evaluated the impact of three sets of workplace practices in his studies from 1992 to 1994, namely:

**Employee skills and organisational structures:**
- Information sharing
- Job analysis
- Attitude surveys
- Participative labour:management practices
- Group-based incentive schemes
- Formal training

**Employee motivation:**
- Performance appraisal
- Performance-related pay
- Promotion on merit versus seniority or length of service

**Other human resource practices:**
- Depth of talent to provide succession for positions
- Investment of effort in screening people for positions
- Internal hiring and promotion practices
- Formal grievance procedures

Huselid’s findings reinforce and build on those of the earlier research. He concludes that the more competitive organisations share a set of common traits:

- **People-driven performance**: The organisations that utilise the defined sets of people management practices achieve lower staff turnover, greater productivity, and superior financial performance. Just one standard deviation from the norm in these New Economy workplace practices increased the market value of the organisations by $35 000,00 to $80 000,00 per employee.

- **Employee commitment**: Significant reductions in staff turnover and absenteeism contributed significantly to the superior performance.

- **Short-term costs**: It appears as if there may be certain short-term costs associated with transforming an organisation. It takes time for the New Economy workplace practices to deliver...
term costs to implementing these competitive practices. However, this may be due to the fact that they are either implemented too slowly, or that organisations that are in crisis may be more inclined to experiment with new ideas. Their poorer points of departure may therefore have an apparent negative effect on the overall impact of introducing new workplace practices. There is some evidence that companies that are facing a crisis may be more inclined to introduce changes than those that are feeling more secure. This may also have a negative impact on perceived short-term success of introducing these changes.

In 1990, the Brookings Institution conference on Pay and Productivity investigated the relationships between pay and productivity. It was not intended that the conference should address broader workplace practices at all, yet the findings were clear: A single workplace practice such as pay does not have any meaningful impact on performance. As demonstrated by all of the other research, sets of workplace practices make the competitive difference. (Paying for Productivity: A Look at the Evidence, The Brookings Institution, 1990.)

At the end of the conference, the conference leader, Alan Blinder reported that:

- Changing the way that people are treated boosts productivity more than how they are paid.
- Worker participation helps to make alternative compensation plans like profit sharing, gain sharing and ESOPs (Employee Stock Option Plans) more effective than when these reward methods are implemented by themselves.
- Although the way people are treated has the major impact, a combination of broader workplace practices and pay systems is the most effective.
- Participation has a positive impact on the workforce’s commitment to the organisation’s goals, its trust in management, and its sense of commitment and goodwill towards colleagues.
- Participation contributes to aligning the goals of members of the workforce to those of the organisation.

Susan Helper and Laura Leete (Department of Economics, Case Western Reserve University) investigated a wide range of suppliers in the automotive industry. They studied the impact of 23 people and workplace practices on absenteeism and turnover. The range of suppliers that were included in the research was broad, making it relevant for a wide range of organisations. The practices they investigated consisted of eight categories:

- **Performance related pay**: Profit sharing, gain sharing, team-based performance rewards, and job pay.

People performance is motivated more by the way they are treated than how they are paid – but a combination is the best.

Secure people are
Controls: Quality circles labour:management committees, extent of union influence, scope of participative practices, and worker commitments and expectations to contribute to improvements.

Performance Improvement Inputs: Formal improvement processes, number of suggestions made, and suggestions implemented.

People support: Assistance provided to members of the workforce in doing their work, and coaching conducted by supervisors/managers.

Work security: No layoffs due to productivity improvements, no layoffs without cuts in management pay, hiring workers for the long term, and formal grievance procedures.

Flexibility: Workers provide real-time maintenance for smaller problems, and have a greater variety of tasks.

Training: Commitment to developing the skills of the workforce.

Relative compensation: Perceived fairness.

Helper and Leete concluded that sets of these practices had a positive impact on absenteeism and staff turnover:

- Job size and scope, flexibility, and supportive supervisory styles and behaviour had a positive impact on reducing absenteeism.
- Job size and scope, flexibility, together with relatively high compensation and team control over decision making had a significant impact on reducing staff turnover.
- Team-based reward systems had a significant impact on performance, as opposed to individually based systems.
- Training is associated with lower staff turnover.

