

Shaping the
FUTURE



Interim report
January 2010

**SUSTAINABLE
ORGANISATION
PERFORMANCE
WHAT REALLY MAKES
THE DIFFERENCE?**

Shaping the **FUTURE**

Shaping the Future is a longitudinal action research study and engagement programme exploring sustainable organisation performance. It aims to advance both thinking and practice through generating new insight, provoking debate, and providing practical guidance and tools that can be applied in a work context.

The core research is being carried out with a range of case study organisations already embarking on a change journey of their own initiation and design. The key themes of engagement, leadership and organisational development are also being explored with practitioners through action learning sets.

To find out more you can join in at www.cipd.co.uk/shapingthefuture

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Shaping the Future research programme

Shaping the Future is a three-year action research and engagement programme. Our overarching question for this first phase of the research is: what drives sustainable organisation performance? The core research is being conducted with six case study organisations from the public and the private sectors: Standard Chartered, BIG Lottery Fund, Birmingham City Council, Pfizer (Grange Castle; formerly Wyeth Biotech), Xerox and NHS Dumfries and Galloway.

This report presents our interim findings after the first stage of data collection. Our aim is not to give an academic account of the research, but to provide insights from the data and practical guidance that practitioners can apply to create change in organisations and drive performance for the long term. These findings and insights will then drive the second stage of the research.

Why sustainable organisation performance?

Successful organisations sustain their performance over time, not just in the short term or through good economic periods. Indeed, the current unpredictable economic context has made the issue of sustainability even more crucial for organisations across all sectors. At the CIPD we believe sustainability refers to an organisation's people, financial, environmental and societal contribution over time. Shaping the Future is a flagship project for the CIPD, which examines the enablers that not only make organisations successful but ensure they stay successful.

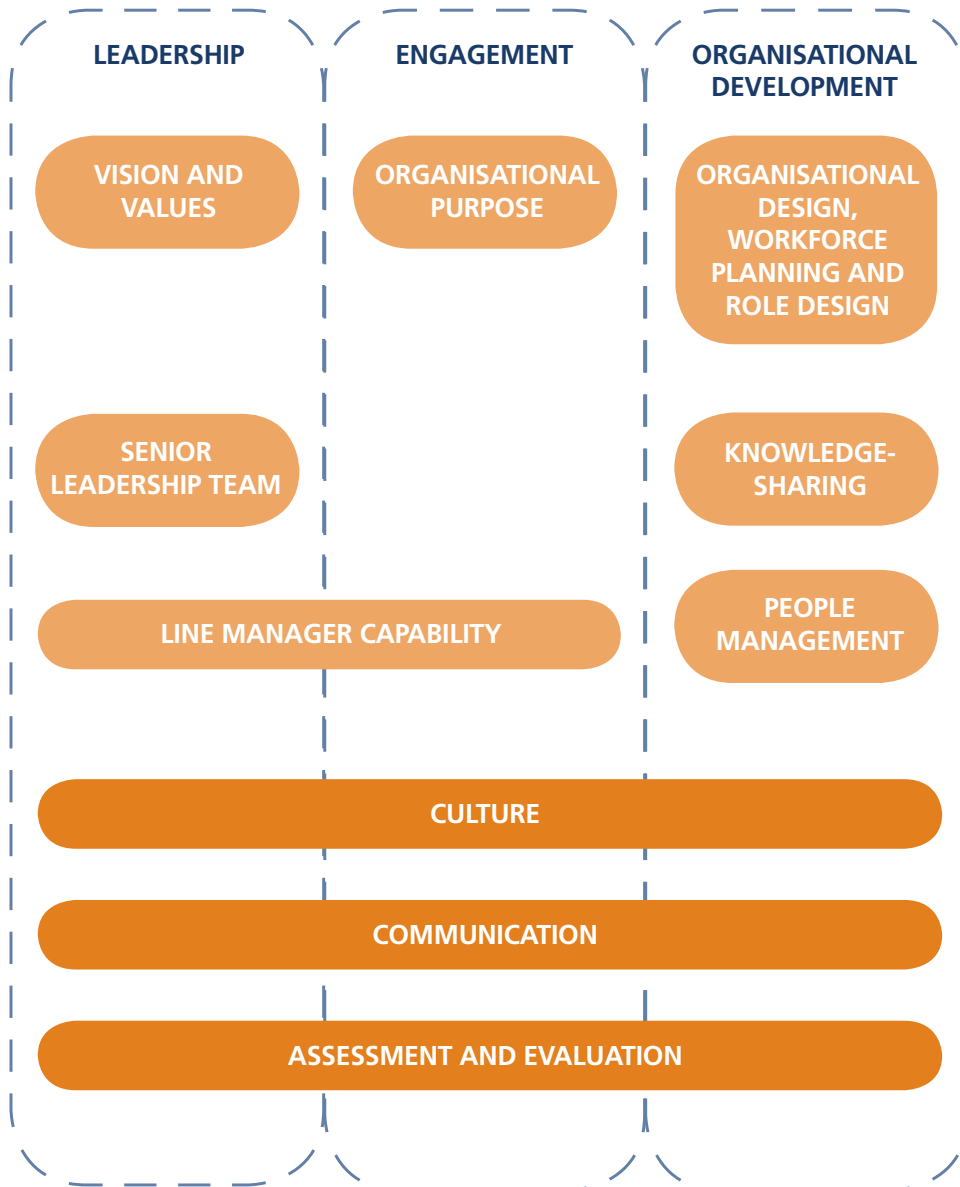
Three key themes

Our review of previous research into sustainable organisation performance led us to focus specifically on the themes of leadership, engagement and organisational development. We were, however, also open to any emergent themes or issues. Our findings from this first phase of the research confirm the importance of these three key themes for sustainable organisation performance and highlight particular enablers and practices within each one. Additional emergent enablers spanning all three themes include culture, communication, and assessment and evaluation. The framework in Figure 1 illustrates these enablers, which link to our three key themes.

Our three key themes are:

- leadership
- engagement
- organisational development

Figure 1: Enablers of sustainable organisation performance



What we observed

Across our six case study organisations there were some clear enablers of sustainable organisation performance linking to the themes of leadership, engagement and organisation development, as shown in the framework above. They were identified by employees and managers across different organisation sectors and sizes. These enablers are presented below in Table 1 along with the associated practices.

Table 1: Enablers of sustainable organisational performance

LEADERSHIP

Vision and values	Communication of the bigger picture, making the vision and values real for all
Line management capability	Support and help for employees through change
Senior leadership capability	Role-modelling and empowering others

ENGAGEMENT

Organisational purpose	Employees internalising and emotionally connecting to the organisation's core purpose
The role of line managers	A motivating and engaging management style that is aligned to the needs of the team

ORGANISATIONAL DEVELOPMENT

Knowledge-sharing	Shared knowledge and learning across functions and departments
Organisation design, workforce planning and role design	A design that breaks down organisational barriers and has the flexibility to meet short- and long-term needs
People management	Alignment between individual and organisational objectives and clarity around career opportunities

What this means in practice

So what broader organisational insights can we draw from our observations of these individual enablers and what might these insights mean in practice for you and your organisation? We present six insights below that emerged from our research.

Alignment

Alignment is an overarching insight across our three key themes, achieved by ensuring different parts of an organisation are co-ordinated and support each other. It is important for alignment to be viewed as a continuous process rather than an outcome in itself. Alignment is needed between the organisation's values and the way business is conducted through individual behaviour. An organisation should therefore be viewed as a whole system, geared towards achieving its ultimate objectives and purpose, especially when implementing change.

Distributed leadership

Distributed leadership emerged as an important insight across our themes of leadership and engagement. Distributed leadership involves senior leaders setting strategy and then empowering managers to innovate and hence drive sustainable organisation performance. In referring to senior leaders we mean the executive teams and heads of business areas. Middle managers, who also have line responsibilities, are the layer of management with multiple levels of reports. Line managers are those at supervisory and professional level, responsible for managing front-line employees.

Empowering middle and line management is essential to the implementation of change; they can be both enablers and blockers to sustainable performance. They have a critical role in engaging employees to embrace change and connect with the organisational purpose, although first they themselves have to be engaged.

Shared purpose

Shared purpose is a recurrent insight that we found to be associated with both leadership and engagement. An organisation's purpose is its identity, the reason why it exists, and 'the golden thread' to which its strategy should be aligned. Employees need to develop a strong (ideally emotional) connection or bond to an organisation's core purpose to enable sustainable organisation performance. Shared purpose takes this connection one step further.

The difference between simply having a core purpose and having a shared sense of purpose is that this sense of purpose is shared by all employees working for the organisation and often beyond to include external stakeholders.

Locus of engagement

Across our key themes, a broad organisational insight emerged about the locus of employees' engagement. Employees can be engaged on multiple levels: with the organisation as a whole, with their line manager, with their team or their job role. However, for engagement to support sustainable organisation performance, the objectives of customer service, team, business unit and individual need to be aligned with the organisational objectives and strategic priorities.

Balancing short-and long-term horizons

Balancing the short and long term is a recurrent theme in our research and something which is very much heightened by the current economic climate. Organisations want to sustain their performance over time to be successful for the long term. They face the constant challenge of responding to the short-term imperatives of change while keeping sight of the long-term horizon. Organisations must maintain flexibility to respond to changing customer needs, but avoid knee-jerk reactions which will compromise long-term strategies.

Assessment and evaluation

Assessment and evaluation is evidently important across all of our enablers. It should be a continuous process, ensuring the right measures are developed and quantitative findings are evaluated alongside qualitative, contextual information to provide organisational insights. Through constant assessment and evaluation it is possible to provide insights about past performance and use this information to improve and set future direction.

Phase two

Having examined the enablers of sustainable organisation performance, we intend to explore the six broad organisational insights above in more detail in our second phase of research. From this, we will develop further guidance for practitioners to help drive sustainable performance within their organisations.

1 What is Shaping the Future?

Shaping the Future is one of the CIPD's flagship research projects which uses action research and the views of a large group of individuals to address the overarching question: what drives sustainable organisation performance? The core research is being conducted with six case study organisations from the public and private sectors:

- **BIG Lottery Fund**
- **Birmingham City Council**
- **NHS Dumfries and Galloway**
- **Pfizer (Grange Castle) (formerly Wyeth Biotech)**
- **Standard Chartered**
- **Xerox**

These organisations are implementing specific change programmes to drive long-term performance. Working with them, we are identifying the enablers and blockers of sustainable organisation performance, within the context of their specific change programme. Semi-structured interviews and focus groups with a cross-section of people from each organisation have been conducted and data collected from our practice exchange groups (PEGs). These groups are networks of practitioners brought together to explore emerging themes and ideas from the research.

This report presents our interim findings after the first stage of data collection. Section 1 introduces our research, setting out why we are focusing on sustainable organisation performance and defining what we mean by this term. Section 2 focuses on what we did, stating our three key themes for the research, introducing our case studies and describing how we collected the data. In section 3 we present our findings and in section 4 we examine the practical implications of our findings, posing questions for you to consider in your organisation.

Our aim is not to give an academic account of the research, but to provide insights from the data and practical guidance that practitioners can apply to create change in organisations and drive performance for the long term. We validated our findings with our case studies and our practice exchange groups of HR practitioners to ground them in reality. Our findings and insights from the first stage of the research will then drive the second stage of the research to be conducted in 2010.

Why is sustainable organisation performance important?

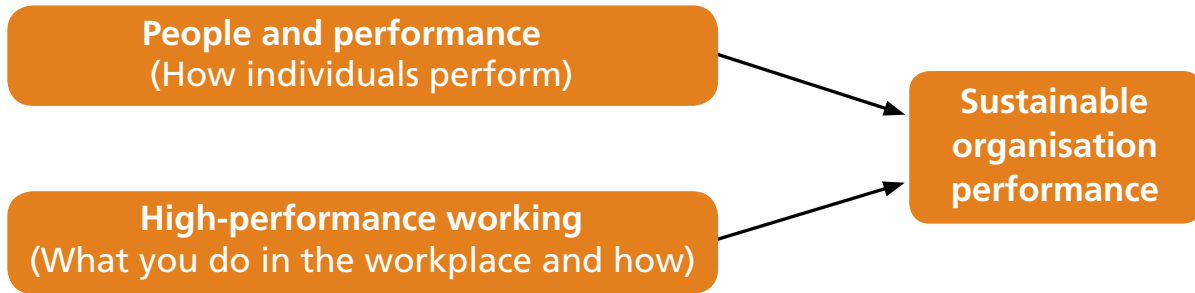
Much has been said and written about the short-term nature of business. Fixed on the next big bonus, short-term fluctuations in the share price or the caprices of a fickle customer base, managers struggle to look a year ahead, let alone five or ten. While aware of the benefits of a highly engaged or motivated workforce, senior leaders often allow immediate business issues and opportunities to override this focus on the long term, leaving a legacy of missed opportunities.

