

# THE PERFORMANCE EQUATION

$$P = \frac{K + S}{R_e} \times A$$

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**A Unifying Theory of Human Performance!**

by

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## **A UNIFYING THEORY OF HUMAN PERFORMANCE**

Although we have achieved the highest levels of productivity in the history of human kind, we cannot rest on our laurels. Global organizations, regulation, competition, and even global terrorism are changing the basis of competition in the 21<sup>st</sup> Century. The winners in the 21<sup>st</sup> Century will be those who can get to the next level of performance, first.

But our current paradigm for performance improvement fails to capture up to 90% of the available performance improvement when addressing complex performance problems. The paper will explore the root causes behind this lack of performance - the narrowly focused industrial age intervention and the lack of a unifying theory of human performance.

To address these problems this White Paper presents the Performance Equation, a unifying theory of human performance that provides a formula for consistently achieving dramatic and sustainable increases in performance. The Performance Equation defines the elements of performance and how the relationship between those elements affects performance. This understanding allows for the development of Integrated Performance Strategies that achieve 5 to 19 times greater performance improvement than narrowly focused HR, HRD, and OD efforts. And, this improvement can be achieved at no additional cost to the organization.

Final this paper will identify some of the challenges facing HR, HRD, and OD as business and industry continue the transition from the Industrial Age paradigm to a new, 21<sup>st</sup> century Information and Communications Age performance paradigm.

## **THE PROBLEM**

The most basic problem with the current performance paradigm is its heavy reliance on narrowly focused interventions that address only a single aspect of performance. For example, a training program designed to increase the ability of people to work on high performance teams is often rendered useless by an unsupportive or even hostile culture and the negative attitudes of participants who realize this is “just not the way we do things around here.”

In this example, training delivered the knowledge and skills to perform. But, because it was narrowly focused on knowledge and skills only, it failed to address the cultural and attitudinal issues that created significant “roadblocks” to people applying what they have learned. As a result, there would be minimal transference of learning to the job and little improvement in team performance.

The root cause of the reliance on narrowly focused interventions is the high level of differentiation and specialization between HR, HRD, and OD. Caught like dinosaurs in the old Industrial Age Model of performance, each has their own specialized theories of performance that have little application or validity outside of their own area. Each has developed its own language, principles, and even their own professional organizations and certification programs. And each has different bosses, with different priorities, who are measured on different things.

This high level of differentiation creates a very narrow focus within each group that minimizes collaboration and leads to unhealthy competition for limited resources and management support, even when they are operating within the same business model. As a result, attempts at performance improvement are often fractured, inefficient, and, as this White Paper will demonstrate, deliver minimal performance improvement. This is why such efforts are often viewed as a waste of time and money by both management and participants!

The situation is becoming even more critical as demand for performance is increasing, while budgets and headcounts for HR, HRD, and OD have been decreasing. But, caught in an old paradigm, the typical response has been to lower expectations, rely on luck, and take inappropriate risks.

An example of lowered expectations can be seen in the training intervention mentioned earlier that resulted in minimal change because of a hostile culture and poor attitudes. Because a training intervention cannot address environmental roadblocks, there is little the practitioners can do but adjust their expectations to reflect the problem. They might claim, for example, “that given the tremendously negative attitudes that were encountered during training, the results from this effort were better than expected.” Translation, “we knew there were problems, there was nothing we could do about them, and so we just lowered our expectations.”

In these situations HRD, for example, is often unaware of the environmental roadblocks it will encounter because culture assessment and organizational change are typically the

responsibility of OD, not HRD. If they are lucky, and the environment is supportive and attitudes are good, the training program will achieve success. If they are unlucky and run into a punishing environment and/or bad attitudes, the probability of success is low.

Lowered expectations, the inability to see performance inhibitors, and the reliance on luck create an unacceptable level of risk. This is exemplified in the inability to replicate a success in other organizations, or even in another part of the same organization. Limited by their narrow focus, and unable to identify, analyze, and compare the variables between clients that predict the probability of success, practitioners simply cannot see what they are getting into. Instead of recognizing and dealing with this problem, the attention is often turned to testimonials and the experience of others to sell the effort. “If it worked for IBM then it ought to work for 3M.” It is only after the program has failed that 20/20 hindsight allows practitioners to learn what went wrong.

In true self-defeating<sup>1</sup> fashion, the price of these failures is reduced through post-intervention evaluations that focus on capturing learning. When the price is too high, and accountability cannot be avoided, the focus turns to blaming. Management is often blamed for its lack of support and the performance professional is blamed for the lack of results. We soften the blows by positioning this as a “learning experience,” but in reality, no program is complete until blame has been assessed.

The main obstacle to HR, HRD and OD breaking out of their reliance on the Industrial Age model of differentiation, and its narrowly focused interventions, is the lack of a unifying theory of human performance. We have models and theories for individual performance, team performance and organizational performance, but we lack a unifying theory of human performance that ties all of these other models and theories together. Lacking a unifying theory HR, HRD, and OD must operate as a collection of tools rather than an integrated strategy to achieve high performance.

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<sup>1</sup> Robert Hardy in his book The Self-Defeating Organization notes how organizations, like individuals, develop patterns of low performance in their cultures and infrastructures. These patterns are driven by a faulty conclusion about success and a mythical fear of things actually getting worse if things change. Hardy points out that instead of challenging the conclusion and addressing their fears, organizations tend to ignore the price of low performance and focus on assessing blame.

## **THE PERFORMANCE EQUATION**

A sign of just how far we are from a unifying theory is our inability to even agree on the basic *elements* of human performance. Get a group of HR, HRD, or OD professionals together and ask them what are the basic elements common to all human performance and you will get a list, a very long list. Ask them to come to agreement on their lists and you will get discussion, a very long discussion.

