



Organizational Effectiveness

Discovering How to Make It Happen



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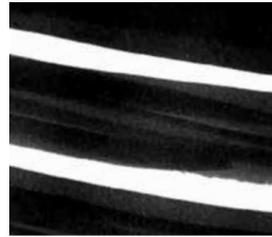
Executive Summary

Organizational effectiveness is critical to success in any economy. In order to achieve increased and sustainable business results, organizations need to execute strategy and engage employees. However, our research indicates that most organizations are struggling to get it right.

To understand more about the elements of an effective organization and the connection to productivity, Right Management conducted a global study of nearly 29,000 employees from ten major industry sectors in 15 countries in the Americas, Europe and AsiaPacific.

To create organizational effectiveness, business leaders need to focus on aligning and engaging their people, the people management systems, and the structure and capabilities (including organizational culture) to the strategy. Our results confirm that this engagement is critical. Put simply, it results in higher financial performance, higher customer satisfaction, and higher employee retention. An organization that can sustain such alignment will achieve increased business results.

Effective implementation of strategy is a key driver of financial performance. Organizations that fail to fully engage their workforce in the business strategy will fail to produce reliable, sustainable business results. The link between employee engagement factors and successful strategy execution is vital.



This document provides information and insight into organizational effectiveness and how you can make it happen.

Right Management would like to thank the participants of this important study. We look forward to continuing to equip you with the essential insights and best practices you need to excel.

About This Study

To arrive at a clearer understanding of engagement drivers impacting critical business metrics such as performance, employee satisfaction, and retention, Right Management conducted a major study of engagement among 28,810 employees representing a broad range of sectors from 15 countries in the Americas, Europe, and Asia-Pacific.

Our survey asked participants to self-report on attitudes, performance, and conditions directly related to the effectiveness of their organization. It identified 11 key determinants of organizational effectiveness and under each determinant or “topic” presented a number of statements or “items” associated with that topic. There were 99 items in total. For each item, participants were invited to choose among six responses ranging from “strongly agree” to “strongly disagree.” Eight items were specifically directed toward measuring the level of their engagement. The other 91 items addressed the 10 remaining topics, which ranged from leadership and strategy to culture and communication. Responses were then analyzed to test for correlations between engagement and each general topic as well as each specific item. Data was collected from November, 2008 to January, 2009. Most respondents (91%) were from private corporations employing 50 or more people, with revenues ranging from under \$1 million to over \$1 billion. The study used a stratified sample of employees that matched the workforce population in each country on several factors, including industry, size of organization, gender, and age.



COUNTRIES

United States, Canada, Australia, New Zealand, Brazil, UK, France, Germany, Norway, Sweden, Denmark, China, India, Japan, South Korea

INDUSTRIES

Agriculture, forestry and fishing; Mining and quarrying; Manufacturing; Electricity, gas and water supply; Construction; Wholesales and retail trade; Restaurants and hotels; Transportation, storage and communication; Finance, insurance, real estates and business services; Government, social and personal services.

The Call for Sustainable Business Results

The goal: Outstanding business results. The challenge: Understanding a set of often complex relationships between critical organizational elements well enough to unlock great organizational performance. Additionally, dynamic and complex market conditions can increase these challenges as organizations seek innovative ways to increase productivity and profitability, while continuing to meet and exceed the expectations of customers and stakeholders.

Complex organizational structures can often lead to ineffective execution of the business strategy. No one element by itself can drive sustainable business results—all elements must be working together toward the same goal in order to get strategy execution right. These elements work together, mutually reinforcing each other, and must be focused and aligned to effectively achieve execution. Add to the complexity the fact that one magic formula will not work for every company—each organization is unique and requires a unique approach. To capture this complexity and help organizations define the interdependencies of various organizational elements, Right Management created the Organizational Effectiveness Model which will be explained in more depth further on in this paper.



