

Improving People Performance: The CFO's New Frontier

By Robert Angel and Hubert Rampersad

The CFO role is extending from balanced scorecards and budget metric-setting into helping to define strategic business actions for continuous improvement. To realize organizational goals, the CFO must also enter the realm of people performance.

If the role of CFO in your organization is confined to financial reporting, treasury and controls, you can be certain that this narrow role is becoming the exception. Increasingly, CEOs are looking to their CFOs to play a more decisive role in performance improvement programs as the “high-performance organization” becomes a strategic imperative, and perhaps even a survival one.

This extends the CFO role from balanced scorecards and traditional budget metric-setting into helping to define strategic business actions and playing a leading role in continuous improvement. However, it can land the CFO in the unfamiliar territory of people performance — which recognizes the dependency on people as an integral part of organizational performance and takes into account the personal goals of individuals who comprise the organization.

Finding themselves in this position, many CFOs need a crash course into the people aspects of meeting organizational objectives and into the complexities of strategic performance improvement. Avoiding the course, leads to a somewhat untutored approach that is fraught with risk — for both the organization and the CFO.

To help CFOs address this gap are four people-oriented strategic performance management principles. These principles are based on aligning people and organizational goals, in order to create a high-performance culture. There is a valid reason for this: inadequate people alignment is the single biggest factor that holds organizations back from moving to a high-performance culture.



Principle 1: Organizational Performance is the Sum of its Individuals.

Most organizations create the appearance of assigning performance activities to individuals, typically creating individual performance plans that have been cascaded down from organizational goals.

For example, an organizational goal might be to improve group cash flow by 25 percent over the next year. The CFO's group might be assigned a subset of the organization's objectives, supported by some uniquely financial activities, like credit and collections enhancements, and some shared with other groups, such as speeding up the shipping and billing process. The hope is that if each individual in the group is assigned a portion of the overall goals, organizational results will improve.

Some hope! Allocating tasks based only on the organization's needs is not only an incomplete basis on which to ask the employee to act, but a recipe for employee disengagement and underperformance. By not explicitly recognizing an employee's own career and personal aspirations, an employer is overlooking what is of prime importance to the individual: personal and non-work aspirations balanced with career goals. Yet, such a short-sighted approach is sadly still the norm in many organizations.

This area is systematically neglected, and is the key reason for numerous failures in culture change and performance-enhancement programs. As a result, many organizations face high mental absence rates, limited personnel motivation, low productivity, stress, burn-out and staff suffering from fear and anxiety, lack of self-awareness and insufficient understanding of the purpose of activities.

All of these symptoms contribute to insufficient trust and confidence in the organization. Real learning is not stimulated, and opportunities are missed to create and improve motivation, passion, commitment and self-direction within organizations.

The consequence is an all-too-real cost that shows up, for example, in underperformance against planned organizational operating results, lower productivity and general slowness in making beneficial changes. Such cumulative disengagement of individual employees is a significant cost item that rarely shows on conventional financial reports. Yet, data gathered in Europe indicates that employee disengagement is costing organizations, on average, about \$30,000 per year per employee. It is a serious cost issue that few CFOs are addressing.

Principle 2: Align Goals Between Individuals and the Organization.

The authors' work in performance, scorecards and organizational development has demonstrated quite clearly that aligning individuals' personal goals with organizational goals translates into measurable and sustained performance improvement.

Results are typically visible in metrics improvements, such as employee satisfaction and employee absenteeism. These, in turn, translate into growth in revenue, productivity and customer loyalty.

Alignment is a step-by-step facilitated process that promotes individual buy-in to team goals, while, at the same time, stimulating individual knowledge and learning. It starts with identifying core values, key roles and critical success factors for both the group and its individuals. Group objectives, metrics and improvement actions become the jumping-off point rather than the end point in performance-improvement programs.

