

# Transform Staff –The People Part of Enterprise-wide Change

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By [James M. Kerr](#)



In my latest book, [The Executive Checklist: A Guide for setting Direction and Managing Change](#), I write that training, measurement and reward are three pillars on which the platform for staff transformation is shaped. Each of these pillars is equally important and mutually supporting of the other. If one of the pillars is weak a business transformation effort can tumble; if one of the pillars rises past the others the whole change process can be jeopardized. Here is a brief excerpt from the book that addresses measurement and reward, topics that I hope will resonate with the

Entertainment Human Resources Network:

## Measure for Desired Outcomes

Performance measurement programs must be fine-tuned in order to work correctly. Overdo measuring practices by attempting to measure every step in a process and it is like being eaten alive by a million little mosquito bites. It is tortuous, takes too long and may not deliver the desired outcome. Underdo it and you would be better served to skip performance measurement altogether because it will make no difference at all.

The best approach is to conceive a performance measurement program that keeps an eye on the bigger picture and bases all measurements on desired outcomes as per the long range vision and strategic plan, not one focused on establishing measurements for every incremental event that underpins each and every business process.

Not only does the adoption of this approach to performance measurement “right size” the program, making it easier for management and staff to use and understand, but it directly supports the “tackling the whole process” concept discussed earlier in the book, a central tenet of business transformation. Aligning performance measurement with business transformation makes sense and can bring about higher quality changes faster than without proper alignment.

Further, driving the performance program from a desired outcomes perspective helps to define what is important to the enterprise and places emphasis on the work activities and behaviors that are most critical to overall organizational success as per its strategic vision. Sure, executives will need to set individualized expectations and ensure that every team member knows their job and what is anticipated from them; but, once that is understood, the program is easy to monitor – we are either winning the battle, or we are losing the war. See *Insurance Carrier Links Performance Measurement to Vision* for an example from the insurance industry about the importance of tying the performance measurement program to the strategic vision of an organization.

### **See It In Action:**

#### ***Insurance Carrier Links Performance Measurement to Vision***

Recently, I was working with a client that provides both business and personal insurance. Its offerings include motor vehicle and property insurance as well as life, investment and risk management services. The company does business overseas and has over 20,000 employees.

The firm’s vision calls for adding value to its customers and ensuring stakeholder satisfaction by anticipating and meeting customer needs, providing personalized products and services in the fashion and timeframe as defined by the client, and effectively managing the provision of its offerings by optimizing its own core processes.

Clearly, the responsibility for achieving these objectives does not fall solely on the shoulders of its senior executives. Rather, all staff members have a role to play. Each employee must make sure that their individual jobs are performed well and that all of their activities are done in ways to achieve and further the company’s strategic vision.

Consequently, the firm has centered its performance measurement program on these three aspects of its vision:

- ✓ customer centricity;
- ✓ product design and service delivery, and;

✓ process optimization.

To add more specificity, the insurer adopted the SMART (i.e., Specific, Measureable, Achievable, Relevant and Time-related) approach to its goal setting. SMART is a simple method of acid testing the validity of a performance goal. If a goal satisfies each of the five criteria then it is appropriately defined and can be used as a measure of performance.

The firm defined three overarching metrics as the backbone of its performance measurement program, including:

- ✓ to achieve top 10 percent in customer satisfaction this year as per third-party surveys when compared with other companies in the financial services industry (customer centricity);
- ✓ to achieve top 20 percent of employee satisfaction this year as per third-party employee engagement surveys when compared with other companies in the financial services industry (product design and service delivery), and;
- ✓ to reduce total cost of operations by 8 percent this fiscal year (process optimization).

Focusing on these three seems to make sense. After all, customer satisfaction comes with providing the right products and services at the right time and in the right way. Happy and engaged employees will do a better job of delivering on customer satisfaction than ones that are unsatisfied and disengaged. Finding ways to reduce costs will optimize business operations and improve the bottom-line.