Successful organisations sustain their performance over time, not just in the short term or through good economic periods. Indeed, the current unpredictable economic context has made the issue of sustainability even more crucial for organisations across all sectors. At the CIPD we believe sustainability refers to an organisation's people, financial, environmental and societal contribution over time. Shaping the Future is a flagship project for the CIPD, which examines the enablers that not only make organisations successful but ensure they stay successful.

With an emphasis on sustainability, the Shaping the Future research aims to bring together two large streams of work, generated by the CIPD and others over the last ten years, which have been associated with driving organisation performance. One stream of work is centred on the development of high-performing individuals and the other is around high-performance work practices (a brief summary of each stream of work is given in Appendix 1). The people and performance work aimed to provide a framework to guide practitioners in the design of HR policies and strategies that would result in higher levels of performance. It provided a wealth of information and evidence about the relationship between HR and business performance and how people management builds able and motivated people and provides them with the opportunity to perform. Research on high-performance work practices gave indications about the kind of work environment that would be significant in enabling performance.

Our goal now is to take both streams of thought to the next stage to identify how individual performance and effort is managed and directed in a facilitating environment to enable its translation into sustainable organisation performance. Figure 2 illustrates this aim.

Figure 2: The drivers of sustainable organisation performance

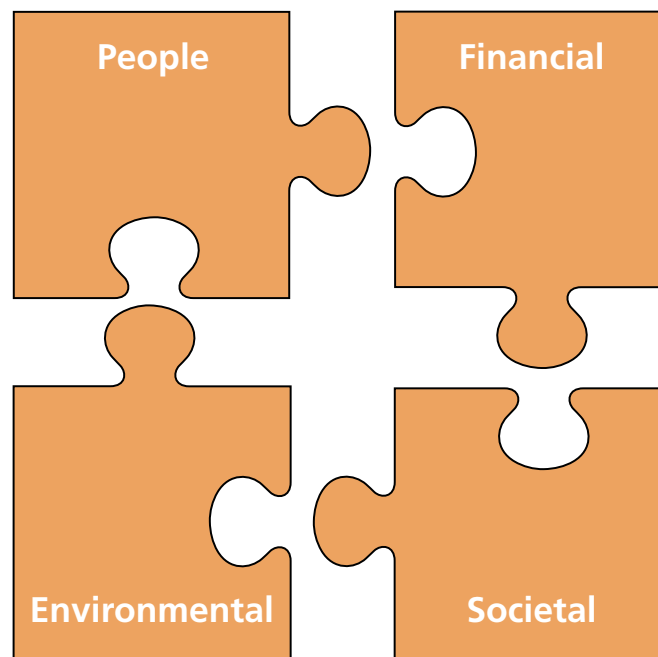


What do we mean by sustainable organisation performance?

In defining sustainable organisation performance, we consider the theory as well as the views of both our case studies and practice exchange groups (PEGs) about what this term means in practice. While there is no universally

agreed definition of sustainable organisation performance, at the CIPD we believe that sustainability refers to an organisation’s people, financial, environmental and societal (PFES) contribution over time. We therefore believe that sustainable organisation performance represents sustained performance across those four key areas.

Figure 3: Components of organisational sustainability



Expanding on this definition, to be sustainable, organisations need:

- a balanced short- and long-term focus and agility to adapt to challenges/opportunities
- leaders who drive the need for sustainable performance and treat employees as a core asset
- an organisational design that meets the needs of the business, continuously seeking to improve core capabilities.

What does the literature say?

It is not enough to achieve high performance at a point in time; an organisation needs to sustain it in the face of both internal and external challenges, a trait especially important given the current economic climate. Buytendijk (2006, p.29) states that organisations that can sustain performance over time:

Achieve a high level of agility so that they can identify change and respond optimally – or, even better, set the pace for change within their industry.

De Waal's (2006, p.12) definition of high performance is also useful. It highlights the importance of being able to sustain performance over time but also emphasises the importance of people:

A high performance organisation is an organisation that achieves financial results that are better than those of its peer group over a longer period of time, being able to adapt well to changes and react to these quickly, by managing the long term, by setting up an integrated and aligned management structure, by continually improving its core capabilities, and by truly treating the employees as its main asset.

The importance of people cannot be underestimated, as it is through employees and the strength of management capability that sustainable organisation performance can be realised.

Practice exchange groups' (PEGs) and case study views of sustainable organisation performance

As such an important part of Shaping the Future is to drive practice, we wanted to get our practice exchange groups' and case study organisations' views on what sustainable organisation performance means for them. We also wanted to ensure that our theory is grounded in reality.

Our practice exchange groups highlight three important elements of sustainable performance, namely people, financial and product or service. These elements broadly reflect our PFES definition and complement the case study views below.

Within our case studies, we asked senior management team members what sustainable performance would look like for them. Most responses focused around four specific areas:

Balancing the short and the long term

Balancing short- and long-term critical needs to ensure that strong performance is sustained:

Balancing all of the things that [we] have to do – front line, day-to-day and the longer-term transformational stuff.

Sustainable means not just today's performance, but what you do today to make sure that your performance this year, next year, three years ahead, five years ahead, would still be good... Your ability to balance things out. Whether you are able to balance revenue initiatives, but at the same time controlling the quality of the portfolio... The balancing out between stretching people and actually taking care of their work-life balance. Balancing between pleasing your customer, offering good customer service, with operating within a compliance framework...

A focus on the customer

A dedicated focus on the customer and improving service levels:

What we're really here to do is improve the lives of people in [our locality]. If we're not doing that, then we're not doing our job.

A continuous balance [of] innovation versus better customer focus. The biggest challenge is having vision and clarity.

The culture needs to be open to change and improve, but balanced in such a way that meets customer service level targets.

People management

Creating a culture of employee loyalty, engagement and understanding of organisational goals:

It's about whether you have people who want to have that long-term sustainable performance and success. I think that's why employee loyalty and employee engagement is a key ingredient towards that sustainability. It would be very, very powerful if I could get all 500 employees... to row the boat in the same direction at the same pace. That is ultimately the power of collective performance... And if you do it long enough, each row will push you much further for a longer period of time.

The continuous process of engagement with staff. We have to bring the external world into the staff's view of things.

People being clear about what they are required to do and what they are actually doing. Need alignment with organisational goals.

Embedding a culture of continuous improvement

Developing momentum around and cultural acceptance of continuous improvement:

Having an environment that drives high performance.

Sustainability comes with the cultural acceptance. Managers and staff need to embrace a different set of competences and values.

Summary

Shaping the Future is a three-year action research and engagement programme examining the drivers of sustainable organisation performance with six case study organisations. At the CIPD we believe sustainability refers to an organisation's people, financial, environmental and societal contribution over time. In section 2 we outline what we did, describing our research themes, who our case studies are and how we collected the research data.

2 What we did

Three key themes

In the previous section we talked about what we mean by sustainable organisation performance. To conduct our research and to help organisations understand how they can improve, we need also to identify the possible drivers of sustainable organisation performance. A review of previous research into the subject indicated that the drivers can be categorised in terms of three main themes: leadership, engagement and organisational development. These three themes appear to encapsulate the major challenges organisations face in improving performance and driving change and therefore they were our primary focus. We were, however, also open to any emergent themes or issues.

Our three key themes of leadership, engagement and organisation development are introduced below. Further background research related to each theme, and our rationale for the assumptions presented below is provided in Appendix 2.

Leadership

As managers at all levels can take on leadership roles, it is important that we define these different levels of managers. In referring to senior leaders we mean the executive teams and heads of business areas. Middle managers, who also have line responsibilities, are the layer of management with multiple levels of reports. Line managers are those at supervisory and professional level, responsible for managing front-line employees.

We believe that leadership is grounded in the following assumptions:

- Effective leadership is defined by a set of identifiable behaviours, primarily around the ability to motivate, inspire and establish relationships based on trust.
- Leadership is demonstrated by the cohesion of leadership values around articulated strategic priorities or core purpose.
- Leadership capability needs to exist at all levels.

Engagement

Many organisations actively seek to foster engagement among their staff, although there is not a universal definition. The MacLeod review refers to a call from David Guest of King's College London for a clearer understanding of the concept, saying most definitions are often a mix of attitudes, behaviour and outcomes.

Within the MacLeod review, which the CIPD has strongly endorsed, David MacLeod and Nita Clarke (2009) see engagement as:

A workplace approach designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being. (p.9)

Another definition we identify with is that of Professor Katie Truss of Kingston Business School, writing in the CIPD report *Employee Engagement in Context* (CIPD 2009a, pp.2–4). She defines engagement as follows:

Engagement is about creating opportunities for employees to connect with their colleagues, managers and wider organisation. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job ... It is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a twenty-first-century workplace.

It is important to note that although there are shared or common parameters of engagement, the drivers and the desired outcomes will differ according to the specific organisational context.

We believe that engagement is grounded in the following assumptions:

- Engagement can be identified and is manageable and measurable.
- Engagement can be converted into organisation performance and the most important facilitating factors are the work environment and management capability.
- Sustainable organisation performance will be achieved when both individual effort and HR policies are aligned with strategic priorities.

Organisational development

The third theme is organisational development (OD), which is possibly the broadest and most difficult to investigate. Our own definition at the CIPD makes the relationship between OD and sustained performance explicit, describing it as:

A planned and systematic approach to enabling sustained organisation performance through the involvement of its people. (CIPD 2008)

We believe that OD is grounded in the following assumptions:

- Organisations that engage in a continuous review of their context and external pressures are more likely to develop the flexibility and responsiveness to adapt to fast-changing market pressures.
- The process will be enhanced by effective HR that constantly seeks to renew and refresh the people resource or capability of organisations.
- Effective OD will drive the identification and development of organisational capabilities.

How did we conduct the research?

In contrast to previous work the CIPD has undertaken, this work uses an action-research methodology to investigate what drives sustainable organisation performance in knowledge- and/or service-intensive organisations, particularly in fast-changing contexts.

This methodology has been chosen to provide practical, evidence-based guidance. It is not intended that the work will prove, in academic terms, the impact of particular processes, but rather address what Pfeffer and Sutton (2000) termed the 'knowing-doing' gap in people management and leadership practice. The gap is between knowing intuitively that certain things will make a difference and identifying the actions that will turn this knowledge into reality.

Who are our six case study organisations?

We are working with six case study organisations from different industries within both the public and private sectors. They are: Standard Chartered, BIG Lottery Fund, Birmingham City Council, Pfizer (Grange Castle) (formerly Wyeth Biotech), Xerox and NHS Dumfries and Galloway. For more detail about each organisation, please refer to Appendix 3.

The case study organisations were selected for study because they are pursuing a change programme or area of work of their own design to drive sustainable organisation performance. Working with them, we are identifying the enablers and blockers of sustainable organisation

performance, within the context of their specific change programme. We selected a particular part or aspect of each organisation to focus the research on, in discussion with each case study, according to where their change programme was directed.

How did we collect the data?

Within each case study organisation we conducted semi-structured interviews and focus groups with a cross-section of people at different levels. We interviewed senior HR practitioners, board-level directors and, where possible, the CEO in the wider part of the business to get a perspective on the whole organisation. Within the area of the organisation selected for focus we interviewed a number of middle and line managers and conducted focus groups with employees and, in some cases, line managers. We asked respondents about what was enabling or blocking performance, both now and in the future.

We are also conducting an employee survey in some of our organisations to collect data from a wider group of employees about the core themes of leadership, engagement and OD. The survey is based on our CIPD quarterly *Employee Outlook* surveys, allowing us to compare case studies' data against a national dataset.

