

Compliments of



in association with



People Or Systems: Which Are The Real Assets?

The Primary Importance of Organizational Systems

By Adrian Savage, President of PNA, Inc.

The worn-out saying, "People are our greatest asset" is neither true nor useful. Organizations are bundles of resources and processes held together and animated by systems. Like our bodies, every part must support and reinforce the others if they are to remain healthy. When human cells develop their own agenda and direction, the result is a cancer. It's the same in an organization. An organization's true assets are the systems that allow it to co-ordinate and utilize its parts: in human terms, the systems that allow people to make their full contribution to the good of the whole. Bad or missing systems will prevent the most talented people from producing anything useful. Rogue systems produce organizational cancers.

Typical Systems Failures

Here are some archetypal examples of situations where "people systems" failures limit organizational effectiveness and profitability. Many corporations demand employee commitment yet display little or no sense of obligation in return. Loyalty is a one-way process. The habitual response to business setbacks is to hand out pink slips, making the people that the corporation spent effort and money on recruiting and training the first casualties. Top managers do not see how they can use these trained, committed people to find a way through the difficulties. Of course, when times improve, recruitment restarts for same kinds of people that were laid off. The system of hire, fire and rehire is a grand way to waste money throughout the typical business cycle. Research proves that managers who believe that quick cuts in headcount build stockholder confidence are simply wrong. Companies with significant layoffs show the world they are in serious trouble. Those who avoid cuts prosper.¹

All too many organizations preach one kind of behavior while their systems reward the opposite. Many advocate co-operation, team working and empowerment, while simultaneously rewarding competitive, individualistic and political behavior. Their payment systems and bonuses are all based on individual results. Promotions are decided on a competitive basis. Recognition comes through patronage and influence, encouraging approved behavior towards those who have power. Top executive privilege is carefully protected. The rhetoric may be about co-operation, but systems such as these only reinforce individualism. Executives with golden parachutes and re-priced stock options send a powerful message to the rest of the organization about the need to look after number one.

Top managers try to use command and control methods in futile attempts to bring about changes in the exact same system: their company's traditional command and control culture. "Top down" restructuring initiatives are classic aspects of unacknowledged command and control functioning. You cannot mandate change. It works outwards from within, not downwards through a hierarchy. To change how others

¹ Rigby, Darrel, "Look Before You Lay Off", *Harvard Business Review*, April 2002, pp. 20-21.

behave, we must first change our own behavior. “We” cannot change “them” and remain as “we” are.

One final example: why do organizations spend money on training to enhance creativity and innovation amongst their staff, if their financial reporting systems continually emphasize and reward predictability and avoidance of risk? Actions communicate more powerfully than words. Actions that bring monetary or similar rewards to those who comply speak loudest of all.

Which Matters Most: People or Systems?

It’s tempting to answer, “people.” We feel that it ought to be so; that the worth of a human being should outweigh any inanimate system. Yet this answer is dangerously incorrect. In this context, we must look not at the intrinsic worth of a human being, but at their ability to produce outputs that benefit the organization. In strictly organizational terms, that is all that matters. Whatever a person’s experience or capability, poor systems can—and do—prevent their use. This is no reflection on the person, though that is where the blame is usually placed. However hard that person tries, a meager fraction of their effort will become useful output. Change the system and the “problem performer” will be totally transformed. At an intuitive level, we all know this. That is why we change jobs when the frustration becomes too much to bear. In a new system, we hope that we can reveal all those unused talents.

People may object that corporations have to respond to the demands for short-term results coming from Wall Street. I wonder if this is absolutely true. Not the demands, of course, which are certainly there, but the imperative to take them at face value. Corporations that provide consistently strong results tend to be more highly valued than those whose results show significant fluctuations. It may take

courage at the start to ignore those calls to deliver the goods right now; but if the outcome is a shift into stronger and more stable patterns of growth, even Wall Street will be happier in the end.

Another objection on behalf of the primacy of people over systems is that systems cannot exist without people, but people can exist without systems. So they can, but not in organizations. Organizations are systems. A group of people acting without any system may be a partying crowd or a rioting mob, but assuredly they are not an organization.

Putting Things Right

Top management too often ignores such faulty systems, focusing instead on trying to remedy individual failings. Even then, many state their requirements in typical command and control fashion and expect obedience. In such a culture, there can be no place for questioning conventional wisdom, for diversity in thought or for freshness in outlook. Whether the dominance is open or concealed, the results are the same: people clinging to old habits and obsolete systems while proclaiming the need for new approaches to cope with market change. We no longer notice its absurdity only because it has become the norm.

To reverse this unhealthy trend, we need to see things as they really are and take action to discover the broken systems that are causing the problems.

The first step is to value people for their strengths, not castigate them for their weaknesses. Encourage people to find where they fit best and enjoy work most, so they can contribute fully to the success of the whole. Trust must be a two way process: the organization must trust the employee to act in the best interests of their employer, and the employee must trust the organization to

do the same for its workforce. Lay-offs should occur only as a last resort where the alternative is collapse and a total loss of employment.