Long lists on flip charts and long discussions about opinions make for an interesting learning experience, but they are not actionable. One walks away from these discussions knowing more about performance, but without any clear ideas on how to consistently achieve dramatic and sustainable performance. It is like being handed a list of ingredients for cakes, but no instructions on how much of each ingredient to add or in which order the ingredients are added. One comes away with a list, not a formula.

The Performance Equation defines the elements of performance and the relationship between those elements. In doing so it presents a unifying theory of human performance – the formula for dramatic and sustainable performance.

### **ELEMENTS OF PERFORMANCE**

The Performance Equation reduces performance to four basic elements that are common to all human performance. This was accomplished by consolidating the lists of performance elements most often cited by HRD, OD and HR professional. All aspects of human performance can be placed under one or more of these four elements.

#### **Knowledge (1)**

To achieve high performance people must “know” what they are doing, and be “proficient” in doing it. Knowledge of the steps in a good decision making process, for example, increases one’s performance in decision making. Knowing how to do each step in a decision making process also increases performance. The more in-depth the knowledge the more one knows what and how to do things.

#### **Skills (2)**

Skill is one’s level of proficiency in doing tasks. Knowing the steps in decision making, and knowing how to do each step, does not necessary mean one can perform each tasks well. Knowing how to play golf, for example, does not translate into being a good golfer. One must be able to swing the club’s with some proficiency – we call that proficiency skill.

#### **Roadblocks in the Environment (3)**

To achieve high performance, people must have the opportunity to use their ability to perform. Environmental roadblocks are those aspects of an organization’s infrastructure and culture that inhibit the use of ability. A training program to develop high performance teams, for example, may be rendered useless by a hostile culture and negative attitudes as participants learn that, “This is not the way we do things around here!”

Kurt Lewin’s Force Field Analysis<sup>2</sup> (1951) views the environment as a set of counterbalancing driving and restraining forces. Restrainers are those forces that inhibit or punish people for using their ability. A restrainer is the organizational equivalent of tripping a runner in a foot race – the more often they are tripped, the poorer their performance will be. Restrainers have the effect of reducing the opportunity to perform.

#### Attitude (4)

To achieve high performance, people must be willing to use their knowledge and skills, and be willing to overcome the inherent environmental roadblocks that will inhibit their performance. When we consolidated the elements related to the willingness to perform we came down to one element, attitude.

There has been a great deal written about the effect of attitude on performance. What they all recognize is that attitudes are fickle - they can change dramatically and quickly – and they are powerful. Boiled down to a single phrase, “Think you can, think you can’t, either way you will be right!”

Every human performance problem, no matter how complicated, can be reduced to these four basic elements - knowledge, skills, environmental roadblocks, and attitudes. People will consistently maximize their performance when they have the ability, willingness and opportunity to perform.

### THE FORMULA FOR PERFORMANCE

Performance is like a jig saw puzzle. To solve the puzzle you have to gather the pieces and put them together. Understanding the relationship between the four elements of performance (pieces) has allowed us to fit the pieces together and solve the puzzle – the result is the Performance Equation, the formula for dramatic and sustainable performance.

#### Knowledge + Skills – The Ability to Perform

The Performance Equation states that knowledge and skills are additive, when combined they create the “ability” to perform.

Knowledge without skills is not actionable. Knowing how to do something, but having no proficiency in doing it, will deliver minimal performance – it makes you a consultant. But, even consultants must have the skill to depart their knowledge in order to achieve high performance as a consultant. Knowledge and skills must combine to result in performance.

**PERFORMANCE EQUATION**

$$P = \frac{K + S}{R_e} \times A$$

WILLINGNESS

ABILITY

OPPORTUNITY

The Formula for Dramatic and Sustainable performance!  
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Figure 1

<sup>2</sup> Lewin, K. (1951). *Field theory in social science; selected theoretical papers*. D. Cartwright (ed.). New York: Harper & Row.

Skill without knowledge makes you a natural. These “natural skills” come from our DNA. Each of us is born with “gifts differing” according to Myers and Briggs. Tiger Woods would be a very good golfer based on his “natural ability” alone – his potential to be a great golfer was much greater than most. But to achieve the highest performance possible for him required the acquisition of knowledge. That is why, when at the peak of his career, he changed his basic swing based on knowledge he had developed over time.

Knowledge and skills are inseparable from the perspective of performance. Knowing the steps in a decision making process immediately translates into increased performance – I do a step that I had skipped previously. Each time you do the steps in a decision making process your skill increases and you learn something – your knowledge increases. Knowledge increases proficiency and developing proficiency (experience) generates knowledge. Knowledge and skills are in a symbiotic relationship when it comes to performance.

People who possess the ability to perform are deemed competent. Some jobs require a great deal of more competence than others. Developing competence takes time, energy and money. Henry Ford recognized this when he stated that he wanted to create jobs so simple that people did not have to think. In other words, they required bare minimum competence.

There is a rich body of work in HRD on competency modeling (Lucia and Lepsinger<sup>3</sup>) that identifies knowledge, skills *and* attitudes as the elements of individual competence. The performance equation places attitudes as a separate element because people with negative attitudes possess the ability to perform; they are just not willing to use that ability to achieve high performance.

### **Divided by Roadblocks in the Environment – The Opportunity to Perform**

Environmental roadblocks are in the denominator because they dramatically reduce the opportunity for individuals to use their existing abilities and/or develop new abilities. Think of ability as the accelerator on a car and environmental roadblocks as the brakes. It is hard to get performance out of your car when you have one foot on the accelerator and the other foot on the brake.