Our practice exchange groups (PEGs) are debating issues and testing our ideas as they arise from our research in relation to their own organisational experience. The PEGs are also a way of driving practice through disseminating our findings.

Summary

Our review of previous research into sustainable organisation performance led us to focus on the three key themes of leadership, engagement and organisational development. We collected data from our six case study organisations to identify what is enabling and blocking performance for the long term. We supplemented our case study work with insights from our practice exchange groups (PEGs). Section 3 presents our findings about what is driving sustainable organisation performance.

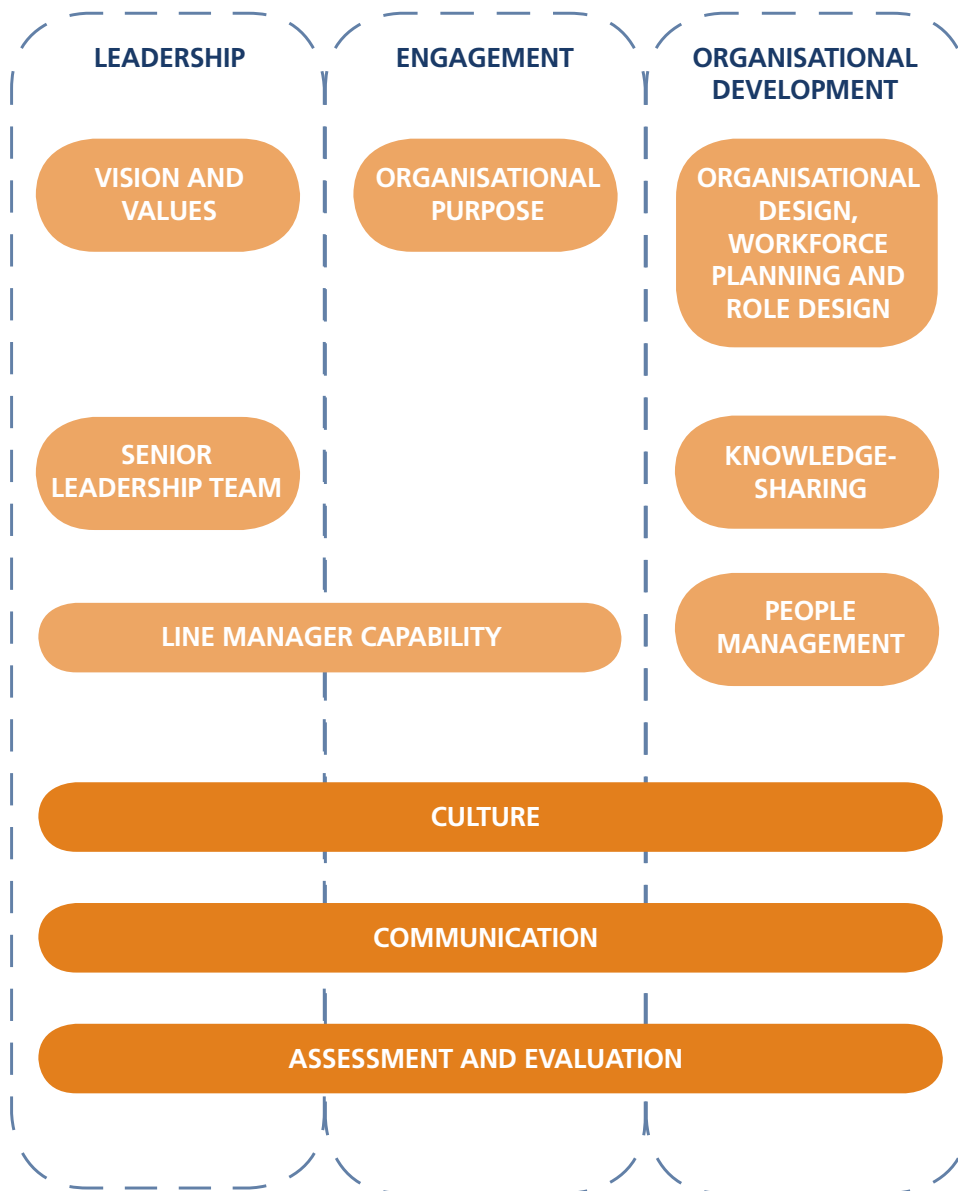
3 Our findings: what is driving sustainable organisation performance?

In this section we present our findings from phase one of the Shaping the Future research, proposing a framework to illustrate the enablers of sustainable organisation performance. Content analysis of our data revealed these enablers and where they sit within our framework.

Leadership, engagement and organisational development

Our findings from this first phase of the research confirm the importance of our three key themes of leadership, engagement and organisational development for sustainable organisation performance. In Figure 4 we highlight the particular enablers and practices associated with sustainable performance within each theme. Additional emergent enablers spanning all three themes include culture, communication, and assessment and evaluation.

Figure 4: Enablers of sustainable organisation performance



Note: This framework was created based on the findings from our six case studies (using content analysis). The relative importance of each factor will be influenced by an individual organisation's context.

Leadership

Leadership is the first of the three key themes identified as a significant driver of sustainable organisation performance. The key enablers within this theme are presented in Table 2, along with the associated practices.

Table 2: Leadership enablers

Leadership	
Line management capability	Support and help for employees through change
Senior leadership capability	Role-modelling and empowering others
Vision and values	Communication of the bigger picture, making the vision and values real for all

In our case study organisations we found a high degree of leadership that is distributed. This means leadership capability is found at all levels, operates contextually and, arguably, best encourages engagement, agility and performance. In our case study organisations broad distinctions were made between the leadership of line managers in delivering, enabling and managing process and the role of senior managers in communicating, setting strategy and championing change. We therefore present the enablers of line management capability and senior leadership capability separately. In addition, we look at vision and values and provide illustrative examples of the associated practices from our case studies.

Line management capability

The case study organisations are facing different challenges, all of which drive the type of leadership and management model required. Line management style and behaviour therefore needs to reflect the organisational context.

The leadership issues for Standard Chartered Bank are driven by the markets it operates in around the world and the nature of the environment in financial services, its global reach and its use of engagement as the driving principle of management. Together these constitute the organising architecture of the company and promote a corporate expectation of leadership at all levels.

Dumfries and Galloway has a different challenge. Like all health boards, they must be the 'sense makers' of an array of change initiatives driven by the Government, while also grappling with operational challenges such as the need to deliver a new infirmary. In addition, they are faced with the need to deliver a step-change in workforce capability, which is the purpose of their 'Delivering Dynamic Improvement' programme. The role of leaders is to simultaneously ensure the delivery of government targets, act as the energisers of change and innovation, and be the chief sponsors of large structural projects. They recognise that this is a large area of responsibility and needs to be devolved to all levels of management.

Support and help for employees through change

Change is a constant for most organisations. Line managers must therefore support and help employees through this change process in order to drive sustainable organisation performance.

Our research with Birmingham City Council focuses on front-line managers who are involved in often difficult social work interventions. As with many local authorities, there is a fairly challenging and often threatening change programme, as well as the usual difficult client caseload. Line managers therefore have the crucial role of actively helping employees through change. As one manager maintains:

It's about spending time with each individual, going through what are their fears, what are their thoughts as to what was going to happen and to get them to understand that change does not always have to be scary.

At Xerox when delivering client service, success depends on active interaction with the client, constantly reviewing and adapting to their changing needs and ensuring that innovative solutions are continuously presented. This requires a constantly high level of employee performance and line management play a critical supporting role by allowing employees to have the flexibility to respond to the customer while ensuring that agreed targets are adhered to.

Additionally, line managers need to forge close relationships with employees to enable the best performance.

At Pfizer Grange Castle line managers hold a critical role between the senior management and the highly skilled employees in areas such as drug substance and quality monitoring, reflecting the engagement culture engineered by the company when it opened the site. Managers acknowledge the expectation to treat people with respect, recognising and acknowledging their expertise, listening to people's frustrations, as well as *'creating a friendly and co-operative environment'*.

Senior leadership capability

The role of senior management is crucial in developing a vision, setting out the goals and mapping out the values of an organisation as well as championing change. Senior management are also responsible in large part for engaging with external stakeholders which, in the public sector in particular, can be considerable.

Role-modelling and empowering others

The case study organisations were characterised by a high level of distributed leadership, with significant authority devolved to line managers or even employees. However, it was apparent that it is senior managers who designed the strategy and frameworks within which change could be delivered and role-modelled and drove a vision down through the organisation to support the culture and enable change to take place.

At Big Lottery the intelligent funding approach is role-modelled by the senior management team, which aims to lead by example. Peter Wanless, the chief executive, is clearly viewed as a champion of change.

At Standard Chartered Bank the role of senior leaders in driving the culture to support engagement was very evident. Employees perceived the top team as very supportive and this support embodied not just in what they say but in their behaviours and accessibility.

In Pfizer Grange Castle both managers and employees spoke of strong and visible leadership as a key enabler of performance. They described this as strong decision-making, acting reasonably and being accountable but at the same time trusting and empowering employees to get on with their jobs. In achieving this they believe that the interpersonal skills of leaders are important and described this as: *'being active listeners and empowering the team...to find the emotional switch that gets teams to perform because they want to perform and not because they are told to.'*

Vision and values

Creating a long-term vision for sustainability was seen to be particularly important and both senior leaders and line managers were believed to be central to this process. Making this vision real for employees is what all of our case studies are striving for, with some further ahead than others in realising this aim.

Communication of the bigger picture

The organisations recognised that a clear understanding of the vision and values would be influenced by the way that information was communicated and the extent to which employees believed they had access to the decision-making process.

At Birmingham City Council the vision of what the organisation and job roles will look like in the future as a result of their transformation programme is being communicated across the council. One employee commented: *'when people can see how they fit into the whole picture...they are generally more motivated.'*

Making the vision and values real for all

From the responses coming through in all the case study organisations and from all levels, it is apparent that engagement with the organisation's vision and values is an important issue in driving sustainable organisation performance. Communicating consistent messages about the long-term vision, values and the impact of change enables employees to feel more motivated and develop a long-term emotional attachment to the organisation. They understand where the organisation is going, what it stands for and what this will mean for them personally – where they fit into the organisation, both at the present time and in the future.

The need for a top vision to be communicated to all levels of management, not just senior management, was articulated by CEO John Burns at Dumfries and Galloway Health Board:

One year ago I met with 30 heads of service who are the key people and realised the language used by the senior team and that of the middle management did not match up. This perception of a disconnect between operation management and the leadership team led to the development of Delivering Dynamic Improvement. Our 130 middle managers hadn't had the support they needed to be able to lead.

In summary, we have identified three enablers of sustainable organisation performance within the wider theme of leadership: line management capability, senior leadership capability, and vision and values. It is clear from our discussion that these three enablers are interlinked and therefore cannot be considered in isolation. For example, vision and values are set out by the top leadership but need to also be embraced and displayed by line managers if they are to be integrated through the whole organisation and become 'the way we do things round here'.

Engagement

Engagement was a significant element of the change programmes adopted by all of our case study organisations. All subscribed to the view that highly engaged employees would be more motivated and hence more likely to perform well and overcome any barriers to sustainable organisation performance. The key enablers within this theme are presented in Table 3, along with the associated practices. We then discuss each in more detail.

Table 3: Engagement enablers

Engagement	
Organisational purpose	Employees internalising and emotionally connecting to the organisation's core purpose
The role of line managers	A motivating and engaging management style that is aligned to the needs of the team

The issue of engagement ran implicitly through the change programmes adopted by our case study organisations. However, the research focus in Standard Chartered Bank was specifically about building engagement. Engagement was also a key feature of the Birmingham City Council

change programme, where it was recognised that engaged employees are more likely to adapt to change and hence drive through the nine-stranded transformation programme that is currently leading much of the council's strategy.

Organisational purpose

Organisational purpose was referred to by all of our case studies in our discussions of sustainable organisation performance. Most believed that a strong sense of organisational purpose and employee connection to that purpose drove engagement and hence enabled the development of sustainable organisation performance.

Employees internalising and emotionally connecting to the organisation's core purpose

Interestingly, in several of the case studies employees held a more simplified view of purpose than managers. In most cases this is positive, as it shows that employees have interpreted the corporate statement of purpose for themselves, internalising its meaning and strengthening their connection with it. For employees, a simple purpose is easier to relate to.