To understand more about how the elements of an effective organization really work, Right Management conducted a global study that examined the interdependent relationships of those elements that either block or support great strategy execution and organizational performance. Collecting and analyzing data from nearly 29,000 people from 15 different countries and in 10 different languages across 10 industry sectors, Right Management's study looked at the interplay between strategy, organizational structure and roles, leadership, people systems, employee engagement, and organizational culture and values. Right Management's global research identified the top engagement drivers and their links to key business metrics. But two critical relationships emerged among many very important ones: effective implementation of strategy is a key driver of financial performance, and organizations that fail to fully engage their workforce in the business strategy will fail to produce reliable, sustainable business results. The link between employee engagement factors and successful strategy execution is vital.

There are some fundamental relationships between organizational elements that work together to deliver a well-executed strategy through an engaged workforce, resulting in a great customer experience, high performance, and profitability:

- A “fit for purpose” structure where people understand expectations and accountabilities
- People systems and processes that drive the right behaviors
- Capable and credible leadership
- A positive work environment

We found that across the globe business leaders face significant challenges in their efforts to align and engage their employees to their strategy. The results also reinforced the clear relationship between engagement and key business metrics such as financial performance, retention, and a company's ability to attract talent.

Effective strategy execution is paramount to success. There are challenges, but knowledge, focus, and an integrated approach will ensure that your business survives and thrives under all economic conditions.

Our global study found that fewer than half of all employees work in an organization where senior leaders effectively communicate the strategy. And even more worrisome is that even fewer employees believe that senior leaders effectively implement the strategy.

Delivering Workforce Excellence

The challenge for businesses seems simple: align and engage your workforce to a clearly articulated strategy. However, this can be difficult to achieve. It requires a holistic, coordinated effort to put a number of key elements or building blocks in place.

The key elements of organizational effectiveness, as illustrated in the figure below, are needed to drive employee engagement in an organization. Engagement influences the customers' experience and, ultimately, the overall performance of an organization in terms of productivity and profitability.

Figure 1 Right Management's Organizational Effectiveness Framework



How do you achieve organizational effectiveness? Through an integrated framework that address the following organizational effectiveness elements:

Strategy	The role, purpose, and strategic direction that summarizes the work of the organization and/or division being clear and appropriate.
Structure, Capacity, and Capability	Capable people doing the right work through a “fit for purpose” structure and clearly described role accountabilities and relationships.
Leadership	Leaders have the capability and capacity to drive sustainable business success.
People Systems & Processes	Leaders need to be supported by good people systems and processes. These systems and processes work in organizations to send messages, share information, and make well-informed decisions across the business. Organizational processes and systems are an extension of leadership, creating consistency and trust.
Culture & Values	A set of shared, basic assumptions about how to behave and carry out work within the organization that is aligned to business strategy. The systems, symbols, and behaviors that leaders and other employees are exposed to within an organization must align to the desired culture to achieve the business strategy.
Employee Engagement	High numbers of engaged employees whose hearts and minds are aligned with both the job that they do and the organization that they work for. Engaged employees are: <ul style="list-style-type: none"> • Satisfied with their current job and their organization as an employer. • Committed to making the job and organization successful. • Proud of their organization and the work they do. • Willing to positively talk about their job and the organization.
Customer Experience	High levels of customer satisfaction and loyalty achieved through employees being aware of customer needs, acting on customer feedback, and being supported to deliver what customers require. Organizations are environmentally responsible and support the community.

Integration of the first five elements will produce powerful and mutually reinforcing results: a true performance-based, customer-focused culture. No single initiative can create organizational effectiveness. Excellence is required across the full range of organizational effectiveness framework elements if competitive strength is to be achieved.

Obstacles to Organizational Effectiveness

How well your business performs is the outcome of an effective organizational effectiveness model. Our study revealed that many business leaders struggle to align and engage employees with the company's strategy – a fundamental element in a successful model.

So how do businesses achieve *sustainable* organizational effectiveness? As stated, a key element is to align employees with the company's strategy by (1) helping them to understand the part they play in achieving success, and (2) engaging employees in their jobs and with the organization. Strategy alignment is achieved through a "fit-for purpose" structure, capable leadership, and effective people systems and culture. Integrating efforts across these areas will lead to more highly engaged employees who are willing and capable of helping the organization achieve its goals. However, sustainable organizational effectiveness requires that attention be paid to all of these elements—focusing attention on just one without the others will not deliver long-term engagement.