Environmental roadblocks can be internal or external. External environmental roadblocks would include such things as government regulations, physical distances, and cultural differences in language and customs.

In their book *The Disciplines of Market Leaders*, Wiersema and Tracy<sup>4</sup> (1995) demonstrate how internal environmental roadblocks are both inherent and widely present in organizations. They argue that to achieve market leadership companies must focus and

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<sup>3</sup> Lucia, Antoinette., Lepsinger, R., *The Art and Science of Competency Modeling: Pinpointing Critical Success Factors in Organizations*. Jossey-Bass/Pfeiffer

<sup>4</sup> Wiersema, F., & Treacy, M (1995). *The Discipline of Market Leader*, New York, N.Y.: Persus Books

organize around one of three value disciplines – Organizational Efficiency, Product Leadership, or Customer Intimacy.

If a company organizes around Organizational Efficiency, for example, it will develop a culture and infrastructure that is dominated by policies, procedures, and rules that create high levels of efficiency and drive out deviation and inefficiency. This highly efficient and controlled culture and infrastructure will create environmental roadblocks to developing new products, for example, because innovation requires freedom and inefficiency, both of which fall outside this value discipline. Therefore, the more focused an organization becomes, the more environmental roadblocks it creates to doing anything outside of that focus. This is why large bureaucratic companies are so highly resistant to anything that requires change.

Environmental roadblocks are also prevalent within a single value discipline. Reward, measurements, and recognition systems, for example, are designed to specifically encourage certain behaviors and discourage others. When these systems are designed to do one thing – say encourage product champions by rewarding individual contributions – they create resistance to doing other things – like using teams to create new products.

The Performance Equation states that the level of environmental roadblocks an individual will face is a function of the compatibility between what the individual is trying to do and what the organization is set up to do. It is this reality that spawns the continuous reliance in many organizations on reorganizing, re-training, re-trenching, and re-staffing. An organization that re-organizes to do a better job on “X” often ends up sub optimizing, reducing their ability to deal with “Y”. But all of the “re’s” in the world will not eliminate the environmental roadblocks to performance; they just move them around!

Despite the strong emphasis placed on drivers and support by many leading experts in the field (Mager and Pipe, 1970<sup>5</sup>), they are removed from the denominator of the equation for two reasons. First, they are not a restrainer and they do not reduce the opportunity to perform. Second, in terms of performance, they have a temporary affect that is directly related to attitudes, not opportunity. Visible management support, for example, can encourage people to be courageous and ignore or work around a punishing reward system in the short term.

The key difference between drivers and restrainers is that removing restrainers *allows* people to use their ability, where adding drivers *encourages* people to use their ability – even when the opportunity does not exist. Think of this relationship as trying to get people to jump off a cliff. The cliff is the roadblock, and people don’t want to jump – “I’ll break my leg!” To encourage people to jump the company provides a support system in the form of an ambulance, emergency medical personnel and good health insurance coverage. This support system is saying – “Jump, and if you break your leg, we will take care of you!” Most people would prefer a ladder to climb down (removing the roadblock).

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<sup>5</sup> Mager, R. & Pipe, P. (1970) *Analyzing Performance Problems*, Belmont California Fearon-Pitman

Drivers do not remove a roadblock, but they encourage people to ignore or work through the roadblock. Therefore drivers fall under the willingness to perform, not the opportunity to perform.

### **Multiplied by Attitudes – The Willingness to Perform**

Attitudes are a multiplier on the equation because they reflect the willingness of people to use their ability and to overcome environmental roadblocks. When people are willing to use their skills, willing to learn new skills, and willing to overcome environmental roadblocks, they can maximize their performance. Keller's (1983) ARCS<sup>6</sup> model taps into the power of attitude in learning. It claims four personal factors - attention, relevance, confidence and satisfaction - as motivators of learning.

Negative attitudes often create an unwillingness to use existing skills, develop new skills, or overcome environmental roadblocks to performance. Richard Clark<sup>7</sup> (1999) points out when we believe we cannot succeed, for example, our control values are violated, stress occurs and we look for ways to withdraw from the task. Participants with a negative attitude toward a training program, for example, are likely to find some reason not to learn even if they have to resort to complaining about the food or the temperature of the classroom.

It should be noted that attitudes are also an outcome of the relationship between Ability and Opportunity. People who have the ability to perform, but are inhibited or punished for using their ability, are in a toxic situation – they can do good things and have bad things happen to them (Mager and Pipe, 1970). An example would be a manager who collaborates with another function to achieve a critical organizational goal but is then punished for overspending the budget and falling behind on other tasks in the process. These types of situations quickly develop an attitude of “it is safer to do nothing than to do something”. This “can't do” attitude reduces performance and develops resentment and a cynical work force.

On the other hand, an organization that provides the opportunity for people to develop and to use their abilities tends to create positive attitudes and a motivated work force. 3M, for example, has historically provided people with the ability to go from being a B student from North Dakota State to a world expert on vibration dampening in sky scrapers. It comes as no surprise that 3M has historically had a highly motivated workforce that turned out over 80,000 new products.

### **Ability, Willingness and Opportunity**

Knowledge plus skills creates the ability to perform. Removing environmental roadblocks creates the opportunity to perform. Developing positive attitudes creates the

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<sup>6</sup> Keller, J. (1983). Motivational design of instruction. In C. Riegeluth (ed.), *Instructional Design Theories and Models*. Hillsdale, NJ: Erlbaum.