There was also evidence that an emotional connection to the organisation's purpose fostered sustainable performance.

Senior managers and employees at Pfizer Grange Castle talked about the importance of having a 'clear and engaging purpose' and developing an 'emotional connection' and 'pride' with that purpose.

At the Big Lottery employees were motivated by the emotive core purpose of 'improving lives and tackling disadvantage', although managers were split between those who viewed the core purpose in functional terms and those who saw it more in terms of social impact.

At Dumfries and Galloway there are again high levels of engagement with the organisation's emotive core purpose:

Well ultimately it's about the patient experience. How people are treated at every level. How we treat them in terms of courtesy, caring compassion and how we treat them in terms of how the procedures or the interventions go. It's also the wider issue about how we develop good overall health services for D&G.

Bringing the organisational purpose to life

A few organisations provided insight into how they have brought their organisational purpose to life for employees and customers alike and so created a shared sense of purpose.

At Pfizer Grange Castle, several managers and employees commented that the company is good at helping people develop more of an 'emotional connection' with their work by linking with the users of the drugs produced, through communication campaigns, the use of posters with patient testimonials displayed on the campus walls, as well as through leadership development conferences.

The role of line managers

In all the case study organisations line managers were seen as key in delivering engagement outcomes. This was graphically demonstrated in one organisation where employees agreed that career options, development, empowerment and job satisfaction were all significantly enhanced if they were 'lucky enough' to get a 'good' manager – in other words, a manager who communicated well, showed a real interest in their well-being and developed a relationship based on trust. This also significantly influenced their decision to stay or leave the organisation and implicitly the relationships they were able to build with customers.

A motivating and engaging management style that is aligned to the needs of the team

The management style of line managers was seen to be particularly important in motivating employees and needed to be tailored to the specific needs of the team.

At Standard Chartered Bank they believe that management style is important in encouraging behaviour and believe that this style would need to be moulded to suit the needs of the team and the work group. One employee commented, 'line managers must embrace engagement for it to be successful and role-model the expected behaviours.'

Although there was generally agreement that line managers' behaviours and relationships with employees are one of the biggest influencers of engagement, in more than one case study organisation they were actually seen as a potential barrier to sustainable organisation performance. Much of this was to do with process. If line managers were perceived to be slavishly following a process to

the potential detriment of customers, this could impact negatively on job satisfaction and trust. It also had a lot to do with communication. If line managers communicated poorly and employees did not feel their efforts were recognised, this too would have a negative impact on engagement and performance.

In summary, we identified two enablers of sustainable organisation performance within the wider theme of engagement. It is important for organisations to have an engaging organisational purpose that employees connect with, and for line managers to have a management style that motivates and engages their staff.

Organisational development

All six of our case study organisations were implementing some kind of OD change programme aimed at continuous improvement and sustainable organisation performance. The enablers within this theme are presented in Table 4, along with the associated practices.

Table 4: Organisational development enablers

Organisational development	
Knowledge-sharing	Shared knowledge and learning across functions and departments
Organisation design, workforce planning and role design	A design that breaks down organisational barriers and has the flexibility to meet short- and long-term needs
People management	Alignment between individual and organisational objectives and clarity around career opportunities

Knowledge-sharing

Knowledge-sharing emerged as a surprisingly strong theme across all of our case study organisations. A lack of sharing experiences and learning across and throughout organisations were seen to be blockers to sustainable organisation performance. Effective knowledge-sharing, on the other hand, was seen to be something that could practically lead to greater levels of performance.

Shared knowledge and learning across functions and departments

Several of the case study organisations felt that strong performance would occur when people worked across business units and functions and, in so doing, pooled their knowledge and expertise.

At Standard Chartered Bank establishing an informal tie with people in other functions was reported to facilitate the customer experience by speeding up the sharing of market intelligence and customer information.

At Xerox there is a recognition that people need to change constantly and refresh their knowledge to go on meeting the changing needs of the client. They also believe that people need to be encouraged to move around, building and sharing the knowledge they acquire en route.

The concept of the Intelligent Funder at the Big Lottery relies on people understanding how their work affects other functions in the organisation and enables cross-functions to work together more effectively and share learning and knowledge.

Knowledge-sharing enabling change management

Knowledge-sharing was seen to be a key enabler of change management in several of our case study organisations. Bringing together expertise from different areas of the business can help to unite the organisation around change, problem-solve and understand how change in one part of the organisation will affect other areas.

At Xerox, knowledge-sharing behaviours are prioritised and have been identified as part of their cultural framework, being important to sustainable organisation performance.

At Dumfries and Galloway, their organisation development initiative – Delivering Dynamic Improvement (DDI) – works by sharing information and expertise across boundaries and by unlocking the problem-solving potential of highly engaged teams, thus resulting in continuous improvement and culture change.

Organisational design, workforce planning and role design

Organisational design, workforce planning and individual role design all interplayed as another theme associated with sustainable organisational performance.

Organisational and role design that breaks down barriers

Managers and employees across organisations felt that the most successful organisation designs were those that broke down barriers between different departments and functions and prevented silo working.

At Pfizer Grange Castle, several employees and managers felt that an organisational design that broke down the barriers between different functional areas achieving a closer connection between day and shift workers is necessary and positive. The organisation's initiative around lean transformation projects was helping to break down these barriers with co-located project teams.

At Standard Chartered Bank, barriers needed to be broken down between branches and back-end functions to increase the speed and accuracy of the customer response.

At Dumfries and Galloway, their Delivering Dynamic Improvement (DDI) initiative is helping to break down barriers by bringing middle managers from across the organisation together to tackle problems:

It's a real chance to see what's going on and a chance to stop people working in silos. I know what it's like. You get locked into your own area and you don't see the wood for the trees. Sometimes when you get together with others you get real value just from getting an outside perspective and when you bring a problem to DDI, that's what you get.

Flexible resourcing and workforce planning to meet short- and long-term needs

Flexible resourcing and workforce planning was another theme referred to by case study organisations.

Birmingham City Council felt that workforce planning and ensuring that the right people were in the right roles now and for the future was an enabler of sustainable organisation performance. They have developed competency-based role profiles to ensure that roles are flexible enough to meet changing demands and circumstances:

We use role profiles rather than job descriptions and they're all competency-based so I think there's enough flexibility in them for people to take on a different way of working.

Pfizer Grange Castle's lean transformation projects assisted resource flexibility, releasing employees so they could move into other areas of production in the business. Managers felt it was important that staff working on lean projects were co-located to help enhance their performance:

Very important that you take a core number of people out of their normal work, you make a team of them, with a leader, a defined plan, that we co-located them and they work closely together...and work closely with people on the shifts too.

People management

Within the case study organisations there were a number of specific people management processes that were mentioned as either enablers or barriers to performance, particularly individual performance. In some cases the same process was cited as both an enabler and a barrier and in others it was the delivery rather than the process itself that was the issue for discussion. The particular processes identified as being associated with sustainable organisation performance are discussed below.

Performance management

Effective performance management enables a clear connection to be made between individual objectives and those of the organisation.

At Birmingham City Council, interviewees talked about the importance of having individual objectives clearly aligned with corporate objectives to ensure people are doing what is right for the council. Clear alignment is also needed so that employees can see how what they do contributes to organisational performance and how it impacts the lives of the community.

At Xerox, employees referred to the constant reappraisal of objectives and career ambitions: *Xerox as an organisation is very focused on people. They look after their people as much as they look after their customers, so are really well looked after. There are one-to-ones every month with your manager, two appraisals per year. Constantly review performance – What do you want to do? Where do you want to be?*

However, there were a number of concerns raised by employees about the inconsistency of managers in the way they manage performance and particularly about how they support their staff to develop new skills or take on new responsibilities.

Career opportunities, talent and succession planning

Clarity of career paths and opportunities and effective talent and succession planning were associated with sustainable organisation performance in several of the organisations.

In some of the case studies, a lack of movement of people internally was raised as being a potential barrier to longer-term performance, particularly in departments or functions that had low turnover and limited opportunities for talent to progress. Some employees also reported that their perception of the career paths open to them in the organisation was unclear and that they did not have the opportunities to acquire the knowledge or skills to move to a higher level of responsibility.

Additionally, some of the organisations had talent and succession processes in place but, while senior managers were clear on this process, it had not been communicated further down the organisation. As a result, employees held the misconception that there were more limited progression opportunities.

In summary, within the wider theme of organisational development we found knowledge-sharing, organisational design, workforce planning and role design, and people management to be enablers of sustainable performance. From our discussion above, it is evident that these enablers are closely linked. For example, organisation and role design provides the structures to allow knowledge-sharing to take place and workforce planning provides the strategic insights around which the people management practices of career development and succession planning can be built.

Themes that span all three areas

As our framework on page 14 shows, there were three additional or emergent enablers of sustainable organisation performance that spanned across all three of our key themes. These were culture, communication, and assessment and evaluation.

Culture

Many of our case study organisations are characterised by a strong culture and in most instances this could be described as a performance-focused culture where employees are challenged to perform consistently at a high level. A key blocker to enabling a performance-focused culture is the reluctance to tackle underperformance. This is something that was mentioned by employees and managers across a few of our case study organisations, with one respondent suggesting that a common response of underperforming staff is, 'If I don't say anything, I won't have to do anything.'

The culture of an organisation is shaped by the behaviour and buy-in of senior management to engagement. Their buy-in to the concept of engagement is a prerequisite in developing the cultural characteristics that will encourage higher levels of performance. A number of the senior leaders across the organisations were seen as role-models for the organisations' values. Some employees commented that they particularly valued the 'humanising and enabling nature' of the communication they received from senior managers.

Communication

There is a danger that managers and employees having different perceptions of the issues that drive sustainable organisation performance might actually block performance. Change programmes implemented by the senior team may not be embraced by all employees if intended outcomes are not communicated clearly or their relevance not made explicit to different areas of the organisation. It is important for everyone in the organisation to understand why change is necessary and how it will affect their individual roles. For example, we found that employees who perceive their primary loyalty to be to their customers may resist change if they think the organisation does not appreciate its effect on the customer experience. They may also resist change if they believe it could take away aspects of the job that they find particularly rewarding and satisfying.

Clear and continuous communication is therefore crucial from all levels of management. Many of our case study organisations had problems with the collection and use of feedback. For example, employees felt they collected a wealth of information from the customer but that there was not always a clear mechanism for feeding this into the system to improve processes and inform future planning and delivery. Upward communication is also important for senior management to be able to 'take the temperature' of the organisation.

Several employees felt that communication would benefit from more cross-functional working, enabling people to bring knowledge and skills gained elsewhere to provide insights on different aspects of the business. This more holistic view could serve to drive engagement.

Assessment and evaluation

The assessment and evaluation of both performance and the impact of specific change programmes was found to be an enabler of sustainable organisation performance. It is crucial to have the right performance measures, tied to higher-level objectives, set within the organisational context, in order to improve and set future direction. All of our case studies emphasised the importance of grounding the quantitative information they collected within qualitative, contextual information.

An issue that a few of our case studies are currently addressing is how to use the wealth of data they have collected to inform the direction and operation of the organisation. This is an organisational issue, but it is also important for line managers to be able to make sense of the data to discuss with their team how performance can be improved.

Making performance data available to everyone in the organisation can create a sense of ownership among employees and promote engagement. However, we found that employees needed to know what good performance looks like to know what to strive for. The assessment and evaluation measures must reflect the realities of the job, for example, looking at both the quantity of output and the quality of customer relationships developed. Too much assessment, or use of inappropriate measures, can constrain innovation and change.

Summary

In summary, the findings from this first round of data collection with our case study organisations confirm that our three main research themes of leadership, engagement and OD provide organising pillars for sustainable organisation performance.

So what broader organisational insights can we draw from our observations of these individual enablers and what might these insights mean in practice for you and your organisation? In the next section, we present six insights that emerged from our research and pose points for reflection and specific questions for you to consider.

4 What this means in practice: key messages

We now look at the broader organisational insights emerging from our observations of the individual enablers drawn from the case study data in the previous section. We also discuss the practical implications that these broader insights might have for you and your organisation and include a series of points for reflection and questions for you to consider. We then conclude by looking ahead to the design of the next phase of the research, which will explore these emerging insights in greater depth.