Key findings:

THE LEADERS ROLE

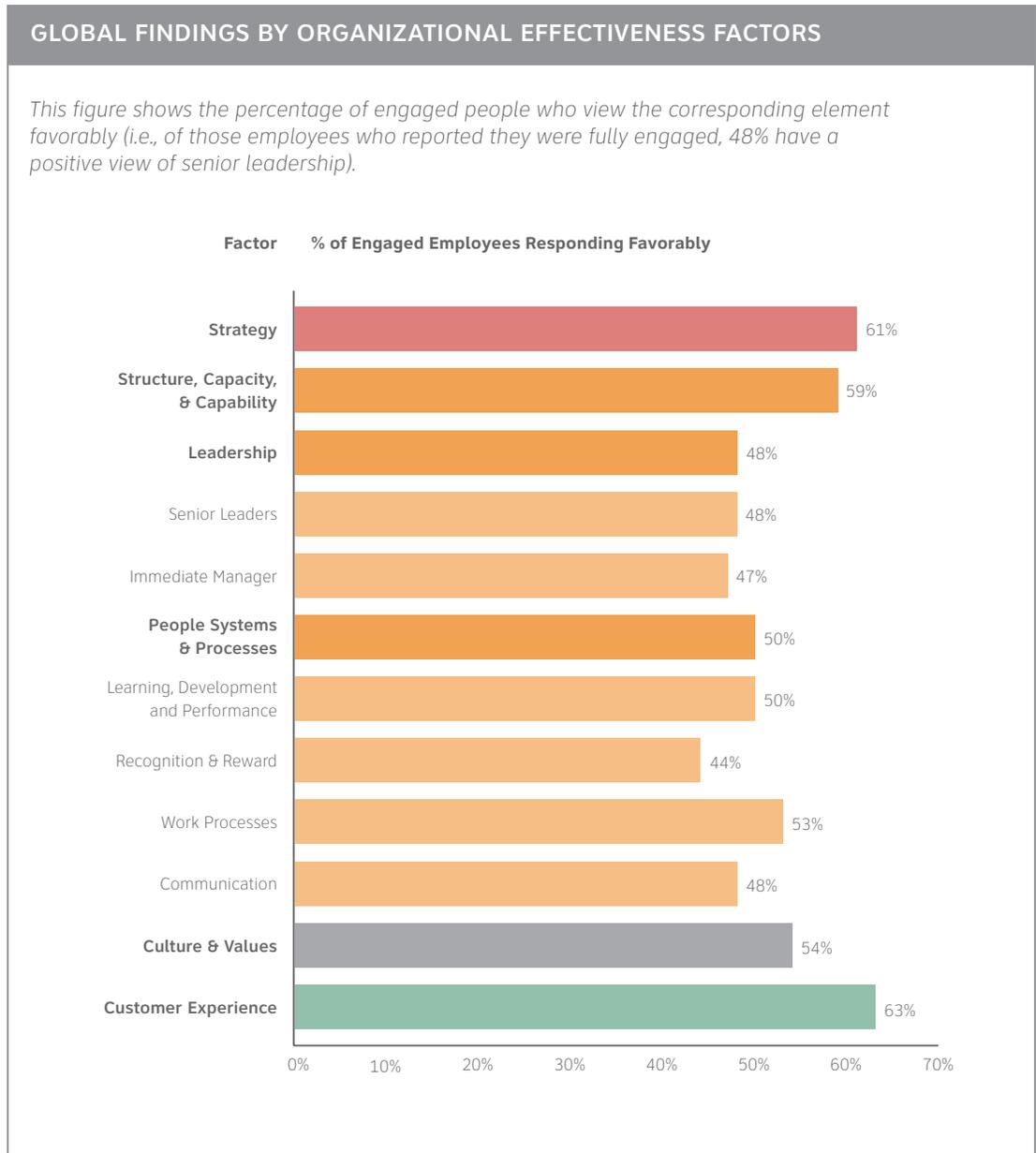
Fewer than half of all employees work in an organization that is perceived as having capable leaders and people systems that drive the right behaviors.

