THE icehouse°
INSIGHTS

PERFORMANCE-BASED CULTURE

Why is a performance-based culture important?

How do you build it into an organisation?

Icehouse Insights

A regular series addressing some of the major challenges facing SMEs today. Icehouse Insights also highlights some of the possible solutions you can weave into your business to solve common issues.

This edition:

Often confused as something which concentrates on unhealthy employee competition and 'the bottom line', a positive performance-based culture instead focuses on making sure people are as effective as possible in their roles.

The benefits of actively implementing, promoting and maintaining such a culture are so numerous for organisations of all sizes; it makes management accountable, encourages employees to arrive each day highly-motivated, and provides transparency on both sides.

INTRODUCTION

A performance-based culture is an organisational culture built on a set of universally accepted behaviours and norms that are encouraged by leaders and facilitated by optimal tools and processes.

A very close relation of a wider 'company culture', this particular concept focuses on making sure teams are enabled to be highly effective in their roles.

A positive performance-based culture helps achieve business goals and creates value. When it's done right, it becomes a huge asset because while so much in business can be copied, a winning culture based on performance is harder to replicate and can be your all-important differential.

WHAT'S THE REAL POINT

Okay, so it all sounds very nice, but does it really affect how a business performs? Where's the proof?

Being able to effectively instil a performance-based culture, together with an organisations purpose, fortifies employees, generates resilience and positions employees to emerge stronger than ever.

More than 50% of executives in the US say corporate culture influences productivity, creativity, profitability, firm value, and growth rates. (Forbes)

Having a culture that attracts high-talent can lead to 33% higher revenue. Part of this comes from hiring talented managers, which leads to 27% higher revenue per employee.' (Gallup)

Moreover, when employees are engaged, absenteeism is lowered by 41%, productivity boosts by 17%, and staff turnover lowers by 24%. (Gallup)

Naturally, most businesses probably believe they already have a healthy high-performance culture in place. Are these elements woven into the fabric of your daily operations:

Do employees feel unified with actions guided by values?

Is every employee, including senior management and leaders, feeling empowered?

Does each employee, including senior leaders, have a growth mindset?

Does your business embrace open and effective communication?

Does your business participate in regular performance reviewing?

LEADERSHIP THAT LEADS

A high-performance culture comes from fostering a wider organisational culture that encourages independence, problem-solving, teamwork and continuous learning.

Culture change starts from the top. 'Leaders need to recognise that the most important part of any strong organisational culture is its people. You are only as good as the people you lead into battle with you.' (Bill Hogg & Associates)

'Without the proper guidance, support, and a clear vision of what is expected of them, employees are not going to create the results you want. And how can you expect them to?

They are often unclear on where you want to go. They are looking for leaders to guide them. This is why high performance work environments start with leadership.'

To create a high performance culture, leaders need to display the following leadership behaviours:

- Developing and communicating a clear and inspiring vision
- Continuously challenging team members to remain focused and execute
- Provide support to achieve performance goals

These traits can best be supported with the introduction of accountable and measurable performance-based goals through frameworks, tools and processes.

23%

of US employees strongly agree that they can apply their organisation's values to their work every day.

Source: Gallup

DEVELOPING YOUR 'SECRET SAUCE'

According to McKinsey, 'By building a performance culture – one with a unique set of practices, rituals, symbols, and experiences to fuel sustained superior performance – leaders can future-proof their organisations.'

McKinsey suggests the 'Five As' to enable a successful performance culture transformation:

Aspire Set a compelling long-term vision. Adopt a data-driven approach to analyse strengths and gaps at the behavioural level, using this fact base to develop a clear culture aspiration that encompasses your behavioural 'secret sauce'.

Assess Determine readiness to achieve the aspiration by identifying specific behaviour and mindset shifts. It is critical the aspiration is defined by specific, observable, actions that employees can take rather than broad themes such as innovation and collaboration.

Architect Establish the key behaviour shifts necessary and systematically hardwire them in the organisation.

Act Manage the journey by promoting behaviour and mindset shifts at the individual level. Culture-change efforts of the past have typically treated employees as a monolith: all employees receive the same messages and interventions.

Advance Embed continuous improvement with an agile, data-driven approach. Leading organisations use available data to pinpoint high-impact opportunities and agile principles to rapidly iterate and institutionalise advancement.

Source: 'Establish a performance culture as your "secret sauce"', McKinsey.com, 2020

MANAGING PERFORMANCE

Business.govt.nz states that performance management helps you achieve your business objectives by:

- identifying what employees are doing well and areas for improvement
- finding out what employees would like to do and how you can help them to do it
- ensuring that rewards and recognitions are fair and effective
- motivating employees in the right direction
- building an effective business culture

Thinking about performance management has evolved. Experts now agree it's more effective to give employees ongoing feedback, rather than to talk once or twice a year about how they've done over the past year.

Many businesses now focus on coaching and development as performance-based management tools. They've switched from rigid annual reviews that only evaluate performance to regular check-ins that help people perform.

This approach to performance management looks at building future performance rather than dwelling on the past.

Having a coaching mentality helps employees continually improve and stay on task.

To do this, you'll need to:

- Set clear expectations – make sure people know what you want them to do and how you want them to do it.
- Review priorities – check whether they are on track

MANAGING PERFORMANCE

- Comment on specifics – is what they're doing working, or is there a better way to approach the task. Try to be objective. Remember, your way won't always be best. Get their input. They may have a better idea about what needs to be changed than you.
- Coach and give information – steer them to information that will help them stay on track. Give constructive feedback, without laying out step-by-step what has to be done. Make it a joint effort – ask for feedback, too.

