

Organising for Commitment – the OD Implications

Synopsis

Securing employee commitment is increasingly being recognised as a critical consideration if an organisation is to make the most of its investment in people. With commitment comes the differentiated business performance associated with having employees who work for the best interests of the organisation, who are flexible, who continually anticipate what needs to be done and who continually searching for ways to improve their own, and the organisations, performance. But this is not a prize that is won easily, and in order to embed and sustain commitment, a different approach to organisation design needs to be adopted.

Introduction

There is a growing body of evidence that highlights the importance of managing ‘human capital’ well. Research by Watson Wyatt has shown that **“Companies with highly committed employees experienced greater 3 year shareholder returns (112%) than companies with low employee commitment (76%)”**. Work by McKinsey has demonstrated that **“Companies who scored highly in their ability to manage talent earned, on average, a 22% higher return to shareholders than their industry peers. Companies that scored low on talent management earned no more than their peers did”**. Studies carried out by Sheffield’s Institute of Work Psychology have shown that **“18% of variations in productivity and 19% in profitability could be attributed to the effectiveness of people management”**. So having employees who are committed, motivated and engaged does make a difference – indeed in these increasingly competitive times it could well make the difference between success and failure.

Many organisations are waking up to this realisation and many are responding by introducing schemes and initiatives designed to strengthen their employer brand and make them the “employer of choice”. But securing employee commitment is more than just introducing initiatives – it requires a fundamental re-appraisal of all aspects of the ‘organisational model’ from one that is primarily ‘strategy’ driven to one that is driven by both ‘strategy’ and ‘people’ considerations.

The ‘Traditional’ Approach to OD

An organisation consists of a number of ‘components’. *Leadership, Culture & Values* and *Work Processes & Systems* are the key ‘transformational’ components and no sustained change in an organisation’s performance can be achieved without addressing them. The other components – *Organisation, Team & Role Design, Organisational Capability, Talent Management Processes* - those associated with recruitment, deployment, development & performance management, and *Reward & Recognition* – are more ‘transactional’ in nature but are still important. The key considerations are that:

- all the components must be 'tailored' to fit the business proposition. It must be remembered that value, quality, service or innovation orientated organisations all have different characteristics
- all the components must be in alignment and reinforce each other

Traditionally the approach to organisation design (OD) has been to construct the model around the components in such a way so as to maximise the effectiveness by which strategic goals and objectives are translated into business results. Consequently the 'shape' of the organisation will be different for those businesses operating in different markets, those utilising different technologies and those facing different competitive and legislative pressures. For example, consider a nuclear power plant where operational efficiency, cost and safety are the primary concerns, and where the market is heavily regulated. Leadership will tend to be directive, the operating procedures will be robust and non – negotiable, roles and accountabilities will be clearly defined, performance standards will be primarily linked to short term operational goals and rewards will certainly not encourage risk taking behaviours! Contrast this with a business where success is dependent on introducing new and innovative products into an emerging, unregulated market. Here a very different approach will need to be adopted if the creative potential is to be fully unleashed and competitive advantage realised.

Traditionally, the 'shape' of the organisation will be determined by the strategic goals of the business and the proposition that it is offering to the market, be it value, service, quality or innovation based. However, while these considerations are still of critical importance the approach assumes 'lifetime' employment, a readily available source of labour and a traditional view of work, whereas in today's workplace these assumptions are becoming increasingly challenged by changing demographics and social attitudes.

The Changing World of Work

The concept of 'lifetime employment' is no longer a reality, even in countries such as Japan where it has been a fundamental tenet of the social fabric of society. The nature of 'work' is changing – fixed, clearly defined jobs are increasingly being replaced by more fluid and less clearly defined roles that require greater employee flexibility and agility and are often geared to the particular skills and the competencies of the incumbent. And social attitudes to work are also changing. Many young people entering the world of work are no longer attracted to following a clearly defined career path and are unwilling to sacrifice other aspects of their life purely to accommodate their job. Achieving a meaningful work / life balance, having flexibility and minimising stress are becoming increasingly important considerations to more and more people – and an increasingly important economic consideration. According to a recent article in the Sunday Times, *“Rising stress at work costs (the UK economy)£4bn per year”* Changing demographics add to the problem. The workforce in the UK is getting older and pure financial considerations are becoming of lesser importance for many people when they are deciding whether or not to continue to work, and if so for how long and in what sort of job.