Leaders play a key role in creating a culture of engagement by directly or indirectly impacting all factors of engagement. They can directly influence engagement by valuing employees and providing career developing opportunities. Leaders also indirectly impact engagement by ensuring employees have the resources needed to be successful in their roles.

CREATE "FIT FOR PURPOSE"

Only marginally higher numbers of employees reported they worked in organizations that promote a positive culture, with capable people performing the right work with clearly defined role accountabilities and relationships through a "fit for purpose" structure. Individual and team assessments can help a company assess high-performing talent, and identify needed competencies and skills gaps, allowing the organization to develop the right talent and the right skills needed to meet business objectives.

Figure 2



EMPLOYEE ENGAGEMENT IS TIED TO FINANCIAL PERFORMANCE

Findings from Right Management's global study on employee engagement drivers revealed that higher financial performance, greater customer satisfaction, and increased retention are linked to engagement.

Our study found that high-performing organizations have engagement levels that are 6.6 times higher than below-average performers (53% versus 8%). Our study also found that the key engagement drivers impacting financial performance were:

- Senior leaders effectively implement the organization's strategy.
- Customers think highly of products and services.
- Senior leaders have the capability to make the organization successful.
- The organization invests in people's learning and development.
- Pay is competitive with similar jobs in other organizations.

Additional research has also consistently shown that employee engagement is powerfully linked to a range of success factors such as:

1. Employee performance/efficiency
2. Productivity
3. Safety
4. Employee attendance and retention
5. Customer service and satisfaction
6. Customer loyalty and satisfaction
7. Profitability

ACHIEVE HIGHER LEVELS OF CUSTOMER SATISFACTION

Engaged employees report significantly higher levels of customer satisfaction than employees who are disengaged. Customer service and satisfaction are critical success factors for any organization. Creating a culture of engaged employees who are committed to delivering high-quality services and products is a top priority.