All sources: business.govt.nz

Ringlead, a US Data Quality Management, data orchestration and lead routing software organisation, suggests these top four things that make up an exceptional performance-based culture that will attract top talent to your organisation:

Monthly goals and objectives
Expectations should be hard, but attainable, and set by an employee's manager or supervisor so that the employee doesn't make their own goals too easy to achieve.

Transparent Metrics
Metrics enable managers and supervisors to fairly track growth over a period of time.

Rewards and Incentives
After receiving their goals and objectives, employees need rewards and incentives to reach those goals.

Ample and Consistent Training
Training should be job specific, but also based on your company's products and services, policies and procedures and general business or industry specific knowledge.

10
things to try

Ten ways to achieve a high-achieving, performance-based culture

1. Be totally clear on the 'why?'

When adopting practices to measure and reward performance it's necessary from the outset to ask yourself exactly why you're doing this. What is the end-goal? Is it to make the business more profitable? Is it to strengthen under-performing areas? What is the business need? Can you make the processes and measures you put in place manageable and transparent?

If you introduce monthly reviews, for example, what are the benefits to you, the organisation and the betterment of your teams?

2. Chose the change

'Pick specific behavioural changes that will influence the results of your company and communicate these behaviours to your employees in a clear manner. That way, everyone will be on the same page and understand how to change their behaviours. In addition, this can help you better monitor the progress toward changing company culture at your place of business. Make sure that these behavioural changes are customised to your company's needs.' McKinsey

3. Devise the plan

So the intention is in place. What's the plan? How will you measure success and what metrics will you use? There are plenty of online tools your HR person or team can use, including online graphic scales, 360-degree feedback forms, hard copy and online self-evaluation documents, old-school checklist print-outs and performance-assessment apps and management platforms.

4. Make it company-wide

Obviously the number one area you'll want to focus on is sales. Incentivising a happy and highly-motivated sales team will encourage them to do their best, work hard, make you money and enjoy the rewards you offer them for performing so highly. But that culture needs to be widened out to include every individual in the organisation. Everyone from the top to the bottom makes a contribution to the business.

5. Giving rewards

This is the fun part. Saying 'thank you' and communicating good work is part and parcel for an empathetic leadership, but how will you reward the team? We touched on it earlier in the Insight. A once-yearly Christmas party isn't going to cut it anymore, so consider 'thank you' days off, vouchers, goodie bags, away days which focus on truly having a day out of the office, such a beach day, or just a chill out evening meal or long lunch.

6. From the top

'Workers tend to take cues from business leaders and managers. As such, in order to develop new values among your workforce and change the company culture, model the right behaviours and mindsets to drive better results. If those behaviours provide the company real value, then leaders and workers are more likely to continue performing those same behaviours.' (Runrun.it)

7. Start simple

'There is a razor-sharp focus on implementation, with clarity and precision defining what needs to be accomplished and how. There is a commitment at all levels to remove – not add — complexity from the way of doing business. Being results driven and having fun are not seen as mutually exclusive, but dependent on one another. Changes occur, as do positive result.' (Ivey Business Journal)

8. SME Advantage

Starting fresh and starting early in the organisation's lifecycle is the perfect way to establish performance goals, company-wide values and build a sustainable performance-based culture. SMEs can set things up from day one as they have smaller frameworks to build. But whatever the business size, remember that the business you are now might not be what it was 18 months ago. Evolve, evolve, evolve.

9. Training and Coaching

'Training boosts morale and employee confidence. Workers feel valued because the company is investing in their improvement. This morale boost leads to increased initiative from greater engagement with the job, and higher work quality, so this metric has a great influence on other metrics.' (Fool.com)
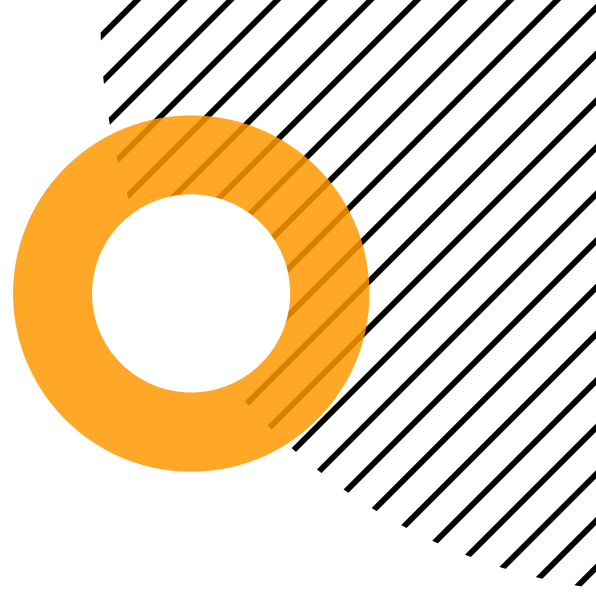
10. Talk the data

'Recognise and communicate key data. Analytics tools are a necessity when communicating relevant data and monitoring metrics among your team members. The right analytics tools can help you reach and engage your employees in order for your workforce to exhibit high performance.' (Toolbox.com)

CONCLUSION

Performance-based culture should be viewed just like any other business asset. A positive culture comes with so many advantages and it could be the reason why you succeed in business and why your rivals don't.

Clearly you want your teams to be engaged, motivated and productive. Setting up a culture where they are given the chance to perform well, through measurable processes and systems, keeps them and you accountable, helps raise standards and establishes best-practice as second-nature throughout the organisation.

Continually maintain, review and assess how you measure performance as you grow, and how you keep integrating it into each new chapter in your story.