Diversity should be valued. It is a priceless source of innovation. Similarity and coherence make for a comfortable life, but are enemies of creativity. Diversity also keeps organizations honest and ethical. If many people with differing outlooks are welcomed and valued, it is hard for a few to avoid being discovered if they are doing something that benefits them and their friends, but disadvantages the rest of the company or its customers. There's no place for debate and varied outlooks in a crime syndicate. Yet too much diversity can lead to loss of direction and fracturing of effort. Good systems channel people's efforts into an agreed direction, but respect their freedom to add their own, unique angle on what they are doing.

Effective performance management systems motivate and retain key employees with long-term rewards such as development, security, and opportunities for personal growth; not short-term ones like bonuses and stock options. Consistent, long-term performance is more valuable than quick wins that lead to long-term losses. Employees who suspect security of employment demand rewards today as insurance against future losses; so if we want people to take a long-term, strategic view, we must offer the security and support to warrant their trust. The more organizations fall into the trap of demanding quick results above everything else, the more people's aims and actions will be distorted to produce them—even if this hurts the company's interest in the longer term. There's no doubt that Enron produced some very impressive quick wins.

Our organizations, like our society, have a history of holding individuals responsible for the failure of systems. They also try to deal with such problems by coercion, trying to legislate them out of existence instead of exploring what produced the problems in the first place and what continues to sustain them. The most usual outcome is to drive the problems underground and give them something to push against to build up their muscles. Here are some practical suggestions for seeking out the true culprits.

1. Always focus on the root causes of performance. Treat symptoms as warnings, not problems to be addressed. Strong motivation and supportive systems are usually more important for good performance than raw competence.
2. Let others become fixated on instant success. Build the capability to succeed this year, next year and far into the future. Be like a marathon runner: promote strength and avoid the distraction of chasing after short-lived results that soon fade. Only sustainable performance makes a company great.
3. Value people for their futures, not their past. Motivate and retain key employees with long-term rewards, at the same time offering them security and support to generate mutual trust. Help people discover where they fit best and what gifts they can use to create a satisfying and successful career. Encourage diversity and freedom to innovate until the correct niche is found.
4. Never mistake leanness for fitness. Avoid cutbacks that sacrifice growth for the sake of short-term appearances. Steer clear of the endless cycles of corporate anorexia and bulimia.

5. Invest freely in helping people grow and add to their contribution. Development and learning are essential insurance against unknown risks in volatile markets. They are not costs to be minimized or dropped when things get tough. Who downgrades or cancels their insurance as soon as they sense danger?

Organizations that do what everyone else does get results that everyone else achieves. To be outstanding in an industry, your company must be different: it must stand out from the herd, taking the risk to follow its own path. Following so-called industry practices is not to be recommended. After all, lemmings are really good at following one another. Those who have the courage and insight to investigate the true reasons for success do not need to be followers.

To build productivity and performance that lasts, organizations need systems that support people's capacity to contribute. Organizational cultures resist individualism. What each person can accomplish in practice is decided more by the systems that are in place for supervision, setting objectives and reporting results than by individual ability. It's too easy to blame poor performance mostly on people's human failings. Budgets, approvals and sign-offs all limit personal freedom to take decisions and commit resources. Development systems either facilitate unrestricted learning and growth or limit it to pre-set, often traditional avenues. The systems that evaluate and allocate rewards frequently discourage people from contributing above and beyond established norms. Until an organization has the right systems in place, recruitment of more able and talented people will result in a corresponding increase in retention problems and under-performance by obviously able people. People in general are not an organization's greatest assets. Only highly

productive people are real assets; and only carefully crafted systems will allow such productivity to arise and last.

About the Author

Adrian Savage is president of PNA, Incorporated, which provides solutions that enable corporations to manage succession management, employee retention and talent utilization. More than fifteen years ago Mr. Savage co-founded the forerunner of PNA with the goal of clarifying the way people and organizations utilize their potential. Drawing on a background in senior management positions in diverse organizations and experience with complex organizational structures, he developed fresh ways of understanding what allows companies to achieve optimum performance. Mr. Savage was quickly convinced that the primary blocks to optimum performance are poor systems and unclear motivation, both derived from the habits we form around what has worked for us in the past. When people can align themselves successfully with their unused talents and fundamental values, they can seize the opportunities available to them to make the kind of contribution that fully reflects their ability, helping themselves and their organization achieve new levels of business success.

As a result of his lifelong interest and research in individual development, Mr. Savage founded PNA, Incorporated. PNA provides corporations with solutions for talent management, organizational development, succession planning and key staff retention. Using proprietary approaches that have been developed and proven over more than 15 years, the company helps national and international clients maximize individual, team and organizational strengths to achieve their business goals. PNA is part of the global RSM International network. Visit www.nettps.com for more information or call 908-541-1700.

About Work In Progress Coaching

Founded by Camille Smith, Work In Progress Coaching specializes in increasing the performance and productivity of executives, managers and teams. Her approach enables people to achieve organizational goals while maximizing personal and corporate resources. "When people access their potential and produce results that they thought were impossible, two powerful things happen: the bottom line benefits *and* people's view of what they can accomplish together is expanded. This gives the individual and the organization more options for the future."

As an associate of PNA, Inc., Camille is a certified NetTPS™ Solutions Provider. For more information, call 831-685-1480 or visit www.wipcoaching.com.