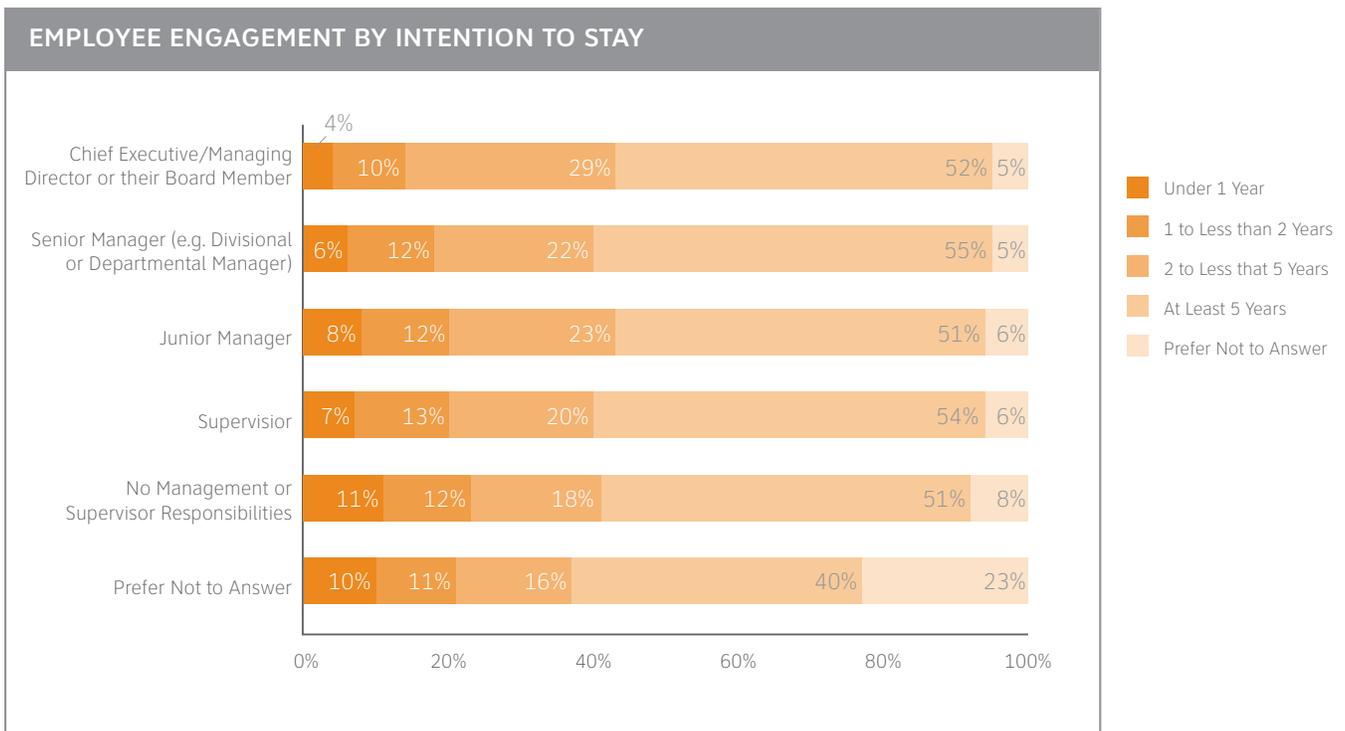
Figure 3



RETAIN YOUR TALENT

Engaged employees across levels are 7 times less likely to leave in the next year and 1.5 times more likely to stay for at least 5 years. Turnover can hurt an organization’s ability to meet business objectives, resulting in lost business opportunities, increased hiring and training costs, decreased customer service quality, and lower productivity.