There are six broader insights that emerged from our research. These are:

- alignment
- distributed leadership
- shared purpose
- locus of engagement
- balancing short- and long-term horizons
- assessment and evaluation.

These insights arose from our enablers and enabling practices, across one or more of our three key themes. For example, our first insight of alignment relates to the enablers of organisational design, workforce planning and role design, knowledge-sharing, people management, and vision and values, among others. We discuss each of these insights below and their implications for practice. It is important to note that although the insights are discussed separately, they are interconnected and interdependent.

Alignment

Alignment is an overarching insight across our three key themes and is achieved by ensuring that the different parts of an organisation are co-ordinated and support each other. Alignment can be supported by effective cross-functional working and cross-functional knowledge-sharing.

It is important for alignment to be viewed as a continuous process rather than an outcome in itself. Alignment is needed between the organisation's values and the way business is conducted through individual behaviour. However, alignment is also needed in relation to the organisational infrastructure and the various systems,

processes and policies that together impact upon long-term performance. Alignment must also be achieved between espoused organisational policies and enacted practices.

An organisation should therefore be viewed as a whole system, geared towards achieving its ultimate objectives and purpose, especially when implementing change.

Points for reflection

To achieve sustainable organisation performance and to implement change effectively, you should consider your organisation as a whole system, assessing and improving the degree of co-ordination between its component parts. Alignment goes beyond people to include infrastructure, systems and processes, all of which can impact long-term performance.

Distributed leadership

Distributed leadership emerged as an important insight across our themes of leadership and engagement. Distributed leadership involves senior leaders setting strategy and then empowering managers to innovate and hence drive sustainable organisation performance. In referring to senior leaders, we mean the executive teams and heads of business areas. Middle managers, who also have line responsibilities, are the layer of management with multiple levels of reports. Line managers are those at supervisory and professional level, responsible for managing front-line employees.

The traditional heroic model of leadership is criticised by Minzberg (2004) as ineffective at dealing with the sorts of constant disruptive change that organisations face. A more realistic model might be that of distributed leadership, where responsibility and authority is devolved to line managers and employees. This ensures that all employees have a clear understanding of the organisation's strategic objectives and are working together to achieve these.

Empowering middle and line management is essential to the implementation of change; they can be both enablers and blockers to sustainable performance (Alimo-Metcalfe and Alban-Metcalfe 2008). These managers have a critical role in engaging employees to embrace change and connect with the organisational purpose, although first they themselves have to be engaged.

Points for reflection

In adopting a distributed leadership approach, you should ensure that the organisational design and culture within the organisation support it. You should also consider how this approach fits with the organisational context, for example if managers' freedom to innovate is confined by tight industry or government regulation. Finally, you need to evaluate your managers' levels of engagement and whether they feel empowered to innovate.

Shared purpose

Shared purpose is a recurrent insight that we found to be associated with both leadership and engagement. An organisation's purpose is its identity, the reason why it exists, and 'the golden thread' to which its strategy should be aligned (CIPD 2009c). Employees need to develop a strong (ideally emotional) connection or bond to an organisation's core purpose to enable sustainable organisation performance. Shared purpose takes this connection one step further. The difference between simply having a core purpose and having a shared sense of purpose is that this sense of purpose is shared by all employees working for the organisation and often beyond, to include external stakeholders.

The Royal National Lifeboat Institution (RNLI) and Danone UK Ltd are two organisations identified in recent CIPD research as leading the way in creating shared purpose cultures. However, even they have faced some challenges. While employees are generally able to identify with the organisational purpose they are not always able to appreciate the impact that their individual contribution makes towards the wider purpose; engagement with the purpose is stronger in some areas of the organisations than others.

In order for a shared purpose to act as a true enabler of sustainable organisation performance it needs to be simple and clearly articulated. Employees also need to be encouraged to talk about it and internalise it in ways that are meaningful for them. Organisations therefore need to do all that they can to bring their purpose to life for their employees and reflect it in their individual objectives, roles and behaviours. A shared organisational purpose is not just a nice to have; it's something that, if lived and breathed, can take an organisation beyond current performance levels towards sustainability.

Points for reflection

Think about how far employees and other stakeholders embrace your organisational purpose. How do they first understand and then identify with it and how do they view their contribution to achieving it? Can you think of any creative ways of bringing your organisational purpose to life?

Locus of engagement

Across our key themes, a broad organisational insight emerged about the locus of employees' engagement. Much of the work on engagement assumes that engagement is with the employing organisation. However, employees can be engaged on multiple levels: with the organisation as a whole, with their line manager, with their team or their job role.

The CIPD work on people and performance and on cross-boundary working (Swart et al 2007) shows that employees can be engaged at different levels and have different perceptions of engagement; this can act as a blocker as well as an enabler of performance. Individuals can be engaged with their work yet disengaged with their employer. People can be engaged with all kinds of things and more than one aspect of their work at the same time, but none of this guarantees they will be engaged with the employer.

To guard against this and for engagement to support sustainable organisation performance, the objectives of customer service, team, business unit and individual need to be aligned with the organisational objectives and strategic priorities.

Points for reflection

It is important to recognise these different levels of engagement. Then it is useful to regularly review the alignment of individual, team and organisational objectives to ensure that, regardless of the locus of employees' engagement, individual effort will sustain long-term performance. What is the locus of people's engagement within your organisation? What more can you do to align it to organisational objectives?

Balancing short- and long-term horizons

The importance of balancing the short and long term is a recurrent theme in our research and something that is very much heightened by the current economic climate. Organisations want to sustain their performance over time to be successful for the long term. They face the constant challenge of responding to the short-term imperatives of change while keeping sight of the long-term horizon.

Organisations must maintain the flexibility to respond to changing customer needs, but avoid knee-jerk reactions that will compromise long-term strategies. They must also be able to communicate both the short- and long-term horizons to employees so that the whole organisation is working from a common understanding and towards shared objectives.

It is especially important to maintain this balance with regard to strategic objectives and talent planning. Continuously holding both a short- and long-term perspective should ensure that the organisation is flexible and agile and is managing risk-effectively.

Points for reflection

All employees should be encouraged to maintain sight of the long term, ensuring their day-to-day decisions are in line with the organisation's objectives. What can you do to ensure that all employees are able to balance both the short- and the long-term horizons of your organisation?

Assessment and evaluation

Assessment and evaluation was raised as an enabler of sustainable organisation performance in the previous section but it is evidently important across all of our enablers. For example, assessment and evaluation is critical for workforce planning and people management, promoting knowledge-sharing and being able to effectively instil vision and values as well as create a shared sense of purpose.

As assessment and evaluation appeared across all of our enablers and resonated strongly with our practice exchange groups, we therefore feel it is important to include it as one of our six organisational insights.

With many organisations, including our case studies, it is a less developed area but one that is considered a high priority. Assessment and evaluation should be a continuous process, ensuring the right measures are developed and quantitative findings are evaluated alongside qualitative, contextual information to provide organisational insights.

An issue currently being addressed by some of our case studies is how to use the wealth of data they have collected to inform the direction and operation of the organisation. As we mentioned previously, this is an organisation issue but also has implications for line management capability.

Through constant assessment and evaluation it is possible to provide insights about past performance, 'take the temperature' of the organisation at present and then use this information to improve and set future direction.

Points for reflection

Is assessment and evaluation a continuous process in your organisation? How is the intelligence gathered through assessment and evaluation fed back? Ensure that your assessment measures support cross-functional working so that each department is aligned to higher-level objectives.

In summary, we believe these six broader organisational insights are key to discussions about sustainable organisation performance. We do, however, recognise that they do not sit in isolation and that there are a number of interdependencies between the insights.

Phase two

What will we be doing?

Having examined the enablers of sustainable organisation performance, we intend to explore the six broad organisational insights above in more detail in our second phase of research. We will explore these insights within our broader framework of leadership, engagement and organisational development. From this, we will develop further guidance for practitioners to help drive sustainable performance in organisations.

The next round of data collection will commence in the spring of 2010 and will culminate in a final report at the end of the year. We are now working with all of our case study organisations to ensure that during this stage we explore the issues that are particularly relevant to their context, as well as addressing the issues and broader insights that have been raised and discussed in this report. These issues will also be debated in a number of forums, including our practice exchange groups, over the course of the next nine months. The feedback and insights from these forums will be used to inform and validate the evidence gathered from our case studies and to help us further develop our framework of sustainable organisation performance.

How can you take part in our research and track our progress?

You can visit our website for further information about Shaping the Future and to download resources:

www.cipd.co.uk/shapingthefuture

You can also sign up through our website to join our 'mass movement' of 5,500 HR practitioners to receive our newsletter and debate issues arising through our research to drive practice in your organisation.

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Appendix 1: Background to the research

Within section 1 of the report (page 8) we discussed how the Shaping the Future research aims to bring together two large streams of work which have been associated with driving organisation performance to see how they can be translated into sustainable organisation performance. One stream of work is centred on the development of high-performing individuals and the other is around high-performance work practices. These work streams are described in further detail below.

The development of high-performing individuals

At the CIPD we have compiled a body of evidence demonstrating how organisations create value through people and therefore the importance of developing high-performing individuals. We have shown how high-performing people generate business performance and contribute to the bottom line. The most well-known work is probably that led by Professor John Purcell, *Understanding the People and Performance Link: Unlocking the black box*. This work identified the components of 'discretionary behaviour'. It told us that good HR practices delivered positively by skilled and able line managers, in a culture driven by an enabling vision and overarching value structure, will result in people willing and able to perform their job roles better. The work concluded:

'Organisations seeking to optimise the contribution that people management can make must develop policies and practices that meet the needs of individuals and create "a great place to work". However, this does not just mean copying "best practice". Organisations must create and transmit values and culture which are unique to themselves, which bind the organisation together, and which can be measured and managed. HR management must not be a stand-alone function but be fully integrated into the management process – its contribution must be valued.' (p. xi)

This work was immensely valuable in providing evidence of the contribution of HR to bottom-line performance. However, crucially it focused on the performance of individuals, relying on evidence from previous work that demonstrated a correlation between committed and engaged individuals and bottom-line performance.

In addition, David Guest theorised about how employee outcomes of competence, commitment and flexibility would impact on financial performance (Guest et al 2000).

High-performance work practices

The work on high-performance working carried out in the late 1990s emphasised the need for effective people management and development. This is particularly important as the delivery of quality is largely left at the discretion of individuals working at the customer interface. In 2005 the Department of Trade and Industry published work on high-performance work practices in association with the CIPD. In this work, Sung and Ashton (2005) defined high-performance practices as a set of complementary work practices within three areas:

- 1 high employee involvement practices – for example self-directed teams, quality circles and sharing/access to company information
- 2 HR practices, for example sophisticated recruitment processes, performance appraisals, work redesign and mentoring
- 3 reward and commitment practices, for example various financial rewards, family-friendly policies, job rotation and flexible hours.

Our CIPD study found that the number of high-performance work practices adopted is associated with organisational performance. It also found that learning at all levels is a crucial prerequisite to developing the kind of work environment associated with higher levels of performance and that leaders have a key role to play in driving, shaping and creating high performance. In addition, practices have to be aligned with and relevant to strategic priorities.

In summary, the people and performance work has provided a wealth of information and guidance about the development of high-performing individuals. At the same time, work on high-performance work practices gave indications about the kind of work environment that would be significant in enabling performance. Our goal now is to take both streams of thought to the next stage to identify how individuals' performance and effort is managed and directed in a facilitating work environment to enable its translation into sustainable organisation performance.

Appendix 2: Our three key themes

Our review of previous research into sustainable organisation performance indicated that the three themes of leadership, engagement and organisational development appear to encapsulate the major challenges organisations face in improving performance and driving change. These themes were our primary focus, although we were also open to any emergent themes or issues.

In section 2 of the report we briefly introduced our three key themes – here we provide some further background research about each theme.

Leadership

Our review of previous research into the drivers of organisational performance revealed that leadership is a key theme. In referring to senior leaders we mean the executive teams and heads of business areas. Middle managers, who also have line responsibilities, are the layer of management with multiple levels of reports. Line managers are those at supervisory and professional level, responsible for managing front-line employees.