<sup>7</sup> Clark, R. E. (1999) The CANE model of motivation to learn and to work: A two-stage process of goal commitment and effort. Lowyck, J. (Ed.) *Trends in Corporate Training*. Leuven Belgium, University of Leuven Press.

willingness to perform. When ability and willingness are met with opportunity, dramatic and sustainable performance can be achieved.

To maximize performance and the organizations return on its investments in performance, you must ask three critical questions:

1. Do people have the ability to perform?
2. Do people have the opportunity to perform?
3. Do people have the willingness to perform?

If the answer to any of these question is no, maximum performance will not be achieved.

## THE EFFECT ON PERFORMANCE

### Elements<sup>1</sup>

Each element of performance, by itself, has a significant impact on performance.

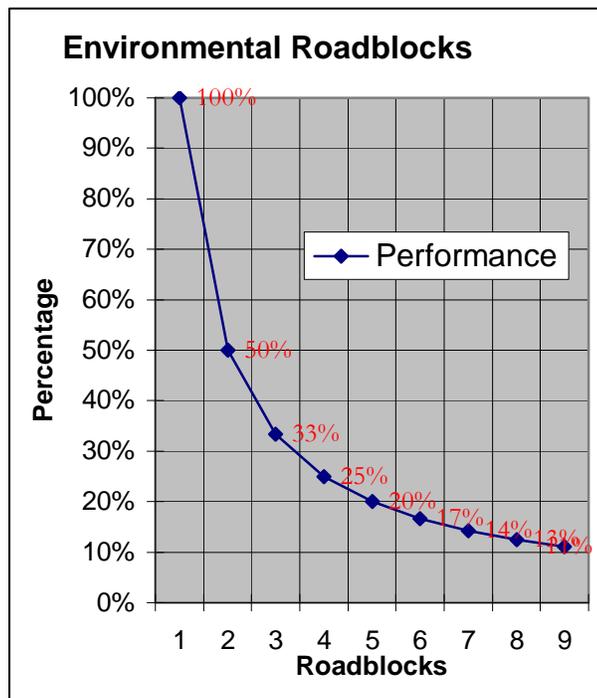
A 10% reduction in Knowledge and Skills results in a 10% reduction in overall performance. This reduction is proportional; each 10% reduction reduces overall performance by 10%.

A 10% reduction in Attitude results in a 10% reduction in overall performance. This reduction is also proportional with each 10% reduction in Attitude resulting in a 10% reduction in overall performance.

Knowledge and skills (ability) and attitude (willingness) have an equal impact on performance.

The impact of Environmental Roadblocks on performance is more dramatic. The initial environmental roadblocks have a much greater negative impact on performance than additional roadblocks. The first environmental roadblock results in a 50% percent reduction in overall performance while the seventh roadblock only results in an additional 3% reduction in overall performance.

The positioning of Environmental Roadblocks in the denominator of the performance equation recognizes the disproportionate impact environment has on performance.



At first glance a 50% reduction in performance due to the first environmental roadblock may intuitively seem too dramatic. In a sport metaphor this would be like a professional basketball team taking the court with no opposing team – they should be able to score every time. But when the defense takes the court, even a bad defense will dramatically reduce the ability of the team to score.

### Simple Performance Problem<sup>2</sup>

A simple performance problem is one in which only one element of the performance equation is the problem. In these situations, if knowledge and skills or attitudes are at 50%, of their potential, an intervention made to increase ability or willingness to its maximum results in a 100% increase in performance.

A 50% increase in environmental roadblocks results in an 80% reduction in performance. An investment made to eliminate the organizational roadblocks results in a 400% increases in performance.

By and large this is how HR, HRD, and OD view their world. They are focused on their narrow specialty and ignore the other elements of performance. This is the Industrial Age approach of breaking work into an assembly line and holding people accountable for just their piece.

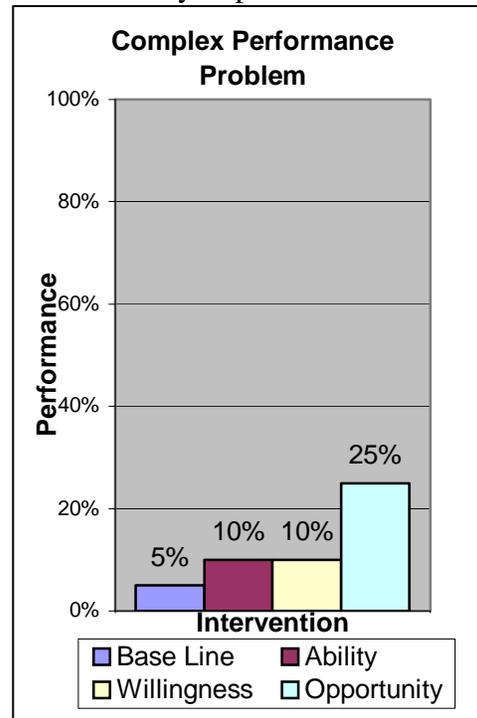
When confronted with a simple performance problem, this narrow focus can deliver significant results. But, let’s look at what happens when we approach a complex performance problem (involves more than one element) with a narrowly focused intervention.

### A Complex Performance Problem<sup>3</sup>

Most performance problems are multi-dimensional. In these situations, the interrelationship of the elements of performance makes it nearly impossible for a narrowly focused intervention on one element to achieve dramatic increases in performance. When increases are achieved, the relationship between the elements makes it almost impossible to sustain those increases over time.

The chart to the right shows the results of using narrowly focused interventions to increase ability, or willingness, or opportunity on a complex performance problem. In this example knowledge, skills, attitude, and environment were each reduced by 50% to show significant problems in each area. When the performance equation is calculated using this data, it results in a base line performance of 5%.