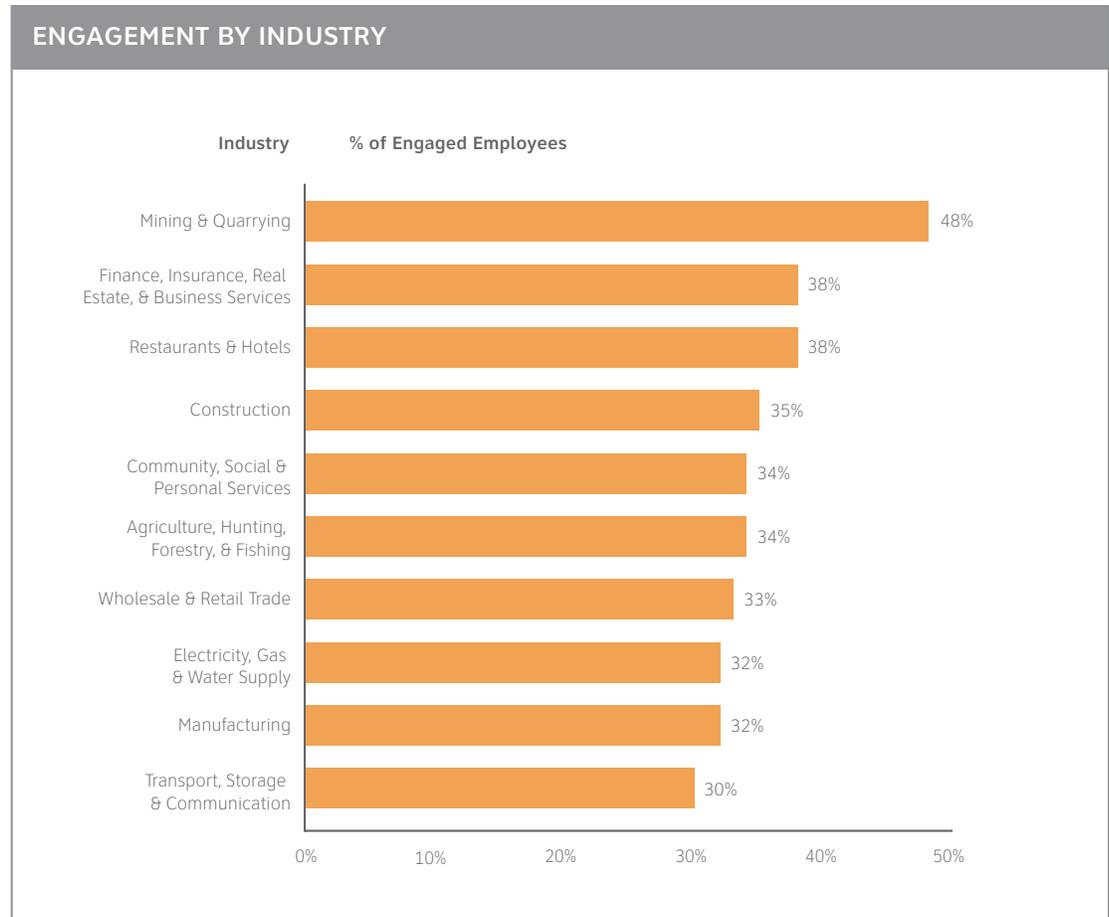
Figure 4



INDUSTRY DIFFERENCE

Engagement levels vary by industry. Our results showed that those working in the transportation, storage & communication industry are significantly less engaged than those in mining & quarrying.

Figure 5



Organizational Effectiveness: A New Reality

As the results of our study uncovered, to create organizational effectiveness and ensure sustainability, business leaders need to focus their attention on aligning their people, the systems, the structure and roles with the organization's strategy, while engaging their employees with their jobs and with the organization. The question is, where do you begin?

Recommendations:

MEASURE ENGAGEMENT

Every organization is unique—where to begin is different for each organization. The only way to gain accurate insight into the unique culture and challenges each business faces is to measure current levels of engagement across the factors impacting organizational effectiveness captured in Figure 1.

The most accurate way to achieve this is through a quantitative survey supported by qualitative interviews and focus groups. Surveys need to be tailored to your organization to align with your strategy, your values, and your language.

Surveys need to provide a complete picture, not just part of the story. Therefore, measure performance against each of the key elements of organizational effectiveness: Strategy; Structure, Roles & Capability; Leadership; People Systems & Processes, Culture & Values; Employee Engagement; and Customer Satisfaction. Effective survey design is critical to uncovering the right information. If you don't ask the right questions, you will be unable to identify the barriers to engagement that are impacting business performance.

The right questions are not going to write themselves. What is required are robust, proven question sets designed by organizational effectiveness experts that can be customized based on the unique culture of your organization.

Surveys need to be tailored to your organization to align to your strategy, your values and your language.

The right solutions only come from *proven* interpretative analysis, rather than sole reliance on descriptive data. The lowest favorable score is not necessarily the place to start as it may have a limited or negligible overall influence on organizational effectiveness. Similarly, the drivers of employee engagement are unique to your organization and cannot be determined by looking at frequency counts and percentages alone.

Surveys also provide the benefit of comparing demographics by Business Unit, Job Type, and Location, which allows you to target solutions where they are needed. In addition, surveys provide both a starting point and benchmark to track and monitor progress when subsequent tracking surveys are conducted.

A robust discovery process can be executed without a large investment in money, time and resources.

BUILD CAPABILITY TO TAKE ACTION

Knowing where to begin is critical, but after that...what's next? Many organizations stall at this point. You've identified the engagement factors impacting performance, yet there is no plan to translate the findings into action. Often, organizations fail to engage key stakeholders and line managers in the process and are unable to leverage the survey results to create an actionable plan. It is important to involve line managers so that they are not introduced to the initiative when a survey arrives in their inbox.

Achieve line managers' commitment and support by involving them in the discovery and survey design phase; discussing the business case in terms they can relate to; and providing tangible examples of how they'll benefit.

With the "why" and the "what" explained, the focus should turn to the "how." The "how" requires knowledge and skills that managers may or may not already have. Our experience has shown that managers may need coaching and guidance in how to interpret results and build collective ownership with employees to make the changes required.

Responding to employee input must be carefully considered. Turning the problem over to employee committees who have no authority, no broader business understanding, or no organizational behavior expertise is often ineffective and can damage employee trust. Yet, it is amazing how many organizations do exactly this and then are surprised when they are presented with partial, ineffective, and unrealistic solutions.