Within the theme of leadership, three areas of work have received specific attention. These areas are: leadership at all levels, the role of line managers and the role of senior leaders.

Leadership is required at all levels

The traditional heroic model of leadership is criticised by Mintzberg (2004) as ineffective for the sorts of constant disruptive change that organisations face. A more realistic model might be that of distributed leadership, where responsibility and authority is devolved to line managers and employees.

Indeed, the literature to date around leadership and people and performance stresses the role of leaders at all levels in organisations as deliverers of policies and processes that will drive performance. Castanias and Helfat (2001) suggest that investing in development of management capability at all levels means managers will be more likely to innovate, which is important for firm performance.

The people and performance work on line managers, *Bringing Policies to Life: The vital role of front line managers in people management* (Hutchinson and Purcell 2003) demonstrated that leadership can exist at all levels and that individuals will perform better when team leaders are skilled at communication, can build relationships based on trust, enable and support staff to carry out their role,

and allow them flexibility over how they perform it; in other words, empower their staff. This work also identified the role of line managers as implementers of HR policy and process and identified a number of behaviours that would result in a more positive impact on discretionary behaviour or individual performance.

The role of line managers in driving performance

Alimo-Metcalfe and Alban-Metcalfe (2008) demonstrate how line managers can be a significant enabler but also a potential blocker of performance if they inhibit the ability of individuals to be agile and flexible. Alimo-Metcalfe talks about the role of ‘nearby’ leadership and its role with employees and David Guest et al wrote in the CIPD publication *Voices from the Boardroom* (CIPD 2001) that ‘good people management (that correlated with organisational performance) was seen to be as much about the way front line supervisors, team leaders and middle managers interact with and engage with their staff as it was about the implementation of particular HR policies and practices’. Purcell and Hutchinson (2007, p.14) advocate that, ‘poorly designed or inadequate policies can be “rescued” by good management behaviour in much the same way as “good” HR practices can be negated by poor front line manager behaviour.’ Departmental managers’ interpretation and implementation of HR policy has been shown to affect performance (Kinnie et al 2005). Engaging managers motivate their teams, establish positive relationships and promote trust.

The role of senior leaders in driving performance

Blanchard (2006) describes leadership as the ‘engine’ that drives performance. Senior leaders are the main drivers in developing a vision, setting out the goals and mapping the values and purpose of an organisation. They need to inspire their employees and promote trust. They are largely responsible for determining how the organisation will engage with external stakeholders and how the brand and image will be managed and maintained. Kotter (2007, 2009) describes the need for leaders to develop a ‘sense of urgency’ and to help develop solutions to the challenges and threats that the organisation faces, enabling managers to be clear about its intent and develop a highly unified senior team. This is echoed in the work by John Purcell et al in *Vision and Values* (2004), where the ‘big idea’ or unifying purpose of an organisation is something that needs to be championed at the top to develop a unifying framework for action to manage change.

Breene and Nunes (2006) stress the importance of leaders ensuring the organisation is not dependent upon them, but will prosper beyond their term in post. They need to be a facilitator, enabling others to drive the organisation, retaining integrity and a focus on the organisation's values. Hamel and Prahalad (1994) believe that to stay ahead of competitors, leaders need to have foresight, promote innovation and growth, be out in front and be architects rather than maintenance engineers.

As stated in section 2 of the report, we believe that the theme of leadership is grounded in the following assumptions:

- Effective leadership is defined by a set of identifiable behaviours, primarily around the ability to motivate, inspire and establish relationships based on trust.
- Leadership is demonstrated by the cohesion of leadership values around articulated strategic priorities or core purpose.
- Leadership capability needs to exist at all levels.

Engagement

There has been an enormous amount written about engagement by the CIPD and others in recent years as a driver of performance. It is generally recognised as a positive phenomenon that organisations should actively seek to foster among their staff and is the second of our key themes.

Defining engagement

Despite the wealth of work and interest in the field, there are a number of definitions of engagement. Professor Katie Truss of Kingston Business School, writing in the CIPD report *Employee Engagement in Context* (CIPD 2009a), defines it as follows:

'Engagement is about creating opportunities for employees to connect with their colleagues, managers and wider organisation. It is also about creating an environment where employees are motivated to want to connect with their work and really care about doing a good job ... It is a concept that places flexibility, change and continuous improvement at the heart of what it means to be an employee and an employer in a twenty-first-century workplace.' (CIPD 2009a, p.1)

This definition is similar to that of Robinson et al (2004), who describe engagement in an Institute of Employment Studies (IES) report as:

'...a positive attitude held by the employee towards the organisation and its values. An engaged employee is aware of business context, and works with colleagues to improve performance within the job for the benefit of the organisation. The organisation must work to develop and nurture engagement, which requires a two-way relationship between employer and employee.' (Robinson et al 2004, p.1)

Recently the whole issue of engagement has been subject to a government review. Writing in the foreword of the review conducted by David MacLeod and Nita Clarke (2009), the Rt Hon Lord Mandelson, Secretary of State for Business, Industry and Skills, states:

'... Britain's economic recovery and its competitive strengths in a global economy will be built on strong, innovative companies and confident employees, there has never been a more important time to think about employee engagement in Britain.'

Within the review the authors note the different definitions of engagement but conclude that they believe it is most helpful to see employee engagement as follows:

'...as a workplace approach designed to ensure that employees are committed to their organisation's goals and values, motivated to contribute to organisational success, and are able at the same time to enhance their own sense of well-being.' (MacLeod and Clarke 2009, p.9)

This reflects David Guest's view of engagement, which is quoted in the MacLeod review, that much of the discussion about engagement tends to get confused by whether it is an attitude, behaviour, an outcome or, indeed, all three.

Engagement as a driver of performance

CIPD research (2006) suggests that engagement benefits both the employee and the employer. Engaged employees perform better than others, are more likely to recommend their organisation to others, take less sick leave, and are less likely to quit. MacLeod and Clarke (2009, p.34) reviewed studies that have looked at the link between

engagement and business outcomes, concluding these studies suggest that across industries, 'there is a strong story to be told about the link between employee engagement and positive outcomes'.

In their study of 50 multinationals, Towers Perrin (2008) found that those organisations with high levels of employee engagement outperformed those with lower levels of engagement in terms of operating income, net income and earnings per share. This study also identified a link between employee engagement and customer satisfaction. Watson Wyatt's 2007/2008 global employee engagement survey reports a link between employee engagement and financial performance and a strong association between employee engagement and customer focus.

The CIPD commissioned work on engagement with Katie Truss and her team from Kingston Business School (Truss et al 2006). They concluded that engagement alone is not enough to drive performance and this work highlighted the implications for managers. John Purcell, writing in the CIPD change agenda *Reflections on Employee Engagement* (CIPD 2006, p.3), says:

'We know from many previous studies that this attitude of engagement, or what is sometimes termed "affective" organisational commitment, is strongly related to positive discretionary behaviour.'

He argues that engagement cannot be taken for granted and managers need to pay specific attention to how engagement levels are affected by job design and culture. Alignment is needed between individual discretionary effort, HR policies and strategic priorities.

We believe that the theme of engagement is grounded in the following assumptions:

- Engagement can be identified and is manageable and measurable.
- Engagement can be converted into organisation performance and the most important facilitating factors are environment and management capability.
- Sustainable organisation performance will be achieved when both individual effort and HR policies are aligned with strategic priorities.

Organisational development (OD)

The third of our key themes is OD, which is possibly the broadest and most difficult to investigate.

Defining OD

Our own definition at the CIPD makes the relationship between OD and sustained performance explicit, describing it as:

'A planned and systematic approach to enabling sustained organisation performance through the involvement of its people.' (CIPD 2008)

In their 2008 publication *Organisation Development and Change*, Cummings and Worley argue that OD is distinguished from other applications associated with change not only by its emphasis on the behaviour and social aspects of organisations, but also by its intent to transfer knowledge into the system to make the system more capable of planning and executing change in the future. Hence OD is an adaptive process for managing change rather than a blueprint and its application should therefore enhance the change-readiness and adaptability of organisations, enabling sustainable performance.

There are a number of underlying characteristics of organisational development; these include:

- OD work contributes to the sustained health and effectiveness of the organisation.
- OD work is based upon robust diagnosis that uses real data from organisational, behavioural and psychological sources.
- OD work is planned and systematic in its focus and takes account of the whole organisation.
- OD practitioners help to create alignment between different activities, projects and initiatives.
- OD work involves groups of people in the organisation to maximise engagement, ownership and contribution.

OD as an enabler of organisation performance

Given the increasing need for the HR profession to act as a business partner, OD and its methods have a part to play in developing HR's strategic role and its involvement in organisational change, organisational culture and employee engagement.

The CIPD work on change, *Reorganising for Success* (2004), identified capability as a crucial issue in developing successful organisational models and highlighted the critical role of HR in restructuring. In addition, earlier work on change and the psychological contract (Guest and Conway 2001) stressed the important role of HR in developing the organisation's responsiveness and attitude to cope with continuous change.

We believe that the theme of OD is grounded in the following assumptions:

- Organisations that engage in continuous review of their context and external pressures are more likely to develop the flexibility and responsiveness to adapt to fast-changing market pressures.
- The process will be enhanced by effective HR that constantly seeks to renew and refresh the people resource or capability of organisations.
- Effective OD will drive the identification and development of organisational capabilities.

In summary, our review of the literature about the drivers of organisational performance led us to primarily focus on the three key themes of leadership, engagement and organisational development. However, we were also open to emergent themes. Through our research we aimed to establish whether these three themes encompass the enablers of sustainable organisation performance and, if so, what enabling practices are associated with each theme.

Appendix 3: Our case studies

- **BIG Lottery Fund**
- **Birmingham City Council**
- **NHS Dumfries and Galloway**
- **Pfizer (Grange Castle) (formerly Wyeth Biotech)**
- **Standard Chartered**
- **Xerox**

Big Lottery Fund

Background

The Big Lottery Fund was established in 2004 following a merger of the New Opportunities Fund and the Communities Fund. It administers the application process for lottery funding, currently distributing around £700 million of funds to community groups and projects that improve health, education and the environment. The organisation was included in the 'ones to watch' category by Best Companies in 2009, scoring highly on the 'giving something back', 'well-being' and 'fair deal' factors. The organisation's vision is to channel funding into areas that will bring real improvements to communities and the lives of people most in need. It is an outcomes funder, which means that its main focus is on assessing the value that the funding brings to communities and people in need, as opposed to the organisations that receive the funding.

The Big Lottery Fund is in the process of adopting an 'intelligent funding' approach, which the chief executive describes as more of a guiding philosophy than a change programme. The intelligent funding concept redefines the framework within which employees operate to evaluate projects, allocate funding and assess the impact of funding. To realise this philosophy, the Big Lottery Fund aims to simplify the way it does business and ensures that two of the main functions of the organisation work more collaboratively, that is, teams involved in intelligence-gathering and outreach work and the grant allocation teams. An intelligent funding approach will also bring about the leadership and cultural changes that have been identified as being key to sustained organisation success.

Research

Research was carried out with the Big Lottery Fund between February and September 2009. Interviews were conducted with senior managers, line managers and HR, and a focus group was held with employees. The research addresses the wider question of what enables and gets in the way of sustainable organisation performance. We focus

particularly on how the intelligent funding approach will improve performance over the longer term and how this concept can be embedded at a local level.

Factors that enable and get in the way of sustainable organisation performance

From analysis of the interview and focus group data, the following themes emerged as enablers of sustainable organisation performance within Big Lottery Fund.

Organisational purpose

Most of the interviewees generally agreed with Big Lottery's espoused purpose: being an organisation committed to improving lives and tackling disadvantage. However, there were some mixed responses as to how this purpose was achieved, with some more aware of political pressure, for example, than others.

Understanding of the intelligent funder concept

Managers generally knew about the intelligent funding concept and were able to articulate how it would result in a shift of focus to outcomes and impact. Employees did not see the change so clearly, which may be because they work closely with customers rather than with developing the frameworks against which applications are assessed. However, they did comment that the concept might help put greater emphasis on the evaluation of outcomes and develop further clarity about how job roles will change.

People

On the whole, staff are passionate about what Big Lottery is here to do and there is goodwill to enable it to achieve its aims. Managers reported there are very high-quality people working for the organisation and employees echo this sentiment. Employees believe that people get personal satisfaction from seeing projects make a real impact on lives and communities.