An intervention that increases knowledge and skills to their maximum levels, but does not address issues with attitudes and environmental roadblocks, results in a 100% increase in the base line from 5% to 10%. But the effect on overall performance is minimal. 95% of potential performance is left on the table!



An intervention that increases attitude to its maximum level, but does not address issues with ability and environmental roadblocks, also results in a 100% increase in the base line from 5% to 10%. But again, the effect on overall performance is minimal. 95% of potential performance is left on the table!

An intervention that eliminates all environmental roadblocks, but does not address issues with ability and attitudes, it results in a 400% increase in the base line from 5% to 25%. The effect on overall performance of an intervention in the environment is greater, but still leaves 75% of potential performance on the table!

In this example, the knowledge and skills intervention developed fully competent people. The attitude intervention achieved the highest level of positive attitude possible. The opportunity intervention removed every single environmental roadblock to performance. Each of these interventions, on their own, would have been declared a success and able to report dramatic “results.”

But when measured by the amount of performance improvement that was left on the table and not realized, each of those efforts left a tremendous untapped potential for performance improvement. This is because the achievement made in each of these narrowly focused interventions was dramatically offset by the other elements of performance.

The Performance Equation also states that these minimal increases in performance will be very hard to sustain over time. In most cases, things will go back to normal after the narrowly focused intervention has been completed.

- Increased Ability – People who have achieved a high level of competence soon become frustrated when they lack the opportunity to perform. A common refrain of training participants is, “This is just not the way we do things around here.” Because organizational cultures reward those who comply and punish (or at least strongly discourage) those that do not, deviating from how things are done in an organization can have significant negative consequences for the individual – even when it increases individual performance.

It takes a courageous individual to challenge these cultural norms and they will do so at great personal risk. The reality that you can do good things (apply what you have learned) and have bad things happen to you, significantly reduces the willingness to perform. Healthy individuals soon abandon trying to apply their learning and things go back to the way they were before the training intervention.

- Increased Willingness –Typically, management launches some great new effort with lots of fanfare and motivation-building meetings. But if management fails to provide people with the ability or environment to achieve success, people soon learn talk is cheap and management is not really serious. When this happens too often, people become cynical of everything management says and does.

Even highly motivated people eventually become frustrated when they lack the ability and opportunity to perform. And, over time, they simply give up and go back to the way things have always been done.

- Decreased Environmental Roadblocks – These efforts will sustain performance for a longer time because they remove obstacles to using ability. But without the ability to perform, people can't take full advantage of the opportunity to perform. They experience the “Peter Principle” – they have just reached their highest level of incompetence.

Not surprisingly, people soon feel insecure and vulnerable knowing that management has the option of letting them go and replacing them with someone who has the ability to perform. They also know that someone is going to get blamed for the failure to get more results, and that someone will probably be them. You can almost hear management saying, “We gave you the opportunity and you blew it!”

This often leads to high levels of finger pointing, blaming, and “scape-goating”. Attitudes again go down as people become frustrated, resulting in a decrease in performance.

Organizations that develop a pattern of running narrowly focused interventions to address complex performance problems actually run the risk of making things worse. As the organization cycles through more and more management programs, people learn that little will change. Eventually this creates negative attitudes, develops cynical employees, and destroys management credibility.

Management, on the other hand, becomes increasingly frustrated that despite its continued investment, things just do not seem to improve. If this situation is repeated often enough, trust becomes an issue, finger pointing becomes the norm, and an adversarial relationship will develop between management and employees.

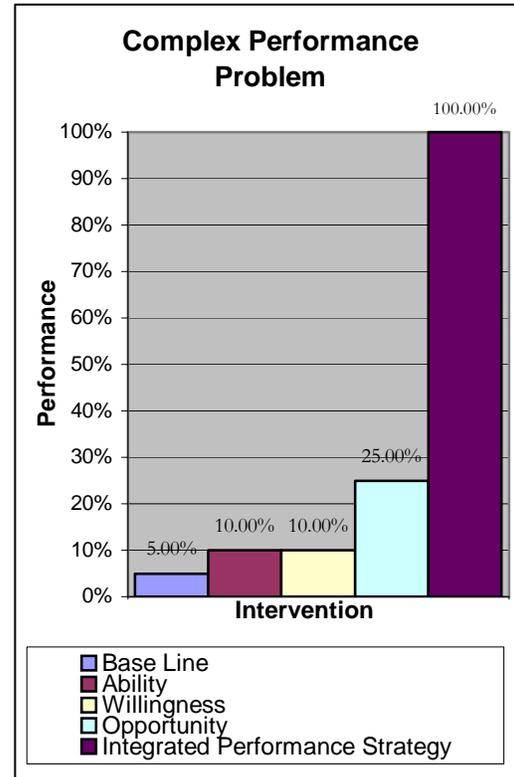
This analysis dramatically demonstrates the limitations of current narrowly focused interventions and the tremendous potential we have for even more dramatic increases in performance.

## INTEGRATED PERFORMANCE STRATEGIES

The Performance Equation identifies a tremendous untapped potential for performance improvement. By identifying the elements and relationship between the elements of performance, the Performance Equation allows for the development of Integrated Performance Strategies as an alternative to narrowly focused interventions that address only one element of performance. The Performance Equation states that when ability and willingness are met with opportunity, dramatic and sustainable performance is consistently possible.

An integrated strategy achieves 100% of the Performance Index and results in a 1900% increase over the base line of 5%. This is almost five times greater than the intervention to remove environmental roadblocks and 19 times greater than either the training or attitude interventions.