The employee engagement committee that places an extra refrigerator in the lunchroom and sponsors more social events as the "solution" for engagement will have been ineffective and costly.

DESIGN PROCESS TO SUPPORT ACTION

There are a number of processes that need to be in place to ensure leaders are supported to take action and that the right changes occur and are embedded within the organization. These include:

- A communication process that reaches all key stakeholders and clearly covers the why, what, when, and how.
- A process for communicating the findings quickly and transparently.
- A developmental process to ensure leaders have the knowledge and skills to take action.
- A process for effectively cascading engagement initiatives throughout the entire workforce.
- Leadership support that ensures resources and energy are aligned with the strategy.
- A process for business leaders to report progress and draw ideas and support from their leader and peers.
- A process for measuring success and return on investment.

IDENTIFY SUCCESS MEASURES

Business leaders across the organization often do not have alignment with goals and expectations. Time is well spent developing consensus on what success looks like and how you know you've achieved it.

Success measures should be short-term, medium-term and long-term. For example, short-term success looks like a well-planned, well-executed discovery and action planning process. Measure to ensure implementation is rolled out on time and within budget. Articulate clear and actionable findings.

Medium-term success is achieved when leaders' behaviors and decisions are aligned to the strategy and positively impact key engagement drivers. Measure with tracking surveys, observation, and focus groups.

Long-term success is realized with increased employee engagement improved key business metrics, such as retention, absenteeism, productivity, customer loyalty, and profitability. Measure with tracking surveys and existing business metrics.

Getting it Right

Right Management has worked with thousands of organizations, using an approach that incorporates robust research and skill development methodologies with real business application. As experts in the areas of talent assessment, leader development, employee engagement, and organizational effectiveness, our solution is proven and equips companies to create high levels of capability to deliver their strategy and achieve sustainable, improved business performance.

Our approach is to work with business leaders to determine current effectiveness and what needs to happen to achieve their strategy and business results. We build capability to design processes to support change, equip leaders with skills to act, and track progress.

In summary, our approach includes four phases:



Our experienced consultants are recognized experts in the field of Organizational Effectiveness. Right Management partners with organizations to create customized solutions that exactly meet their needs. With a worldwide presence, we are able to design and deliver organizational effectiveness solutions on every continent – with consistency, while still reflective of the local culture.

Our approach ensures that organizations are executing on their strategy to achieve superior business results that are sustainable regardless of the market conditions.

Conclusion

Every organization, regardless of industry or country, seeks to be more effective and achieve superior results. Business strategy is developed to achieve this. It amounts to nothing, though, if it remains on the drawing board and is never executed. Execution occurs when structure, roles, capability, leadership, systems, and culture are all pulling together and aligned with the strategy. One without the other will create misalignment and success will not be realized.

While the elements of success are the same for all organizations, the answer for your business is unique to your strategy, your customers, and your people. It is easy to discover the current reality and the drivers of success, but the big challenge is in equipping your business to act and embed the change, remaining focused and aligned with your strategy.

The challenge brings a substantial benefit that ensures survival in a downturn and creates a competitive advantage when economic upturns arrive. Business can't afford not to get it right.

Contributors

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Global Solutions

As a global thought leader for Right Management's Talent Management practice, Michael drives the strategy and execution of the organization's Talent Assessment capabilities worldwide. He supports a network of Regional Champions and Subject Matter Experts and leads the design and implementation of global, scalable solutions delivered to meet critical and emerging business needs. These key capabilities and associated client solutions focus on competency modeling and individual, team, and organizational assessment.

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As a global thought leader for Right Management's Talent Management practice, Deborah drives the global strategy and execution of the organization's Leader Development, Organizational Effectiveness, and Employee Engagement capabilities worldwide. She supports a network of Regional Champions and Subject Matter Experts and leads the design and implementation of global, scalable solutions delivered to meet critical and emerging business needs. These key capabilities and associated client solutions focus on the areas of leadership, succession, performance management, strategy and strategic workforce alignment, change management, wellness and productivity management, workforce engagement, and retention strategies.