Communication

Employees feel very positive about internal communications, which over the last two years have been transformed, making use of online and more innovative channels. The chief executive has an internal blog and communication is reported to be interactive, enabling employees to feed their views upwards.

Career progression and talent development

Career progression and talent development were viewed as potential enablers of sustainable organisation performance.

However, employees feel these processes are not as clear as they could be. Interviewees think that gaining experience within other teams would be of long-term benefit to the organisation, promoting flexibility, as they will be able to support other teams when they are experiencing a particularly high workload.

Cross-functional working

Interviewees reported that cross-functional working was a key enabler of organisation performance. Having an understanding of how functions work together promotes efficiency and knowledge-sharing. HR is encouraging cross-functional working in the way they run development programmes and through the talent management programme.

Recommendations

Following on from these findings, the CIPD suggests that Big Lottery Fund could further explore the following issues or ideas:

- Articulate success criteria for becoming an intelligent funder. Measures that might be useful include changes to decision-making, increased personal accountability, extent to which knowledge is shared about what works, customer feedback.
- Clearer guidance on the implications of intelligent funding for different roles and individual performance assessment.
- Increase opportunities for staff to discuss the intelligent funding concept and its underlying themes.
- Develop clearer lines of career progression, considering the opportunities for employees to move horizontally between project teams.

Birmingham City Council

Background

Birmingham City Council is the largest council in Europe, employing 60,000 people. In April 2006, it embarked on the largest business transformation programme in UK local government, a programme that is set to revolutionise the way the council delivers services to people who live, learn, work in or visit Birmingham. There are nine business transformation programmes, one of which is Excellence in People Management. This programme aims to transform the council into an authority where people at all levels are free to use their talent, creativity, energy and commitment to serve the public and improve services. Being responsible for delivering public services, the council is its people. Therefore a key priority is to raise its game in relation to workforce management.

As part of the Excellence in People Management programme, a new workforce scorecard is being implemented that will make it possible to compare people performance across the authority as well as predict future workforce trends. There are four main activities within the scorecard: managing people performance, improving people environment, managing people resources and supporting people development. Each activity has key performance indicators (KPIs) in the areas of performance development review completion and performance objectives, employee satisfaction, health and safety incidents, absence, headcount, skills gaps requiring training and training delivery.

Research

Research was carried out within a specific directorate between May and August 2009. This area of the organisation was selected for study as it is going through a period of significant change and undertaking a metrics-based analysis of the workforce. The research addresses the wider question of what factors managers and employees believe enables and gets in the way of sustainable organisation performance. A particular focus is given to how employees and managers believe the workforce scorecard will improve performance over the longer term and how they will use it locally.

Factors that enable sustainable organisation performance

From analysis of the interview and focus group data, the following themes emerged as enablers of sustainable organisation performance within Birmingham City Council.

Organisational purpose

At all levels of the council there was a good understanding of the organisational purpose and a desire to help the council realise this purpose. One interviewee proposed that, 'when people can see how they fit into the whole picture... they are generally more motivated'.

Long-term vision

In the sample directorate there was general agreement from managers at all levels about what the council will look like in a few years' time as well as the factors that are prompting these changes. There was general agreement that the nature of job roles, including the roles of managers, will change. Interviewees talked positively about the consultations that have been held and one manager said, 'you can see lots of information around change and what will happen in the future'. Communicating to such a diverse workforce is one of the prime focuses for the authority.

Managers supporting employees through change

Line managers play a key role in both communicating to employees about changes within the council as well as supporting them through those changes. One manager said, 'it is about... getting them to understand that change does not always have to be scary'. Managers see their role as motivating staff through the difficult periods to ensure a high standard of service continues to be delivered. However, they felt they would benefit from additional training about how to further support staff, especially those who have worked for the council for their whole career.

Line managers

Line managers' role in motivating and engaging staff was reported to be a key enabler of performance. The employee survey results revealed that 94% of respondents feel their immediate boss trusts them to get on with their job. Reassuringly, 80% of people feel their immediate manager is always or usually open and honest and treats them fairly. Eighty-four per cent of people say their line manager is supportive if they have a problem. Seventy-nine per cent say they are consulted by their manager about matters of importance to them and 70% say their training and development needs are always or usually discussed with them.

Informal learning between managers

Managers reported the positive benefits of the informal networks they had established. One manager commented, 'you initiate your own meetings with your own peers... sharing information and skills and learning from each other'. It was felt that middle and line managers would benefit from having the kind of networks that senior managers have across directorates.

Metrics

Interviewees made it very clear that having the right metrics informs how work is done and enables future workforce planning. There is a hunger for an 'outcome-focused, evidence-based approach to life' and for line managers to have the capabilities required to make sense of the data, telling staff what they need to do to improve performance. The challenge is to ensure context is taken into account when analysing performance data, to enable the metrics to be interpreted intelligently.

Leadership support for people management

Leadership support, from the Cabinet Member Councillor Alan Rudge and from the senior management team, advocating the importance of the Excellence in People Management programme, were seen as integral to its success. The support for HR in local government is seen as 'a once in a lifetime opportunity' to drive the people agenda forward. It is felt that there is a passion for change from the cabinet and the chief executive, but also a desire that this passion be quickly distilled throughout the organisation for change to be embraced by all.

Sharing knowledge and learning

It was felt that spending time evaluating projects and sharing learning would be a key enabler of long-term performance. Line managers stressed the importance of evaluating projects and sharing learning both within teams and across the organisation, with some teams reporting doing this within their regular meetings. Senior managers also share these sentiments, keen to promote cross-team and cross-functional learning.

Technology

A challenge for Birmingham City Council is around developing skills and competence around technology use. More fundamentally, access to technology within the sample directorate is a major challenge, with IT links not being as good as they could be and so this can be frustrating for managers. However, this issue is specific to the chosen sample and the potential benefits of the new computer system are seen as positive.

Recommendations

Following on from these findings, the CIPD is working closely with Birmingham City Council looking at management development, how knowledge and learning is shared and how change is managed within the council. The CIPD will be advising on the best course of action for stage 2 of the research.

NHS Dumfries and Galloway

Background

NHS Dumfries and Galloway provides health care and promotes healthy living for the people of Dumfries and Galloway. It serves a population of 149,000, within a large geographical area of about 2,400 square miles. It provides primary, community and acute hospital services. Like all public services, this organisation is under pressure to deliver efficiency and quality, meeting government targets.

NHS Dumfries and Galloway has embarked on an ambitious modernisation programme in line with the NHS Scotland's health plan Better Health, Better Care (2007), which will fundamentally transform how health services are delivered in the area and has far-reaching implications for patients, communities, health partners, staff and their families. They have undertaken a number of major change initiatives including significant restructuring of job roles and responsibilities and an organisational development initiative called Delivering Dynamic Improvement (DDI). The aim of DDI is to engage people in ongoing improvement processes. Working in small groups, managers, clinical leaders and improvers are encouraged to model the shared responsibility for delivering dynamic improvements and hence actively engage all members of their team.

Research

The research was carried out between September and October 2009 and addresses the question of what enables and gets in the way of sustainable organisation performance. A particular focus of the research is on how the Delivering Dynamic Improvement groups are contributing to building a culture of innovation and positive change, which is needed for long-term sustainability.

Factors that enable and get in the way of sustainable organisation performance

From analysis of the interview and focus group data, the following themes emerged as enablers of sustainable organisation performance within NHS Dumfries and Galloway.

Organisational purpose

The senior team have a strong clarity about the organisational purpose, being to improve the quality of the patient experience.

Culture

Having a culture of continuous improvement is viewed as integral to sustaining performance. A challenge for NHS Dumfries and Galloway is to overcome the perception of 'this is how we've always done things', particularly in occupational groups that have strongly forged identities. The board wants to further develop and harness a culture focused on team success and positive change and opportunity.

Employee engagement

At NHS Dumfries and Galloway there has been a huge amount of work into driving employee engagement. The organisation as a whole scored well in the latest Scottish Government-initiated employee survey, which compares employee attitudes across health boards in Scotland. The results from this survey are actively fed back to staff through presentations and workshops. Issues are identified, tested with staff groups and acted upon via the DDI groups.

Leadership

Dumfries and Galloway is cultivating a distributed leadership approach that draws on the technical and professional capability of leaders and managers in both clinical and non-clinical areas. The value of having engaged and transformational leaders is espoused by the Government as being vital to the sustainability of the NHS.

Delivering Dynamic Improvement groups

DDI works by sharing information and expertise across boundaries and by unlocking the problem-solving potential of highly engaged teams. As these groups are composed of middle managers, the challenge now is to cascade and instil this continuous improvement philosophy throughout the rest of the organisation.

Pfizer Grange Castle Biotech Campus

Background

Pfizer (formerly Wyeth) Grange Castle is part of a research-based pharmaceutical company whose mission is to apply science and global resources to improve health and well-being at every stage of life. The Grange Castle campus is a key production site representing a £1.8 billion investment in biotechnology facilities. It is one of the largest integrated biopharmaceutical campuses in the world. The site includes a drug substance facility with mammalian cell culture capability, a facility for vaccine conjugation and aseptic fill finish facilities. It also includes quality assurance/quality control facilities, consisting of laboratories for testing and monitoring raw materials, in-process samples, as well as finished products. Around 1,200 employees currently work at the Grange Castle site: 55% of these are male and 45% are female. The average age of employees is 33. In 2008 the site initiated a programme of Lean transformation, which included 12-week 'mini-transformation' projects. During the course of those activities substantial internal movement of employees took place to support the areas of business growth.

Research

Research was carried out at the Grange Castle Campus in June 2009 when it was part of the Wyeth organisation. Interviews and focus groups were conducted with senior managers, line managers and employees in the Drug Substance and Quality Teams.

The research addressed the wider question of what enables and gets in the way of sustainable organisation performance, with a particular focus on how the recent lean transformation projects (aimed at increasing the efficiency of its operational processes) are contributing to better performance.

Factors that enable and get in the way of performance

From analysis of the interview and focus group data the following themes emerged from employees as enablers of sustainable organisation performance within Grange Castle. These themes were used to inform and develop the Shaping the Future interim research model, which is presented in this report.

Organisational purpose

Managers and employees felt that clarity about the organisation's purpose and the ability to connect to that

purpose enabled sustainable organisation performance. Many felt emotionally connected to the organisation's purpose, 'To make drugs to change people's lives', while others were motivated by making high-quality drugs.

Organisational culture

Respondents felt that a high-performance, high-trust culture is a true enabler of sustainable performance. This has been the aim at Grange Castle start-up, led by senior managers who have a number of guiding principles: a desire to build a high-trust work environment based on good employee relations; high employee involvement and participation, as well as minimal rules and policies where feasible. Managers spoke of the importance of creating a supportive team environment, one where team members are able to talk openly to managers, where there is mutual respect and a balance between structured and unstructured ways of working. Employees in this area spoke of the importance of being empowered to get on and do a good job and being supported by managers and colleagues – 'nice if someone sees that you are about to mess up and stops you'.

Leadership

Managers and employees emphasised the importance of strong and visible leaders with good interpersonal skills and solid decision-making. Interviewees felt that although the organisation had made noticeable advances in recent years, more work was needed around decision-making, vision-making, giving positive encouragement and closing the feedback loop.

Organisation and role design

Effective, supportive and decisive teamwork is seen as an enabler of sustainable organisation performance. Respondents felt barriers should be broken down between different functional areas, particularly between day and shift workers. They also recognised a need to develop cross-functional teams to engender a culture of movement and change.

Performance management

Performance management was frequently discussed in relation to sustainable organisation performance. Employees felt that greater clarity was needed around which metrics senior managers pay most attention to. The current work on lean projects (such as displaying progress against key metrics on electronic whiteboards in each production area) is helping with this as well as making it clearer how these metrics relate to their particular job role.

Employees also felt there should be recognition for getting projects started and for people who are involved in more routine work, performing the same test every day and consistently getting it right.

Systems (effectiveness and efficiency)

As a regulated industry, documentation and change control systems are critical. Employees highlighted that these systems should be easy to use and streamlined, otherwise they can pose a barrier to beneficial change and employee engagement. There was a strong theme for their continued improvement from employees and managers to assist efficiency and decision-making.