Since each employee's individualized performance measurements roll up to one of these three SMART goals, it makes it easier for them to determine how best to perform the work of the enterprise. For example, if an employee finds themselves doing work that is not about delighting the customer, improving the work setting or optimizing the way work is done then they need to ask themselves (and their management) "*Why am I doing this?*"

While still in its infancy, the performance measurement program does a nice job of tying vision elements to measurable results. It represents a strong stride forward in aligning measurements and metrics to business strategy, helping to inform employees how best to focus their energies in the support of long-term vision achievement.

## Reward Results

Reward and compensation programs are the other side of measurement initiatives. The two should be in lockstep to produce the best results for an organization. Since, we are striving to measure against desired outcomes, as outlined above, it only makes sense to reward staff members based on their contribution to the achievement of results. Hence, compensation programs must be rethought so to enable tracking and rewarding personnel based on results achieved – not on effort made or hours invested.

Certainly, people work hard and should be recognized when they go above and beyond in the call of duty to deliver results. But, the key words are "deliver results." If the extra effort does not provide

sought after outcomes, then what are we rewarding, effort? My stock portfolio doesn't raise a penny in value because the staffs at the firms that I invest in are "trying hard." No, I only make money if the firms that I invest in achieve results. The same should be true when measuring and rewarding performance within an organization – reward results, not effort.

With that said existing reward and compensation programs may need to be reviewed and revamped so that the measurements within them are aligned with the organizational vision. Further, staff should be involved in the process to secure their buy-in and raise their awareness of the changes being adopted within the enterprise. Personnel need to understand that their reward is proportionate with their contribution to delivering desired outcomes to the enterprise.

See ***Jim Beam's Reward*** for an example of a compensation strategy that the company has put into place in order to link its staff members to one vision, one set of goals and the company value of taking responsibility for business outcomes.

### **See It In Action:**

#### ***Jim Beam's Reward***

Beam, Inc. headquartered in Deerfield, Illinois, crafts and markets dozens of the world's top premium spirits brands, including Jim Beam, Makers Mark, Pinnacle Vodka and Souza Tequila, to name a few. Through acquisition, Beam has grown to become the fourth largest premium spirits company in the world and the largest U.S.-based spirits company.

It is difficult to get to a "one Beam way" of doing business with a growth through acquisition strategy. In the words of Mindy Mackenzie, senior vice president and chief HR officer at Beam Inc.:

*"To unite the organization and improve company performance, we really needed a cultural transformation that would inspire deep employee engagement, passion and performance. We wanted to re-hydrate our culture and build a unified identity."<sup>1</sup>*

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<sup>1</sup> "Beam Inc. Reinvents Total Rewards to Support a New Global Culture," By Lucie P. Lawrence, Strategy at Work, towerswatson.com, November 2012.

In order to achieve that goal, Mackenzie brought in consultants to help her and her team to design and develop a reward strategy that would link all members of the Beam team to one vision, one set of goals and, most importantly, a singular mindset of “owning” all business outcomes.

The reward system included:

- ✓ an employee stock purchase plan, which gave employees an easy way to become direct owners of Beam stock;
- ✓ performance-based bonuses;
- ✓ an executive incentive plan to help align all senior leaders around a common strategic plan, and;
- ✓ developing a new salary structure to further encourage collaboration, ownership and alignment among employees

Under this compensation program, everyone gains when desired outcomes are achieved. Accordingly, management and staff now have skin in the game and are rewarded when the corporation performs well and realizes results.

The reward program at Beam, Inc. is a good illustration for all of us interested in driving change and transforming staff by aligning compensation with the long range plans of the organization.

**Source:** “Beam Inc. Reinvents Total Rewards to Support a New Global Culture,” by Lucie P. Lawrence, Strategy at Work, towerswatson.com, November 2012.

## To Close

Lasting staff transformation is about placing emphasis on the “big picture” and encouraging staff to change behaviors and develop skills that are needed to make the enterprise more successful. It is a vital part of rejuvenating the current execution culture, while enabling the achievement of desired outcomes.

Organizations change as people change.

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