All of the above factors pose a major challenge to employers in the UK, particularly in times of full employment. The 'war for talent' (or more accurately the 'competition for competence') is being fought more fiercely than ever before as employers strive to attract and retain the best people and to secure their commitment. The quotes at the start of this article demonstrate quite compellingly the importance of having highly capable, committed employees. It is they who make a major impact on business success and on the creation of shareholder value!

Consequently, basing organisation design purely around the strategic direction of the business and the market in which it operates, is no longer sufficient. Shaping the organisation in order that it can address the increasingly demanding and diverse needs of current and potential employees is assuming greater importance and the OD challenge is how to optimise organisation design in order to simultaneously meet both the 'strategic' and the 'people' needs.

A New Blueprint for OD

According to research carried out by a number of authorities, it is clear that investors are increasingly looking at, and evaluating, an organisation's human capital when making investment decisions. Ten years ago 'intangibles' accounted for only 10% of the decision making criteria employed by investors. Now it is estimated that an assessment of an organisation's human capital accounts for between 35% and 50%. Indeed, according to Simon Caulkin, *"There is a growing 'value gap' between a firm's market capitalisation and their physical assets. Even after the internet bubble burst, 90% of the value of Microsoft, for example consisted of intangibles; its brands, intellectual property and accumulated expertise - in short its human capital"*.

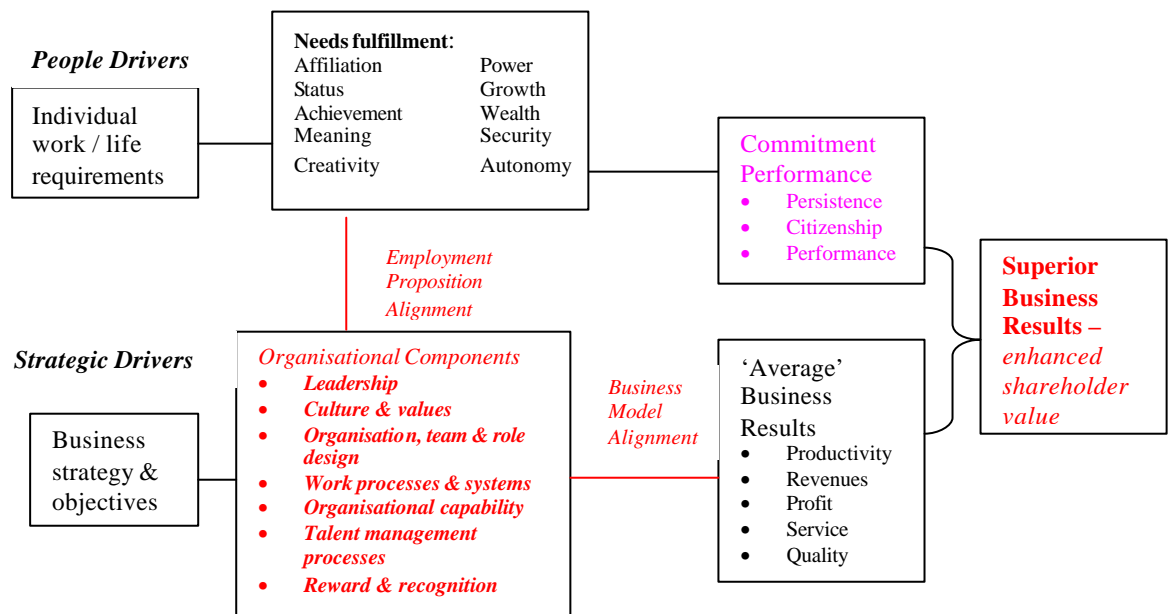
These findings provide compelling additional evidence that focusing on 'people' needs to be an increasingly important consideration when designing an organisation. The problem is that there are decades of experience to draw upon when it comes to structuring a business around strategy and markets, but there is relatively little experience and understanding of the implications of **simultaneously** addressing the 'people agenda'. All too often 'people' are an "also ran" after 'strategy'. In order to redress this there is a need to adopt an approach which takes into account, in a rigorous and systematic way, the needs and aspirations of the existing and potential employee groups. Employers need to understand how these needs differ between employee groups, how they change over time and what the 'shape' of the employment proposition needs to look like if employees are to become truly committed.