Jean Paul MacDuffie (University of Pennsylvania) has been studying the competitiveness of players in the automotive industry since 1986. Eighty-six plants throughout the world have been investigated, including South African plants. The performance of South African plants at the time was at the low end of the scale. The research led to these conclusions:

- High performance practices: The best performers had entrenched a range of the workplace and people practices associated with competitiveness.
- Lead and Lag effects: It takes time for competitive workplace practices to have an impact. Plants that had recently implemented team-based practices performed below average, but those that had a long history of these practices were the best performers.
- Convergence of practices: The majority of the plants already had, or was implementing, competitive practices. As a consequence the differences in competitiveness were reducing. As has been the case with the quality revolution,
these practices are becoming a prerequisite for success rather than a competitive advantage.

- **No panaceas:** None of the high performance workplace practices in isolation has a major impact on performance. Sets of interrelated practices make the difference.

Jonathan Charkham is a former advisor to the Governor of the Bank of England. He conducted a five-nation study to identify factors that contribute to greater competitiveness of organisations and nations. He identified three key differences. (*Keeping Good Company: A Study of Corporate Governance in Five Countries*, Oxford, Clarendon Press, 1994.)

- **Co-operation versus Confrontation:** In keeping with an increasingly interconnected, interactive and interdependent world, the more competitive organisations have reduced confrontational attitudes. In their place they have developed co-operative attitudes including a greater willingness to collaborate to solve problems.
- **Well-informed versus Poorly-informed people:** The staff of more competitive organisations is significantly better informed. They receive more information, are exposed to more meaningful communication, and have a better understanding of the organisation and what is expected of them.
- **Collegiality versus Individuality:** The competitiveness of co-operation is reinforced by a culture of greater collegiality between people. People are still encouraged to be competitive, but not at the cost of others or in ways that undermine the common good.

Sam Stern of Oregon State University studied highly successful research and development teams to find what supported their success. (*The Relationship Between Human Resource Development and Corporate Creativity in Japan*, Human Resource Development Quarterly, Fall 1996.) Four practices stand out:

- **Getting information** from fellow team members, and learning from one another.
- **Getting information** directly from customers who are the recipients of their work.
- **Self-directed development,** which enabled them to take charge of personal development.
- **Peer learning** based upon interaction with one another.

Peter Berg, Eileen Applebaum, Thomas Baily and Arne Kalleberg investigated the performance of three companies and six plants within the apparel industry. The best performers produce products at 78% of the cost of the less competitive producers, or
$19,54 versus $24, 94 per dozen items. (The Performance Effects of Modular Production in the Apparel Industry, Industrial Relations, July 1996.) The high performers relied on the following practices:

- Participative and team-based structures versus traditional assembly lines.
- Greater autonomy for individuals and teams, supported by greater task variety.
- More intensive feedback to people on their work and performance.
- Better labour:management relationships.
- Greater stress. (Clearly high performance is not without some negatives.)

John Dunlop and David Weil (Diffusion and Performance of Modular Production in the US Apparel Industry, Industrial Relations, July 1996) also investigated the apparel industry. Their findings support those of Berg et al.

John Kotter and James Heskett of Harvard University tracked the performance of 207 companies over a period of 11 years. (Corporate Culture and Performance, New York, The Free Press, 1992) The differences in performance over this period are dramatic. They differentiated what they defined as “low adaptive” and “high adaptive” workplace cultures. The high adaptive cultures are characterized by:

- Focusing on the needs of customers and the workforce, as well as the shareholders. The low adaptive cultures concentrated upon the needs of the shareholders.
- Designing the organisation to specifically meet the interests of all three stakeholders, and not only those of the shareholders.
- Expecting leadership and participation from people at all levels.

Over the 11 years the comparable performance achievements differ enormously:

<table>
<thead>
<tr>
<th></th>
<th>Low Adaptive Cultures</th>
<th>High Adaptive Cultures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Growth</td>
<td>166%</td>
<td>682%</td>
</tr>
<tr>
<td>Employment Growth</td>
<td>36%</td>
<td>282%</td>
</tr>
<tr>
<td>Stock Price Growth</td>
<td>74%</td>
<td>901%</td>
</tr>
<tr>
<td>Net Income Growth</td>
<td>1%</td>
<td>756%</td>
</tr>
</tbody>
</table>

James Collins and Jerry Porras conducted one of the most telling investigations by comparing 18 pairs of well-known organisations. (Built to Last – Successful Habits of Visionary Companies, Harper Business, 1994) Each pair consists of direct competitors. They call the real winners the Visionary Companies. On
average the less successful competitors still outperformed the average performance of all other listed USA companies quite significantly, but the visionary companies outstripped them several times over.