Integrated Performance Strategies tap this potential because they integrate HR, HRD, and OD activities into a single coordinated effort that develops the ability to perform, creates the willingness to perform, and assures that ability and willingness are met with the opportunity to perform.



And, these increases can be sustained over time. By recognizing the relationships between the elements of performance, Integrated Performance Strategies assure that ability to perform is met with increased opportunity to perform, which creates positive attitudes, which increases the willingness of people to apply their training and overcome any remaining environmental roadblocks. This upward spiral of performance will not only be sustained, but will improve over time.

The really good news is these increases can be achieved with little if any additional costs. Organizations are already investing in HR, HRD, and OD, and there is little if any increased cost for combining these efforts into an Integrated Performance Strategy. No increase in cost and dramatic increases in performance results in a tremendous increase in the return on the organization's investment in performance improvement.

Integrated Performance Strategies also dramatically reduce the “scrap and rework” of excessive politics, unproductive competition for resources, cynical workforces, damaged careers, finger pointing, and blaming that are often created when using narrowly focused interventions in response to complex problems.

### **Practical Applications**

The Performance Equation and Integrated Performance Strategies can be immediately used to:

1. Reduce complex performance issues down to three variables that are straightforward and easily understood. Does the individual, team, or organization have the ability, willingness, and opportunity to perform? This allows discussions, even at the executive level, to be at a very high level but remain focused on a very specific and limited set of variables.
2. Provide a simple and straightforward way for engaging management in discussions on the probability of an intervention resulting in dramatic and sustainable performance improvement. By understanding the relationship between the elements of performance, it is easy for management to conceptualize the effect of specific actions or inactions. Management can easily see, for example, that lack of management action to remove an environmental roadblock to the application of skills learned in a training program will tremendously reduce the results of the training effort.
3. Engage different HR, HRD, and OD disciplines in discussions to develop a single, integrated strategy that develops ability, creates positive attitudes, and provides the opportunity to perform.
4. Quantify the results on an effort in a hard number. The base line of performance and the amount of performance improvement achieved can be calculated and reduced to a single number.

Development of Integrated Performance Strategies creates a process very similar to new product development. In new product development, individual contributors from laboratory, manufacturing, sales, marketing, and other functions must work across organizational boundaries to coordinate and integrate their efforts in order to control costs, quality, and cycle time. These efforts often rely on high performance teams to drive the process and project planning to develop a critical path to organize tasks and activities.

## **THE CHALLENGE TO HR, HRD, AND OD ORGANIZATIONS**

Just as quality was free to the manufacturing organization that could break out of its old paradigm, dramatic increases in performance are free to those organizations that can break out of the existing paradigm of narrowly focused interventions.

The Performance Equation, and the ability to create Integrated Performance Strategies, presents a direct challenge to the Industrial Age paradigm of differentiation, specialization, and narrowly focused interventions.

To take advantage of this opportunity and create a new paradigm will require a great deal of change. The following ideas are put forward to begin the process of identifying where these changes must take place first:

### **1. Break out of Industrial Age Thinking**

Industrial Age thinking is focused on differentiation, specialization, and control to create stability and achieve efficiency. To break out of this model, thinking must be focused on integration and collaboration to drive change and focus on performance. Because Industrial Age thinking is deeply rooted in the infrastructure and culture of current HR, HRD, and OD organizations, this transition will not be easy.

For example, using typical Industrial Age thinking, we are now establishing the position of Chief Learning Officer to provide HRD with more political muscle to fight turf battles for resources and support. This approach will simply add another layer of bureaucracy and control and do little to increase collaboration between HRD, HR, and OD.

Another example of Industrial Age thinking is how compensation is positioned relative to performance. In most HR organizations, compensation is focused on sophisticated programs that establish individual pay ranges based on the organization's desire to lead or lag what their competitors pay their employees. This approach is based on a philosophy that compensation is not a motivator, but it can be a de-motivator if people believe they are not paid fairly.

In reality, these Industrial Age compensation programs are mainly “smoke and mirrors” designed to hold down compensation across entire industries and market sectors. This is why most companies either do not try to tie compensation programs to performance appraisal, or specifically forbid that the two should be directly connected. Companies do not want to have to pay employees any more than they have to and complex, bureaucratic compensation plans provide an excellent excuse for inaction.

Some organizations have tried to increase the motivational factor of compensation by establishing a “merit pool” of money that can be used by management to reward their top performers. Typically, these types of programs will establish an average increase of say 4%, but managers are told to distribute the moneys based on performance. Some people should get 8% and some should get none. But most managers end up

giving everybody the target of 4% out of a fear of de-motivating those who do not get raises and in response to the tremendous environmental roadblocks they will face in trying to actually assess and compare individual performance.

In today's volatile and highly competitive global marketplace, these compensation programs are obsolete. When faced with a change in the basis of competition these rigid and complex programs, that were designed to reward past performance and maintain a position in a historical labor market, are unable to provide an incentive for change. Instead of creating a willingness to perform, they often create suspicion about management commitment and intentions, and leave employees with a mixed message.

All HR functions, including compensation, benefits, employee relations, and performance appraisal, can be placed within the performance equation and positioned to maximize performance. But it will require a great deal of different thinking to develop new models and programs that focus these disciplines on performance improvement.

## **2. Establish a New Structure**

HR, HRD, and OD must find a new organizational structure where disciplines are integrated and focus on "Human Performance" rather than human resources.

A "Human Performance" function would maximize the organization's assets by focusing on dramatic and sustainable performance instead of limited programs and bureaucratic processes. It would challenge each discipline to become more focused on human performance and less focused on their respective discipline and short term programs. It would establish a process where all human resource activities are focused on continuous improvement in the organization's ability to achieve dramatic and sustainable performance.

