



What It Means to Value People in an Execution Environment

We hear from leaders that people are our most valuable asset, but what we hear from our most valuable assets are a variety of complaints that they are not valued, their work is not appreciated, their legitimate needs outside of work are ignored, they are mistreated, their suggestions are not solicited, or are completely ignored, they are treated as expendable commodities, the Company's leadership is missing in action, and there is no clear vision, nor consistent direction. Sound familiar? It seems that people feel less and less valued at a time when they are an increasingly an important asset. Think about the amount you have invested in their training and in developing their experience. Think about the losses you incur when your people are demotivated and make bad decisions.

Consider this example from a very well run \$4.5 billion organization that had an excellent execution environment and the performance to match, and one that truly valued people, but nonetheless failed to translate valuing people to action when it came to compensation. What is amazing to me was that the worst day of each year for morale and employee enthusiasm was the annual bonus day. The bonus was typically equal to two or three days pay, even for top performers. The amount of anger was shocking. It affected the effectiveness of people for a month. In addition, there was a lack of an execution environment in the approach to compensation in general. Compensation was competitive by industry norms, and performance reviews were meaningful and involved real insight from your superiors, but the allocation of compensation failed to act on this foundation and was arbitrary. The Company was a diversified, multi-national organization that had its origins in the automotive industry. Its compensation approach was truly a vestige of the automotive sector. Seniority and age were the primary factors in determining compensation and annual adjustments, following rigid guidelines that precluded meaningful recognition for superior accomplishment. Giving an annual bonus was required. A year's worth of management showing appreciation for accomplishments was wiped away, and management started every year at ground zero to reestablish an environment of recognition of accomplishments.

Having an execution environment means that every facet of your operations has to foster and have an execution environment. Your culture has to be an outcome of your execution environment, rather than your environment operating in a way that is consistent with your culture. It is that straightforward and that hard. The way



that Jack Welch changed GE is the best-known example of what you need to do. He took GE from a company where culture and the ritual and guidelines it spawns defined its operations to one in which execution was the core that defined everything else including the culture. The extreme competitiveness of today's business climate makes having an execution environment mandatory and punishes those who fail to have an execution environment. Look at IBM, Compaq, Motorola and many other telecoms. Compare them to GE and Apple.

Valuing people certainly doesn't mean catering to them, ignoring their lack of performance, fearing to challenge poor performance and require improvement, and increasing their compensation for the same level of performance. A concept I call "emotional ownership" is the way to look at what valuing people means in an execution environment. Most people want to be valued, and they are willing to take ownership of their performance, but within bounds. Each person has a tolerance for risk taking, demands on their time, and acceptance of responsibility. When in a job environment within their bounds, people will become emotional owners of the business. They will have a level of commitment that goes beyond what would be expected and they accept accountability, but only if their work environment stays within their bounds. Having an execution environment requires that people have emotional ownership. Do not mistake emotional ownership with actual ownership.

Brutal objectivity would lead us to accept that most people draw a rather narrow box, but if we can assign them to a role in which that box fits, they will be real contributors. Brutal objectivity would also make us admit that only a very few people will stand up to whatever confronts us and make a real difference. Both of these groups of people make valuable contributions and should be compensated accordingly, which means that the few who really make a difference no matter what confronts us need to be compensated far more highly than the rest.

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