<table>
<thead>
<tr>
<th></th>
<th>Cumulative Stock Returns on $1: 1926 - 1990</th>
<th>Comparative Percentage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visionary Companies</td>
<td>$6 356</td>
<td>1531%</td>
</tr>
<tr>
<td>Direct Competitors</td>
<td>$955</td>
<td>230%</td>
</tr>
<tr>
<td>General Market</td>
<td>$415</td>
<td>Base-line</td>
</tr>
</tbody>
</table>

The names of the companies read like a who’s who of global players in their respective fields. So why, over 50 years, did the visionary companies achieve such spectacularly better performance? Collins and Posner identified a range of differentiating characteristics that the winners applied significantly better than their competitors:

**Core Ideology**

The visionary organisations have a clearly defined core ideology. This consists of a mixture of core values and purpose. The difference between the real winners and their less successful competitors is that they turn the core ideology into a vibrant and living part of organisational life. Four key commitments differentiated the two sets of organisations:

- **Pervasive communication:** The company communicates the core values and/or purpose widely to people throughout the organisation. Key leaders within the organisation on several occasions speak about the core ideology and position it as a source of guidance for decisions and behaviour.
- **Historical continuity:** Once the core ideology has been established and communicated continually, it remains stable. It changes very little as a core point of reference that people use to guide behaviour.
- **Ideology beyond profits:** The profit motive does not dominate discussions, nor is it viewed as the primary driving force. Profit is viewed as being only part of the company’s objectives. Profitability is viewed a necessary condition to pursue other aims.
- **Alignment of ideology and actions:** The core ideology is supported through action. There is significant evidence that major strategic, product, market, and organisational design decisions have used the core ideology as a source of guidance.

**BHAGs – Big Hairy Audacious Goals**
The visionary organisations have struck a strong balance between the “softer” aspects of establishing and maintaining a core ideology, and the “harder” demands of setting and pursuing BHAGs. The BHAGs deliberately set targets that are difficult to achieve and require innovation and commitment to critically evaluating the extent to which existing practices and products contribute to the wellbeing of the company. The differentiating factors as far as BHAGs are concerned are:

- **BHAG-driven progress**: BHAGs are used as a major approach to focus actions and drive progress.
- **Audacity**: The BHAGs specifically set out to challenge the norm and are often either extremely difficult to achieve, or entail high risk.
- **Historical pattern**: BHAGs form a part of the company’s culture and are a repetitive feature over many years, with some BHAGs transcending generations of leadership.

**Unifying or Tight-Fit Cult**

The superior performers make a point of creating a unifying cult or organisational personality. They consciously strive to develop and sustain a powerful sense of loyalty, belonging and dedication to the company. This includes but goes much further than induction. The outcome, if not overtly stated purpose, is to influence the behaviour of the employees to ensure that it is aligned to the company’s ideology. Three specific characteristics were shared by the visionary companies:

- **Indoctrination**: The “indoctrination” process is not left to chance. The visionary companies use a range of well-planned and repetitive processes to craft alignment to their culture and ideology. This includes formal participation in orientation programmes that teach things such as values, behavioural norms, history of the organisation, and its traditions. Some of the typical approaches that are used to ensure optimum alignment to the organisational cult include:
  1. **Primary social grouping**: Members of the company become the primary social group for new employees, and employees are encouraged to socialize with one another. On-the-job socialization by peers, immediate supervisors and others is commonplace.
  2. **Internal growth and development**: Hiring young people and promoting from within shapes the attitudes of people from an early age.
  3. **Authentic symbols**: A range of symbols creates a sense of close association between employees and the company. This includes the use of language and terminology that is unique to the company; exposing people to the leadership mythology and “heroics” of past leaders and characters; recalling and telling stories about
past successes, and how the company overcame adversity and major challenges.

4. **Communication**: Internal publications reinforce the ideology and the company cult. The internal public relations of the company are often even more powerful than the external efforts.