This new organization must be focused on "the business" and play a major role in setting business strategy. This would provide executive management with an accurate understanding of the organization's ability, willingness, and opportunity to perform when setting strategy and making business decisions.

This understanding would allow executives to more accurately assess the level of investment in performance that will be needed to successfully implement a business strategy and the probability of that strategy succeeding if the investment is not made. This close alignment with business strategy will move HR, HRD, and OD from their current maintenance and reactionary roles to a proactive leadership role in supporting and achieving business strategies.

This new organization would likely require an unbalanced matrix of "generalists" who develop integrated performance strategies and "specialists" who design and deliver specific interventions within the strategy.

The Generalists would be focused on larger complex interventions, such as accelerating new product development or improving a business process, that align with larger business strategies and tactics. They would need to take a team approach to involve key stakeholders from outside the Human Performance Function. Given the complexity of the task, the successful Performance Generalist would be a strategic thinker with high levels of project planning and project management skills.

The Specialists would be assigned to larger performance strategies much as experts in Research and Development are assigned to new product efforts. Specialists would also have the freedom to work directly with clients to address simple performance issues.

### **3. Focus on performance**

We must begin to focus on performance, anything less is just another management program. The disciplines of HR, HRD, and OD have historically determined their value by focusing on the results obtained from a single, narrowly focused intervention. An HRD training program is measured on the delivery of knowledge and skills, regardless of the overall effect it has on performance. An OD program is measured on creating or changing organizational culture or infrastructure, regardless of whether people have the ability or willingness to take advantage of the change. Attitude changes are measured by changes on attitude surveys that are easily manipulated by the timing of the survey.

But the analysis provided earlier in this paper demonstrates that the results of a narrowly focused intervention on a complex performance problem has a minimal impact on performance and often makes things worse. Executives intuitively understand this, and it explains why they are so quick to abandon such interventions in mid-course, even when they seem to be going so well. Essentially, there is little noticeable downside in terms of performance if these interventions are cancelled. Executives are also learning that the greatest increase in performance may come from slashing HRD and OD budgets and headcounts and investing the savings elsewhere in the organization.

Most importantly, this new organization could focus on “outcome based budgeting” where each of the disciplines must work together to focus on one outcome – maximizing performance. This “integrated” approach to developing budgets would align the organizations resource allocations with those efforts that deliver the greatest increases in performance.

### **4. Integrate needs assessment**

The only situation where a single intervention can deliver dramatic and sustainable increases in performance is when all of the other elements of performance are already at maximum performance. But you cannot know if a performance problem is simple or complex until you have assessed each element of the Performance Equation.

Therefore, an integrated needs assessment process that can differentiate between “simple” and “complex” performance problems is needed

The good news is that we already have the tools to assess each part of the equation; they are just not integrated to focus on performance. Organizations like the International Society for Performance Improvement have well defined tools and processes to assess and eliminate Environmental Roadblocks. Organizations like the American Society for Training and Development have done the same for training needs assessment. And with the advent of the Internet, there is no shortage of attitude surveys to assess the willingness to perform.

Now the Performance Equation provides a framework for the integration of these assessment tools to establish an initial base line of performance and to measure performance improvement.

### **5. People are the organization**

The new Human Performance organization must recognize and celebrate that people are the company. If we were to take away manufacturing plants, equipment, capital, and intellectual properties, there would still be companies and businesses. But take away people and there is nothing! It is people who make decisions about plants, equipment, capital, and intellectual properties. Therefore, it is the collective performance of people that will determine the ultimate success of the organization.

The Industrial Age organization moved at the speed of the chain of command. Today’s highly volatile global marketplace requires organizations that can move @ the speed of thought. Only people think, therefore only people can move an organization @ the speed of thought.

Times are changing. We are seeing the last vestiges of the Industrial Age give way to the new age of Information Technology and Communications. It will not be long before global regulation, global technology, and even global terrorists will close the door on these last vestiges of the Industrial Age model. In this new world, success will not go to those who get a competitive edge at the expense of their people, but to those who create a competitive edge because of the performance of their people.

### **6. Manage the complexity of performance**

Integrated Performance Strategies are complex and require a great deal of collaboration to develop and implement. All too often, when faced with this complexity, management and professionals fall back on the KISS rule – Keep It Simple, Stupid!

Many in HR, HRD, and OD will argue that our current bureaucratic cultures, rigid management, lack of organizational readiness, and risk adverse organizations will never tolerate the complexity of the integrated approach. Since the current reliance on narrow interventions directly contributes to the creation of bureaucratic cultures, rigid management, and risk aversion, this argument becomes self-defeating. In the words of Pogo, “We have met the enemy and he is us!”

In many ways we have lost the enthusiasm for complexity that was best exemplified by NASA in their efforts to put a man on the moon during the “Space Age.” As we move into the “Cyberspace Age” we have replaced this “failure is not an option” attitude with Dilbert, a constant reminder that we are all just insignificant cogs in a crazy, Catch-22 world.

Integrated Performance Strategies provide HR, HRD, and OD with the opportunity to assume a leadership position in dealing with the complexity and volatility of the 21<sup>st</sup> Century global marketplace.

The only question left those of us in HR, HRD, and OD is whether we will choose to be “astronauts” or “Dilberts”!

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## EXHIBITS

<sup>1</sup> Table 1 (below) uses the Performance Equation to analyze the effect of each element on performance.