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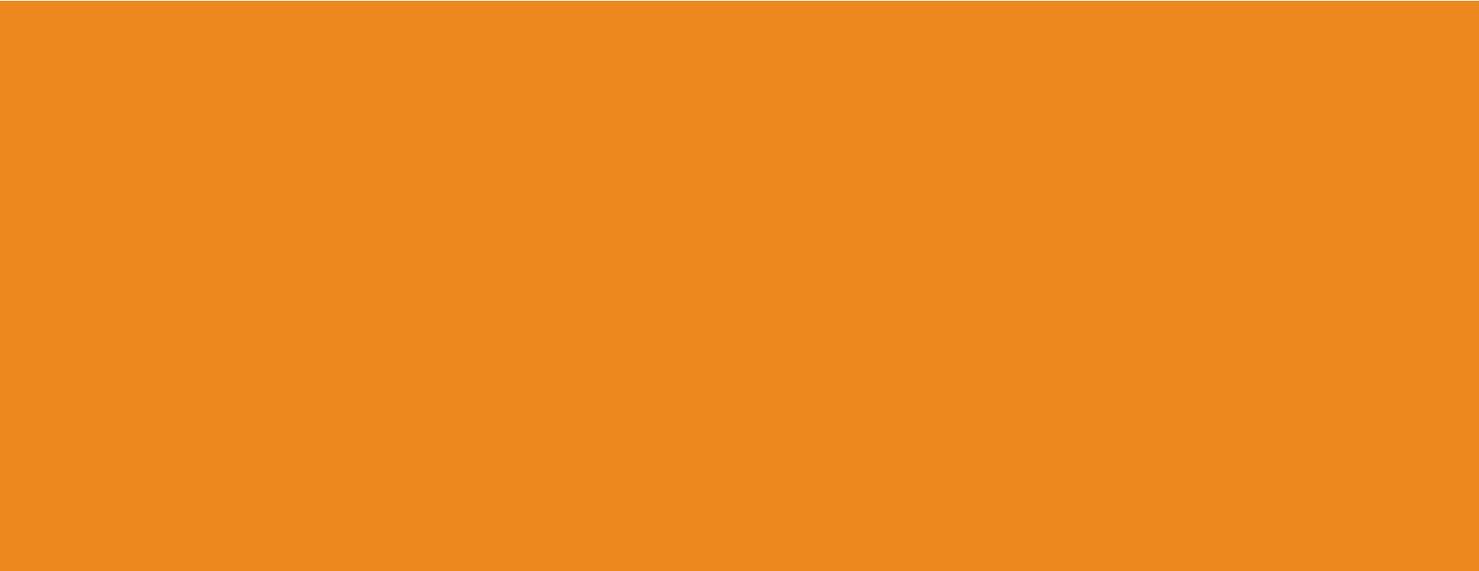
Managing Principal

Jamie is a registered psychologist and assessment specialist. She currently heads Right Management's Talent Assessment practice in Australia and New Zealand. Since joining Right Management, Jamie has been involved in a range of national and global assessment and leadership development consulting projects. Jamie also provides individual coaching using an evidence-based approach and cognitive-behavioral and solution-focused techniques.

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Hilda Wang is the Data Manager for Right Management in Australia. She has extensive experience in analyzing data, data presentation, and benchmarking. Hilda has worked with clients from a range of industries spanning both the private and public sector, including banking and finance, mining and resources, hospital and health care, manufacturing, utilities and instrumentalities, communication, and IT.



About Right Management

Right Management (www.right.com) is the talent and career management expert within Manpower, the global leader in employment services. Right Management helps clients win in the changing world of work by designing and executing workforce solutions that align talent strategy with business strategy. Our expertise spans talent assessment, leadership development, organizational effectiveness, employee engagement and workforce transition. With offices in over 50 countries, Right Management partners with companies of all sizes. More than 80% of Fortune 500 companies are currently working with us to help them grow talent, reduce costs and accelerate performance.

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