   - **Tightness of fit**: The superior performance companies do not believe that they are capable of or should try to provide a “one-size-fits-all” workplace environment. The powerful ideologies and cultism create cultures that either suit or do not suit people. The company’s “fit” is consequently very tight. People either fit in well or not at all. The tightness of fit is reinforced in several ways:

   1. **Screening and constant reinforcement**: Rigorous screening processes, either at the time of recruitment or later when transfers and promotions are considered, evaluate whether the individual will fit. Buy-in is constantly sought and there is an expectation that individuals should openly and enthusiastically espouse the ideology.
   2. **Narrow path**: Behavioural norms may appear too rigorous and even rigid. This makes non-compliant people uncomfortable and encourages them to either conform adequately or leave. “Severe” loyalty is expected. Utter commitment to the products and services, and the ideology is expected. This is accompanied by high tolerance for errors that do not breach the company’s ideology. But people who breach the ideology and behavioural requirements suffer strong penalties.
   3. **Tangible recognition and reward**: People who clearly “fit” are recognised and rewarded significantly better than those who do not. Conversely, those that do not fit appear to be undervalued, often unhappy, and do not progress.

   - **Elitism**: The visionary companies radiate pride. They believe that they are special, and that it is something to be proud of to work for them. A sense of pride is nurtured amongst employees. It results in a two-way process of cultivating a sense of being special and pride. This is strengthened in various ways:

   1. **Sense of “family or village”**: Common reference is made to “being part of the family.” The company has its own physical locations where people can mix and socialize, thereby reducing the need to fulfill social needs externally.
   2. **Special identity**: Names are used to identify members of the company, e.g. “Motorolans,” “Proctoids.”
   3. **Celebrations**: People participate in frequent celebrations that recognise and highlight successes, the sense of
belonging, and the specialness of the company. This is constantly reinforced verbally by leaders and staff who state that it is something special to belong to and be part of “this” company.

**Purposeful Evolution**

Several of the traits that distinguish the competitive leaders could readily stifle innovation, constructive dissatisfaction, and continuous improvement. The focused use of BHAGs contributes to preventing this risk. This is reinforced through purposeful evolution and conscious processes to ensure constant progress. Leading companies forestall the tendency of settling into comfort zones and allowing redundancy to set in by maintaining the following practices:

- **Conscious application:** The company consciously embraces and makes use of evolutionary processes of variation and constructive destruction. Current ways of doing things are critically reviewed. In some instances leaders will require people to consciously seek ways of “cannibalizing” the company’s products and services. This results in significant strategic shifts from time to time.

- **Operational autonomy:** Every facet of global democratisation is reflected within winning workplaces. People have wide discretion on how they do their work, and how to go about improving it. This encourages variation and inhibits the formation of bureaucratic workplace practices and controls. Audacious goals, ideology and tight fit contribute to ensuring adequate adherence to core organisational objectives, but then people are given exceptional free reign on how they respond to these challenges. How the organisation is designed, how decisions are made, job designs, and how information is dispersed and utilised reinforce this commitment.

- **Mechanisms to stimulate variation and evolution:** A range of further mechanisms is developed to sustain optimum responsiveness and constrictive change within the workplace. People are involved in processes that focus on stimulating new ideas and encouraging innovation. Quick and vigorous responses to opportunities accompany a willingness to tolerate error and initial imperfections. Mistakes (as opposed to negligence) are not punished. Personal initiative, innovation and creativity are encouraged and recognised.

**Management Continuity**

The visionary companies trust their systems to attract and nurture the type of leaders that they need. The wellbeing of the company is never entrusted to heroic or so-called charismatic leaders. Instead, great value is placed on the capacity of leaders to live...
the ethos of the company and to reinforce its culture. A few characteristics stand out:

- **Internal promotion**: The visionary companies have a track record of appointing CEOs from within. In only a few exceptions, normally associated with a period when the company appears to have lost focus and allowed some of its competitive traits to slide, were external people appointed.

- **Sustainable leadership**: The company is valued as being greater than any single person. Conversely, the commitment to growing and promoting people internally created circumstances which, when a new CEO was needed, ensured that there were adequate successors.

- **Dedicated management development**: The winners invest significantly in the development and growth of their managers. This includes internal management development programmes, job rotation, conscious use of on-the-job opportunities and projects to create learning opportunities, and exposure to the thinking and work methodologies of more senior leaders.

- **Disciplined selection processes**: The companies that lead the field have established a history of disciplined and rigorous selection processes. This is extended to the screening and appointment of CEOs.

**Reinvestment in Self-improvement**

Finally, Collins and Porras found that the visionary companies had a history of stewardship, or continuously reinvesting in the company to secure its long-term survival and capacity to cope with emerging challenges. This commitment included:

- **Long-term investment**: An attitude towards profit, in which it is viewed as only one element of wellbeing and success, encourages reinvesting earnings in long-term growth. (As based upon PP&E ratio as a percentage of sales, R&D expenditure, and dividend payout ratios.)