Group vision, mission and core values derived from the organization's strategy are linked to each individual's vision, mission and core values. The result is a set of improvement actions that are more compatible with individuals' personal objectives as well as with the group's. This alignment approach has been successfully applied in both private and public-sector organizations, such as energy companies, professional services firms, government and educational organizations.

For example, a large European transportation organization piloted a performance program with one of its customer service departments that was significantly underperforming other customer-facing departments in the volume of customer complaints generated and how they were handled. By focusing on departmental shared learning and teamwork and the goals of individual team members — and not just the organization's needs — within one year the department became the highest-scoring department in customer satisfaction.

Principle 3: Take Improvement Actions, Don't Just Measure.

In performance — like Mark Twain said about the weather — a great deal has been said about it, but very little has been done. While senior managers are paying increasing attention to performance, there is little visible advance in high-performance results. Part of the reason may be that many performance-improvement programs tend to lose the focus on improvement actions and settle down into just measurement programs. The CFO's role has traditionally focused on tracking metrics, and measurement remains the main task in many organizations; while metrics measurement has tended to focus on financial measures, such as revenue and costs.

In the aligned environment, metrics measurement is just the starting point — a prelude to developing improvement actions that work. To support a continuous performance-improvement program, the required qualitative business metrics include customer profitability, share of wallet and retention, appropriateness of recommendations to prospective customers and perceived compatibility of frontline staff with customer goals.

Employee metrics might focus on motivation measures such as absenteeism, team productivity, leadership quality and employee satisfaction. In managing such metrics, the CFO can suggest remedial actions by highlighting how well employees are functioning as teams, to what extent personal ambitions are compatible with organizational direction and where the organization can move more quickly towards an environment of information-sharing and trust.

Outcomes might include reducing employee disengagement costs as evidenced by sickness, mental absence, elevated error levels and low satisfaction scores.

Principle 4: Implement Continuous Improvement, Starting at the Top.

A good place to start when aligning people and organizational goals is with the CFO's own group, and using the experience as a pilot project that can subsequently be extended. While employee disengagement is pervasive across most organizations today — and increasingly middle management people stand out in this — the root causes are often found with personal goals of senior management, who set the tone and culture. So, look first at the leadership team's own personal vision, roles and goals — and its alignment with those of the organization.

The aim of working top-down, initially, is to tackle some of the most critical performance issues first — many of which result from the top-down goal-setting in the first place.

A good way to start is with an on-line survey of the existing knowledge and learning culture — what the organization does well, along with potential barriers to engagement, teamwork and productivity. The key is to turn the survey results into a plan for what to do next, by examining the implications of the survey results in order to provide actionable feedback.

While defining and aligning individual goals has driven substantial improvement, keeping it is another matter. For sustainable improvement, it is necessary for individuals to update their personal balanced scorecards regularly, as progress in their personal plan. The CFO can either act as mentor in this or make sure trusted people take on this crucial role.

Execution Does Count

The CFO can produce real results from performance-improvement programs by making explicit personal connections with the organization's strategy — the balance between individuals' personal ambition and the organization's collective ambition.

More than 20 years of research has shown that transformational performance improvement is driven by engaging employees and by providing them the latitude to share in constructing their jobs, in order to realize both their own goals and those of the organization.

Organizational change must "start at the very beginning, that is, with the core of personal identity itself," writes co-author Hubert Rampersad in *Total Performance Scorecard; Redefining Management to Achieve Performance with Integrity* (Butterworth-Heinemann Business Books, 2003).

A small improvement in productivity could make a significant difference to profitability. This has real-world implications for the CFO who needs to think beyond measurement to improvement actions. The pay-off is in the very promising results in increased customer satisfaction, staff productivity and employee satisfaction — and reductions in dissatisfaction and absence — experienced by aligning individual and organizational goals.

All this is a step beyond the traditional CFO activities of recording and measuring financial metrics. But, it's a step that certainly gives the CFO the potential to make a dramatic difference in his or her organization.

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