The Nature of Commitment

Every person has a unique set of requirements that they want from their life, and the relationship with work may play a greater or lesser part depending on the individual. Indeed there has been a lot written recently about the differing 'preferences' of different generations, although these only provide some very generic pointers. Additionally

people’s requirements will invariably change over time as their personal circumstances change. Nevertheless, the more that an organisation can fulfill an employee’s needs from the outset, the greater the likelihood that the employee will be committed to the organisation and provide additional ‘**commitment performance**’ (see next paragraph for a definition). ‘Commitment performance’ arises when an employee’s needs are met, and when their Self Image is positive. Organisations that succeed in delivering successful employment propositions and a working relationship that fulfills these needs invariably succeed in capturing and retaining the best talent and harnessing that talent so as to produce superior performance.

‘Commitment Performance’ can manifest itself in a number of ways: *Persistence* – greater length of tenure, improved punctuality, reduced absenteeism: *Citizenship* – more pro-social behaviours towards colleagues and customers, more ethical behaviours, spontaneous ambassadorship of the organisation: *Performance* – enhanced productivity, higher standards and increased discretionary effort – all of which transform ‘average’ business performance into ‘superior’ performance.



Conclusion

The challenge that most organisations face is that they have little understanding of what current, and potential, employee’s need, what they are looking from their employment contract, how those needs vary between employee groups, how they change over time, how well their needs are currently being satisfied and which needs are the most critical to address. If organisations are to take the quest for higher commitment seriously then they need hard data upon which to base decisions, for it has to be recognized that there is a need to apply the same depth of analysis and rigour to ‘people’ as is applied to ‘strategy’ In order to do this a company needs to have in place the systems and procedures that will enable it to undertake a systematic, and continuous, monitoring of its employee needs and

aspirations. By such means organisations will be able to monitor how well their employment proposition meets these needs and how the needs are changing over time.

Commitment is a result of a complex set of psychological and sociological interactions between employer and employee. Consequently it can be turned 'off' very rapidly but is much more difficult to switch back 'on'. And often the first indication of waning commitment is when a valued employee appears to be 'switched off' and does not produce the discretionary effort that they have shown in the past. This means that they may be finding their source of energy and motivation in other aspects of their life – or are becoming stressed and dissatisfied. In either case they are not going to exhibit the behaviours that are synonymous with 'commitment performance'. Although the signs may be small and difficult to detect, this could be the iceberg that destroys your organisation! Ignore the signs at your peril –make sure that you have the capability to spot the iceberg before it hits!

Cerus Consulting are specialists in helping organisations release the potential of their people. We are committed to working in partnership with our clients to deliver results that have genuine impact on business performance

We can help increase the commitment of your employees and performance of your organisation by:

- *Identifying employees underlying needs and motives*
- *Determining how these vary between different employee groups and the implications for the employment deal*
- *Understanding employee perceptions and analysing the extent to which the organisation fulfills employee needs*
- *Determining the nature and depth of commitment that currently exists*
- *Determining the priority areas to address in order to improve commitment and performance and maximise the return on paybill investment*
- *Supporting the implementation of changes to harness and embed commitment in order to deliver sustained improvements in performance*

Our work is based on many years practical experience, both as line managers and consultants, backed up by the latest research into how to create and channel employee commitment to deliver business success. We have developed a series of diagnostic tools which will rapidly and cost effectively identify the key areas for attention and facilitate inter and intra company benchmarking.

If you would like to know more about our services and how we might be able to help your organisation obtain more value from your people then visit our web site at www.cerusconsulting.co.uk or contact Doug Crawford at info@cerusconsulting.co.uk or on 020 7485 5748