- **Human capital investment**: The winners recognise the power and value of people, and have long track records of investing in employee recruitment and attraction, training, and professional development. This is continued during downturns.

- **Early adopters**: The commitment to evolution contributes to driving a willingness to review and adopt new technologies, business processes, and management methods earlier than competitors. Identifying and evaluating new approaches timeously is a pervasive element of the workplace culture.

- **Constructive discomfort**: It is seldom that the leading competitive companies are caught unawares by new developments. A deeply inculcated sense of perpetual positive dissatisfaction and questioning of the status quo
enables them to identify and implement required changes before external conditions force them to adapt. Established processes and methods are in place to ensure that adequate internal discomfort is created, thereby preventing the risk of sliding into comfort zones.

Marcus Buckingham and Curt Coffman involved more than 80,000 managers from over 400 organisations in the largest research of its kind ever undertaken. They wanted to identify what the truly successful managers did differently. (*First, Break All The Rules*, Simon & Schuster, 1999.) They built onto the principle stated by Heskett, Sasser and Schlesinger (*The Service Profit Chain*) that the only way to ensure the generation of enduring profits is to begin by building the kind of work environment that attracts, focuses, and keeps talented employees.

Buckingham and Coffman use the analogy of a lengthy mountain climbing expedition. The four stages from the base of the mountain to the summit are characterized by twelve critical workplace characteristics or questions. The superior performing organisations or business units record significantly higher scores on the 12 questions.

**Base Camp – What do I get?:** Base Camp provides the essential foundation for superior people performance. The issues that need to be addressed at base camp may appear very simple, but if they are not fulfilled well, it undermines and reduces or even negates the impact of later questions. The base camp challenges are:

1. Do I know what is expected of me?
2. Do I have the materials and equipment to do my work right?

Getting these basics right provides the sense of direction, certainty and support that people need to deliver superior performance. In the absence of a well-established base camp, people feel lost or frustrated. They either do not know where they are supposed to be going or are continuously frustrated by inadequate support and tools to do the job. Just trying to figure out what is expected or overcoming frustrations takes up valuable work energy and erodes commitment.

**Camp One – What do I give?:** With base camp established, people can venture forward with the confidence needed to reach the first camp. They start to relate their own potential contributions to the needs of the organisation and their work. They seek answers to the next four questions:

3. Do I have the opportunity to do what I do best every day?

More than one million interviews and 100 million responses were distilled to identify the deep truths of powerful people leadership. A prerequisite for someone to deliver superior performance is adequate certainty and removal of frustration.

The vast majority of people want to experience a sense of self-worth and knowledge that they are valued.
4. In the last seven days, have I received recognition or praise for good work?
5. Does my supervisor/manager or someone at work seem to care about me as a person?
6. Is there someone at work who encourages my development?

Maslow would probably have defined these questions as addressing the social and early self-esteem needs of people, with Base Camp representing survival and security needs. Camp one identifies and focuses on the need for people to feel good about themselves, and to experience a sense of belonging.

**Camp Two – Do I belong here?** The next stage of the journey becomes more critical. People want to know whether they fit and whether they can make a meaningful contribution. They ask themselves the next four questions:

7. At work, do my opinions seem to count?
8. Does the mission of the company make me feel that my work is important?
9. Are my co-workers committed to doing quality work?
10. Do I have a best friend at work?

Advanced self-esteem and social needs become important at this stage. High performing people do not merely want to have a job and earn an income. They want to experience the personal pleasure of experiencing self-worth and knowing that they make a difference. But, they do not generally want to experience this in isolation. They want to be part of a community of commitment to excellence and contribution, and they want to share it with someone at a level that transcends work.

**Camp Three – How can we all grow?** Reaching for the summit requires commitment to growth and learning. The commitment and sense of self that has been created by the journey thus far provides the energy for longer-term commitment and investment in personal learning. The final two questions address the final requirements to reach the summit of people performance:

11. In the last six months, has someone talked to me about my progress?
12. This last year, have I had the opportunities at work to learn and grow?

As people push towards the summit, they test and want to have their capabilities tested. They cherish an environment that embraces this need and supports them in their quest for ongoing growth.