Talent and development planning

The level of clarity around career paths and opportunities was also linked to sustainable organisation performance. As the site moves from start-up – where opportunities for vertical advancement were greater – to one in sustaining mode, it is important to broaden understanding of what constitutes development (such as flexibility and lateral movement) and build that into the talent development systems.

Learning and development

Learning and development was also seen as important to sustainable organisation performance. Grange Castle has made significant investment in developing leadership capability. The participation by employees in improvement projects is not being interpreted by them as providing skills and capabilities development. With the introduction of lean working, the amount of time available for both cross-training and development becomes more challenging, requiring increased attention and improved planning.

Lean transformation projects

It is clear from interviewing senior managers that the mini transformation projects have been very successful from a business perspective. They have helped to streamline production, removing inefficiencies in operational processes, many of which were a cause of much frustration to employees, as well as releasing employees to be transferred into other production areas – ‘the drive for operational excellence and standard site structure has been breathtaking compared to three or four years ago.’ Line managers in both areas also cited many positive business benefits of the lean transformation projects. A challenge now faced is identifying appropriate measures to assess the outcomes of planned continuous improvement changes and getting the balance right between quantitative and qualitative measures.

Recommendations

Following on from these findings, the CIPD recommends that Pfizer Grange Castle further explore the following issues or ideas:

- Provide clearer direction on how performance will be assessed going forward and communicate the differences between ‘average’ and ‘excellent’ performance.
- Clarify which metrics (for people and business) are paid closest attention to and balance quantitative and qualitative measures to avoid a ‘tickbox’ mentality.
- Close the feedback loop – share how employee suggestions for improvements have been taken forward.
- Talent and development planning should be given a greater visible priority and transparency in the business – consider introducing a structured programme of short-term development opportunities.
- Develop managers’ understanding of the emotional side of managing change.

Standard Chartered Bank

Background

Standard Chartered has a history of over 150 years in banking and is in many of the world's fastest-growing markets. The London-headquartered group employs over 70,000 people, representing 125 nationalities worldwide. It is listed in both the London and Hong Kong stock exchanges. The group derives more than 90% of its operating income and profits from Asia, Africa and the Middle East, generated from its wholesale and consumer banking businesses. In Hong Kong, it has been operating for 150 years and currently has over 5,000 employees.

Standard Chartered strongly promotes the value of employee engagement, demonstrating its contribution to business performance even in challenging economic circumstances. Standard Chartered has strived to create an engaged workplace culture, in which employees have an emotional connection to the company's mission and growth – a core success factor in delivering superior performance.

Research

Research was carried out in Standard Chartered, Hong Kong, in February and March 2009. This area of the organisation was selected for study in recognition of the advances it has made in driving employee engagement and its sustained business performance. The research addresses the wider question of what enables and hinders sustainable organisation performance, with a particular focus on employee engagement and how employees and managers work with this approach locally.

Factors that enable sustainable organisation performance

From analysis of the interview and focus group data, the following themes emerged as enablers of sustainable organisation performance within Standard Chartered.

Long-term vision

Employees understand the bank's vision and goals and they stressed the importance of doing what is right for the bank in the long term. In particular, it is seen as important for all staff to have an awareness of risk, speaking up when necessary.

Customer focus

Employees stress the importance of understanding customer needs and how these change over time. It is apparent that providing excellent customer service is a key priority for staff, particularly as consumer confidence in banking is low.

Culture

The bank has a high-performance culture but emphasises the need for high levels of performance to be achieved through demonstration of the bank's values. These values are strongly embedded in the bank because of their clarity and consistency and staff live them through the way they do their jobs. Interviewees stressed the importance of being self-driven and motivated to ensure that an excellent job is done, but also the value of working as a team. Employees view their teams as families and they talked about the importance of learning from each other to share best practice. However, a high attrition rate poses a challenge for the bank in building this desired culture.

Top leadership

Employees report that the top team are very supportive of engagement, encouraging it in their behaviour as well as in their communications. Staff talked enthusiastically about both top leadership and middle managers being highly visible to them, walking the floor and visiting branches. The management style valued is one of a coach, not just pushing sales. Employees appreciate good people managers who have an understanding of the business.

Communication

The communication employees receive from above as well as from other parts of the business is viewed as an enabler to sustainable performance. There is clear and consistent communication about the direction of the bank that is cascaded to all levels. And employees trust the communications they receive, with the personal nature of them being easy to relate to. Employees talked about the positive benefits of establishing informal contacts within the bank, especially between functions. Having informal contacts enables them to share client information, hence provide excellent customer service, and to discuss how they have promoted engagement within their team.

Performance management

Employees have a clear understanding of how performance is measured and how personal objectives relate to the bank's objectives. In the short term, financial reward is valued; in the long term, career progression is valued, whether that be vertical or horizontal.

People

Employees are proud to work for Standard Chartered and feel they are valued, having the freedom to make decisions within clear guidelines. People who don't live the bank's values are seen as performance blockers. To progress within the bank it is necessary to behave in a way consistent with both the internal and external organisation brand.

Organisational design

The size and complex matrix structure of the bank poses a challenge in terms of promoting cross-functional working and enhancing the speed by which information is transmitted across the organisation. The bank sees cross-functional working as an area for improvement, wanting to avoid functions becoming inward-looking and enabling them to appreciate how what they do affects the performance of other parts of the organisation.

Employee engagement

Employees appreciate the importance of being engaged, advocating its benefits for both short-term and long-term performance. They have interpreted its worth for themselves, internalising the value of engagement, which was demonstrated by the range of answers employees gave when asked why the bank endeavours to engage staff. The engagement process itself is purposefully loose and simple, which are its strengths. The engagement survey is short and easily understood, which contributes to its high response rate. The impact planning process that follows the survey results is owned by individual teams that are able to tailor the process to their particular needs, which in turn feeds their enthusiastic adoption of engagement.

Recommendations

Following on from these findings, the CIPD recommends that Standard Chartered further explore the following issues or ideas:

- Provide the opportunity for employees to establish cross-functional links to enable the sharing of knowledge and learning experiences. Having points of contact between teams will also support the bank's focus on the customer, enabling the sharing of customer information and market intelligence.
- The high visibility of leaders and managers above branch level in consumer banking, Hong Kong, was positively reported by staff. It is important to maintain this practice and promote it further within other areas of the bank.
- Further examine the ways in which employees make the important link between engagement and business metrics.
- Compare the drivers of both performance and engagement across cultural boundaries.

Xerox

Background

Xerox has three core business areas: Office Products, Graphic Arts and Global Services. Global Services is identified as a growth engine for Xerox and provides a document management and print management outsourcing service. The core strategic priority for Global Services over the past three years is to be recognised as the leader in the managed print services outsourcing business. This is a highly competitive business area, one that requires a focus on customer service. In 2008 Xerox was positioned in the leaders' quadrant of Gartner's 'Magic Quadrants for Managed Print Services Worldwide' analysis.

Moving to a global services model has involved having to deal with much greater complexity of customer needs and delivery channels. This means more complexity in the way accounts are won and handled, which has implications for organisational capacity, leadership and values. Responding to this complexity has involved developing an extensive network of global partners, as well as developing new skill-sets.

Research

The research was carried out between April and August 2009 and focused on one of the dedicated account teams that provides a document and print management outsourcing service. This team operates as a separate business unit within Xerox Global Services with its own finance, IT, programme management and HR. It needs to ensure that it provides a responsive and innovative service to the client throughout the life of the contract. At the time of data collection the contract was a third of the way through its term.

The research addresses the wider question of what enables and gets in the way of sustainable organisation performance, with a particular focus on how they might further build organisational capacity, including leadership capacity, and how their culture impacts on behaviour.

Factors that enable and get in the way of sustainable organisation performance

From analysis of the interview and focus group data, the following themes emerged as enablers of sustainable organisation performance within this division of Xerox.

Organisational purpose

Across the team there was broad agreement on the business purpose: to serve the needs of the customer and to develop innovative solutions to their print needs. What has helped create this strong sense of purpose is employees' view of how unique within Xerox the operation is. Employees generally feel special in that they are pioneering, working in ways that are new for Xerox. They feel proud to be 'trailblazers' for the Xerox community, with others coming to see how the contract is being handled.

Customer focus

Employees believe that they need to actively seek out opportunities to improve and develop their market experience, and develop their knowledge of the client and their objectives. There is a strong belief that the client relationship is the key to success. Developing a relationship of trust and mutual anticipation of changing needs is fundamental to the success of the contract.

Business processes

The main barrier to performance that employees identified was the business processes, which they felt were more about providing an audit trail to track targets than meeting needs of customers.

Performance measures

For many managers, performance measures are about having ambitious and positive objectives. Because business reporting data is visible to everyone, a sense of ownership is engendered. People are much closer to the business and can see the impact of their actions on the results as can the rest of the business.

Cross-functional working

Staff generally identify cross-functional working – both internally among Xerox staff and externally with the client and partner organisations – as essential to achieving their key priorities. This fits with the view of senior managers, who see this as an essential element of the customer-centric approach that Xerox is trying to build. Multi-skilling is seen as a performance enabler, making it possible for people to adapt quickly to different tasks, building a network of skill and increasing knowledge about different roles and responsibilities.

Employees expressed a desire to have a greater appreciation of other departments' objectives, which would enable them to work together more effectively. They also felt that the organisation needs to get better at sharing knowledge internally to sustain performance over the long term.

Culture

Culture was seen as an enabler of sustainable organisation performance. Managers spoke of how Xerox and this team in particular has a 'can do' culture. There is a desire to find solutions to overcome obstacles. There were further comments that the Xerox culture is a 'no blame' culture, where people can learn from their mistakes, which is also felt to be important in creating an environment that enables performance.

Communication

Interviewees were very positive about internal communication and feel that managers are being open about what the organisation is doing to relieve the pressure that changes in the external environment are having on workloads. They are confident that they understand the needs of their customers and what is happening with the contract.

Leadership

Both managers and employees commented specifically on the value of the leadership capability, especially of the general manager who keeps employees well informed about changes and developments. Generally employees feel that managers recognise good performance and this in turn energises and motivates people to give their best efforts.

People

Employees commented that they rely heavily on the social relationships built up with colleagues to keep themselves energised and to deal with the challenges of the job. They also talked about the sense of pride they have in working well together.

Recommendations

Following on from these findings, the CIPD recommends that Xerox further explore the following issues or ideas:

- Enhance cross-functional working, learning and development: explore more systematic ways for employees to develop greater in-depth understanding of what different teams in the business do and the operational issues that they face, so that a more joined-up approach to meeting the key performance indicators is achieved.
- Get feedback from a broader range of users.
- Explore ways in which processes can be revised so that employees have greater scope for discretionary behaviour when building relationships with different service users.

Further sources of information from the CIPD

Leadership

Our factsheet on leadership looks at the attributes of leadership, strategic leadership and leadership development. [Read the factsheet](#)

A research insight written by Beverly Alimo-Metcalfe and John Alban-Metcalfe explores the causal link between leadership behaviours and engagement. [Download Engaging leadership](#)

Gary Hamel talks about building leadership capability for change in a CIPD podcast. [Listen to podcast episode 32](#)

Engagement

Our factsheet provides introductory guidance on the topic of employee engagement. [Read the factsheet](#)

The CIPD has commissioned further research on engagement from Kingston Business School. [Read the report Creating an engaged workforce](#)

A CIPD guide on employee engagement is aimed at HR directors. [Download the guide](#)

A research insight explores developing a shared sense of organisational purpose to promote engagement. [Read the report](#)

Organisational development

Our factsheet gives introductory guidance on organisational development. [View the factsheet](#)

Our podcast on organisational development is a discussion of the concept and how it can be put in place in different ways in different organisations. [Listen to podcast episode 28](#)

The CIPD has published a toolkit on organisational development and change by James Cannon and Rita McGee. [Buy the toolkit](#)

Other major CIPD research

Find out about our other CIPD flagship project, Next Generation HR, which examines HR's key role in building sustainable performance, at www.cipd.co.uk/nextgen

Our podcast introduces this research and explores some of the challenges and opportunities for the HR function of the future. [Listen to the Next Generation HR podcast](#)

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