Contribution to performance								
	K	S	Re	A	Perf. Index		% of PI	% Change
<b>1</b>	<b>10</b>	<b>10</b>	<b>1</b>	<b>10</b>	<b>200</b>	<b>Highest Attainable Performance</b>	<b>100%</b>	
<b>2</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>10</b>	<b>100</b>	<b>Lack of Ability</b>	<b>50%</b>	<b>-50%</b>
<b>3</b>	<b>10</b>	<b>10</b>	<b>1</b>	<b>5</b>	<b>100</b>	<b>Bad Attitude</b>	<b>50%</b>	<b>-50%</b>
<b>4</b>	<b>10</b>	<b>10</b>	<b>5</b>	<b>10</b>	<b>40</b>	<b>Environmental Roadblocks</b>	<b>20%</b>	<b>-80%</b>
<b>Table 1</b>								

On Line 1 a ten-point scale is used to measure knowledge (K), skills (S), attitudes (A) and environmental roadblocks (ER). Knowledge, skills, and attitudes are at 10 on a ten-point scale, indicating these elements are at their maximum level. The scale is reversed for Environmental Roadblocks (ER) with one being highest performing (the absence of roadblocks) and 10 being the lowest performing (maximum number of roadblocks).

If you calculate the equation (knowledge plus skills, divided by environmental roadblocks, times attitudes) you get a Performance Index of 200. This is the maximum level of performance that can be achieved. The “% of PI” shows the percentage of the performance index (percent of 200) that has been achieved. In this case 100% of the performance index of 200 has been achieved. The “% Change” tracks the change from the base line performance of 200.

The % Change column shows the affect of a 50% reduction on each element of the equation.

<sup>2</sup> Tables 2, 3, and 4 show the impact that narrowly focused intervention have on a Simple Performance Problem. This is referred to as a simple performance problem because it involves only one element of the Performance Equation.

An Simple Performance Problem - Lack Ability								
	K	S	Re	A	Performance Index		% of PI	% Change
	<b>10</b>	<b>10</b>	<b>1</b>	<b>10</b>	<b>200</b>		<b>100%</b>	
<b>1</b>	<b>5</b>	<b>5</b>	<b>1</b>	<b>10</b>	<b>100</b>	<b>Training Problem</b>	<b>50%</b>	
<b>2</b>	<b>10</b>	<b>10</b>	<b>1</b>	<b>10</b>	<b>200</b>	<b>Problem fixed</b>	<b>100%</b>	<b>100%</b>
<b>Table 2</b>								

On line one in Table 2 knowledge and skills are reduced by 50%, to demonstrate a problem with ability. Attitudes are at the maximum and environmental roadblocks are at

the minimum. When an investment is made to increase ability from 5 to 10, it results in a 100% increase in performance to the maximum Performance Index of 200.

In Table 3, attitude is reduced by 50% to demonstrate a problem with willingness. Ability is at the maximum and environmental roadblocks are at a minimum. An investment made to increase attitudes from 5 to 10 results in a 100% increase in performance to the maximum Performance Index of 200.

An Simple Performance Problem - Bad Attitudes								
	K	S	Re	A	Perf. Index		% of PI	% Change
	10	10	1	10	200		100%	
1	10	10	1	5	100	Attitude Problem	50%	
2	10	10	1	10	200	Problem Fixed	100%	100%
Table 3								

In Table 4, environmental roadblocks are increased by 50% to demonstrate a problem created by environmental roadblocks that limit the opportunity to perform. Attitude and ability are both at the maximum. First notice how a 50% reduction in opportunity results in an 80% reduction in performance. Clearly removing environmental roadblocks has a significantly greater effect on performance than either ability or attitudes. An investment made to reduce organizational roadblocks from 5 to 1 result in a 400% increase in performance to the maximum Performance Index of 200.

An Simple Performance Problem - Environmental Roadblocks								
	K	S	Re	A	Perf. Index		% of PI	% Change
	10	10	1	10	200		100%	
1	10	10	5	10	40	Env. Roadblocks	20%	
2	10	10	1	10	200	Roadblocks Removed	100%	400%
Table 4								

<sup>3</sup> Table 5 shows the effect when the narrowly focused interventions in Figures 2, 3, and 4 are used to address a complex performance problem.

A Complex Performance Problem								
	K	S	Re	A	Index	Situation	% of PI	% Change
	10	10	1	10	200.00	Highest possible	100%	
1	5	5	5	5	10	A performance problem	5.00%	-95.00%
2	10	10	5	5	20	Apply Training	10.00%	100.00%
3	5	5	5	10	20	Improve attitudes	10.00%	100.00%
4	5	5	1	5	50	Remove Roadblocks	25.00%	400.00%
Table 5								

Row 1 represents a performance problem where each element of performance has been reduced by 50%. The Performance Index is 10, indicating only 5% of the performance potential has been achieved.

In Row 2, the training effort again moved knowledge and skills to the maximum 10 points each. This results in a 100% increase in performance (% Change) over the base line of 5% (% of PI) to 10%. But, notice that *a 100% improvement over the base line has only achieved 10% of the available performance*. In this complex performance situation, environmental roadblocks and attitudes dramatically offset the investment made to maximize ability, resulting in a relatively small increase in performance when compared to the potential that could be achieved.

In Row 3, the investment in developing positive attitudes also resulted in a 100% increase in performance over the base line, but again only achieved 10% of the available performance. Note that ability and attitudes had the same overall affect on performance.

In Row 4, the investment to remove environmental roadblocks resulted in a 400% increase in performance over the base line. That translates to 25% of the performance index. Removing environmental roadblocks delivered more than twice the results as the interventions on ability and attitude, but still left up to 75% of the performance potential untapped.