Jack Welch, the CEO of General Electric, states, “Any company
trying to compete must figure out a way to engage the mind of every employee.” Buckingham and Coffman present a model that illustrates the linkage between the individual contributions of employees and the ultimate increases in an organisation’s stock prices. This pathway to competitiveness through individual commitment reinforces the need to focus simultaneously on people and performance. But, it clearly suggests that performance is people-driven and that committed people are a prerequisite for superior performance:

Identify the strengths of people

Establish the right fit

Secure great managers

~ who fulfill the 12 questions ~

Nurture engaged employees

Create loyal customers

Achieve sustainable growth

Deliver real profits

Achieve stock price increases

What does all this mean for organisations?

The imperative of adopting New Economy leadership and competitive practices:

Organisations that have adopted a range of people and workplace practices that reflect the global and national forces of democratisation, market-friendly economics, and New Economics, are outperforming those that still cling to the increasingly redundant approaches of the past. The resistors will continue to lose ground. As global competitiveness hots up, and the war for talent intensifies, the organisations that still hope to remain islands of the Old Economy will be marginalised. Just as no nation can continue to resist the global forces that are creating the New Economy, so no organisation can secure its future without rapidly embracing New Economy leadership, people and workplace practices.

No panaceas – only sets of systemic solutions

Notwithstanding the large body of research and empiric evidence,
there still are no simple or quick-fix solutions to the competitive quest and no holy grails. The success stories all demonstrate that competitiveness is the direct and indirect result of implementing integrated sets of practices.

**Investing in the long haul – with short term costs**

There are some short-term gains to be made, and there are usually some short-term costs. It takes time before the new competitive practices take root and start to deliver sustainable results. The existing systems that are often rooted in the Old Economy mindsets have the advantage of massive material, mental and emotional investments. It takes time for the new practices and attitudes to establish themselves. Organisations, stakeholders and leaders must therefore be capable of suspending their need for relatively fast gratification and to commit themselves to the long haul.

**Competitive advantage**

Notwithstanding the hype that has accompanied the New Economy and the extraordinarily high profiles enjoyed by many business gurus, the majority of organisations worldwide have made little progress. The urgent adoption and implementation of New Economy competitive practices thus still offers the opportunity to establish a competitive advantage.

As the benefits of New Economy practices become increasingly obvious, investors will start to evaluate the extent to which organisations have been transformed to ensure their competitiveness. Already CALPERS, the world’s largest public pension fund, demands better corporate governance if poorly performing companies wish to retain investment. The conditions include investment training, employee involvement in decision-making, and performance-based rewards.

**Why is the general progress still so slow?**

As the South African research demonstrates, we have generally made very poor progress towards adopting competitive New Economy practices in our organisations. This does not however mean that there has been massive progress elsewhere in the world. The case studies that illustrate the often spectacular advantages and superior performance of the new world of work remain the exceptions. But it is changing quickly. Globalization and international information networks are speeding up the dissemination of lessons that have already been learnt. South African organisations can still tap into the competitive quest at a relatively early stage. Some specific dynamics are behind the
slow progress in South African organisations. It is useful to note some of the impediments to progress that have been identified elsewhere in the world.

- The lead and lag factor: Companies that have embarked upon change have often experienced an initial drop in return on investment and profitability. This may however be because they introduced too few changes, or that they failed to identify and focus on integrated sets of interventions.
- The change processes have often, initially reduced customer satisfaction.
- The adoption rate is still generally very low. There is only a small pool of people with adequate experience to create a critical mass in the larger society.
- Organisations continue to underestimate just how tenacious the old system is. This causes them to underestimate how tough the change can be, and how strong the overt and covert resistance can become.

**People AND Performance – the empiric reality**

The accumulated research unambiguously demonstrates the relationships between people and performance issues. This is a theme that is apparent in all of the research. It elevates the theories that were proposed by people such as Abram Maslow and Frederick Hertzberg to conclusive fact, based upon hard empiric evidence. This is particularly important within the context of the New Economy. The large-scale democratisation of the globe and the role of technology do not diminish the reality that performance depends on people. But, there are undeniable new dynamics that are transforming what it takes to integrate the dual forces of people power and competitive performance. A new landscape of competitiveness is being forged. Fortunately it is not totally unfamiliar territory. The experience and forward thinking attitudes of winning organisations have already provided a deep foundation of knowledge that offers valuable clues on the leadership, people and workplace practices that are necessary to survive and prosper in the New Economy.