

The Rich Get Richer And The Poor Get Poorer

Some clues on how to overcome organisational Darwinism

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A relatively recent study¹ on performance feedback came up with a very disturbing finding: high performing managers made significantly more effective use of survey feedback than their lower performing counterparts. The authors drew attention to the irony of their findings : poor performing managers don't seem either willing and / or able to use the information to lift their game. So in their terms " the rich get richer and the poor get poorer."

At a societal level the noted geographer and historian Jared Diamond² has proposed a similar dilemma that confronts societies and civilisations. In his profound book "Guns, Germs and Steel" Diamond identified some nations that have achieved power, wealth and success, and others that will continue to languish in poverty and decline. Diamond then proceeded credibly to identify and explain the causal factors that drive a form of societal Darwinism.

So what's the rub for HR?

We know from an increasing number of robust empirical studies³ that the gap between high and low performing organisations, and effectively and poorly managed organisations is widening. And we can be sure that how these organisations lead and manage their people is a major determining factor in differential performance. Identifying high performance people practices is now relatively simple and unequivocal. So this leads us to the question: "why don't poor performing organisations use the readily available insights to lift their performance and rewards?"

Let's confront the most contentions explanation upfront!

It is plausible that a form of organisational Darwinism – survival of the most adaptive - is at work. Proponents of this view argue that some organisations and managers have higher improvement and change potential: they have more natural talent, they actively seek performance feedback, they have a better intrinsic understanding of what drives high performance, they have more accurate self insight, and they use contextual and performance feedback to make changes in their thinking and behaviour. Their counterparts lack all or some of these attributes and pay the inevitable price.

If you accept all or part of this somewhat determinist view (and I accept it as a partial explanation), there are some important implications. First, we should be more willing to accept the demise of poor performing organisations and industries. Why do we so readily assume that all organisations have timeless utility? Second, this perspective also implies that focusing attention and resources on poor performing managers may be akin to throwing good money after bad. As in the stock market, where we allocate our resources is a critical determinant of the returns that we can expect.

I concede that this view and these conclusions may be unpalatable and difficult to digest, accept and implement. However, outright rejection of this

position will do little to stop the inevitable decline and demise of a significant number of our organisations and our people.

If we can't deny the facts of organisational decline and the reality that a significant proportion of our managers and people deliver poor performance, how might we frame the problem in ways that enable us as HR practitioners to make a more constructive contribution?

In this article I propose three ideas that can enhance the effectiveness of our interventions: develop the credibility of the messenger, increase the impact of the message, and adopt some of the successful lessons from organisational innovation.

There are times when the message is lost before the messenger has delivered it. Either the receiver is in active denial (and many managers may never be able to accept the centrality of people to organisational performance – in which case you should move to a more receptive organisation or become another HR martyr!), or the messenger has no credibility. Such lack of credibility may arise from our own parochial pre-occupations and our failure to demonstrate an astute understanding of our organisation's business model and strategy. At times it can be our own narrowness and shallowness that marginalise our understanding, influence and impact. So before you address the message, build credibility: be sure that you can clearly articulate the fundamentals of your organisation and its business model and that your HR value add propositions relate directly to these fundamentals.

The second challenge is to frame the message in terms of the language and facts that are persuasive to your listeners. We now have compelling economic and financial evidence to support the impact of people leadership and management practices on organisational performance. For example, *we know* Australian⁴ Best Employer Organisations (1998-2000) delivered higher revenue growth (48% cf 25%) and higher profit growth (62% cf 18%) than other organisations. *We know* that if we select talented people who are one standard deviation above their population mean, they can deliver nearly twice the productivity. *We know* that turnover costs are one to four times the salary and on costs of a departing employee. *We know* that the best predictor of graduate performance five years after appointment is not varsity grades, but for whom did they work for in their first six months?

In our current demanding economic circumstances, failure to use an economically and financially strong business case for greater attention to our people will reduce our chances of success.

Our final and often most daunting barrier is the challenge of implementing what we know. For what delivers high performance (and indeed good health and well being!) is well known and understood; making it all happen is far more complex and difficult.

In these matters there are useful lessons to be learnt from the process of successful organisational innovation.

Our research⁵ indicates that 18% of New Zealand organisations usually try to *lead* with the development of new people management practices. Thirty six percent (36%) are *early adopters* who usually adopt new people management practices to stay ahead of other organisations. Thirty percent (30%) are *followers* who adopt new practices when a consensus is in support of these

practices; and 16% are *late adopters or laggards* who adopt new practices only after they are proven effective in other organisations. Not surprisingly we found a clear positive link between HR innovation and organisational performance: 83% performed significantly higher than their less innovative competitors; they also achieved higher engagement (78% cf 32%) and reduced turnover (7% cf 18%)

So what did managers in the “innovators” do to drive the innovation process and outcomes in their organisation? The research indicated that they:

- ✓ transmitted feedback from customers/clients and the marketplace to increase readiness for innovation;
- ✓ drew attention to changes in the workforce (eg changing expectations of generations X and Y) as a source of ideas and urgency;
- ✓ identified and engaged managers and members who wanted to develop better ways of managing people;
- ✓ built innovation and implementation into organisational, unit and individual key performance areas and identified measurable key performance indicators; and
- ✓ rewarded and celebrated successful innovators.

In sharp contrast the *late innovators or laggards* tried to drive innovation by emphasising the need to reduce costs, and by relying on legislative imperatives and changes in government policy and regulations.

It is also noteworthy that the successful innovators openly acknowledged that change and innovation often have a *political component*; after change, influence and rewards depend on new behaviour; and after change, different people can have more influence.

In their implementation the successful innovators:

- ✓ enlisted champions to advocate and demonstrate the new ways;
- ✓ used upward pressure on senior management to signal readiness for change;
- ✓ brought in reference people as speakers and used visits and study tours to broaden people’s perspectives;
- ✓ involved clients in providing feedback on progress in the change process;
- ✓ used pilot sites that offered a high probability of success and that can be used to demonstrate the benefits of innovation; and
- ✓ measured progress against benchmark data.

In summary, I am advocating that we should allocate our efforts to enhancing our credibility as messengers, to developing a higher impact message, and to implementation rather than continuing the search for new high performance work practices. For this part of the equation is now known and understood.

I began this article with the proposition that, in historical terms, it is hard to deny that the rich get richer and the poor get poorer. Many organisations and indeed managers thrive, develop and succeed; others atrophy, decline and disappear. But these outcomes are not inevitable. We now have the knowledge to lift the performance and well being of organisations and people. In part our success in these endeavours is a mind game. As Henry Ford observed "Whether we think we can, or whether we think we can't, we're probably right". The complementary factor in our success rests in the allocation of our resources. So it is time to shift our focus and efforts from the quest for more answers toward paying more attention to the successful implementation of what we already know.

Footnotes

¹ Born D.H. and Mathieu J.E. (1996) "Differential Effects of Survey-Guided Feedback" Group and Organization Management, 21, 4, 388-403

² Diamond, J (1998) *Guns, Germs and Steel*. London : Vintage

³ For example, the Hewitt Best Employers Study, the Watson Wyatt research and Jeffrey Pfeffer's summary of the research literature

⁴ The Hewitt research has yet to be undertaken in New Zealand

⁵ CCH-AGSM Annual HR Surveys Sydney: CCH Australia Ltd