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Charged up

The value of Discretionary Energy in the workplace and how to harness it to achieve superior performance.

Introduction

All ambitious organizations devise methods to achieve superior performance. Hospitals zero in on infection rates and patient outcomes. Public agencies attack red tape to widen access to much-needed services. Manufacturers ferret out inefficiencies with Six Sigma zeal.

Simply increasing the energy people expend on work doesn't often top the strategy list. Even though US corporations spend 20% to 45% of revenue on their people, they let talent development initiatives come and go. Strategic hires get frustrated and quit. Vision statements and culture change programs wither on the vine.

But the truth is—and every CEO knows it—if an organization could harness just a fraction more of its people's Discretionary Energy, that would be a game-changer.

Korn Ferry's Superior Performance Model shows organizations a framework for doing just that: generating more Discretionary Energy that can then be channeled toward desired outcomes. Informed by decades' worth of our firm's data, as well as findings from published scientific literature, our researchers have identified three essential Organizational Enablers and three key People Drivers (see Table 1) proven to affect outcomes such as revenue growth, market share, level of service, or client impact. These Organizational Enablers and People Drivers are the master switches in front of CEOs and other top leaders that will turn on the flow of Discretionary Energy.

In many respects, these Organizational Enablers and People Drivers are intertwined and overlapping in any real workplace; an organization's purpose will affect how easily it gains commitment, as just one example. For this model, however, we tease apart how organizations shape their environment (Organizational Enablers) from how they orchestrate getting the right people doing the right things (People Drivers).

This model supports our contention that people power performance and that organizations that can amplify the Discretionary Energy its leaders and employees expend will outperform their peers.

Table 1

Six components driving superior performance for organizations.

ORGANIZATIONAL ENABLERS	**Purpose and Vision**	An organization's aspirations or core enduring aim, the reason it exists, and what it stands for.
	Choice and Focus	The strategy to achieve the vision, including how resources are allocated, efforts marshaled, and activities directed.
	Accountability and Fairness	Practices that establish a performance-driven work environment in which people own their responsibilities and are rewarded equitably for their contributions.
PEOPLE DRIVERS	**Clarity**	Employees' understanding of what is expected of them in their jobs and the connection between their personal performance and the organization's objectives.
	Capability	The supply and stock of talent who have the knowledge, competencies, and other attributes to meet the organization's current and future success.
	Commitment	The extent to which individuals are motivated to—and given the opportunity to—contribute fully to the organization's current and future success.

What do we mean by Discretionary Energy?

Employees who exert Discretionary Energy work harder than they have to—that much seems obvious. They do so because they are engaged in their tasks, motivated, and tend to be emotionally attached to their organization. But the benefits of Discretionary Energy manifest in other ways, too. Employees take proactive steps and persist in the face of challenges. Organizations have lower turnover. Safety outcomes and customer satisfaction improve. Throughout this white paper, we extrapolate from published research into workplace engagement, attitudes, and motivation—all components of this concept we call Discretionary Energy—to explain how Discretionary Energy contributes to superior performance.

Organizational Enablers: Building the strong grid

To capture and utilize Discretionary Energy, an organization needs the proper infrastructure. That's the role fulfilled by Organizational Enablers. These operate, in effect, like a solar power system absorbing light waves and turning them into usable voltage.

By building these structures correctly, fixing them if they are broken, and measuring their effectiveness, organizations collect and conduct the flow of Discretionary Energy toward superior performance.

Purpose and Vision: An organization's core enduring aim.

Delighting customers. Discovering life-saving medical treatments. Transporting humans to Mars. An organization's Purpose and Vision represent its aspirations, reflect its values, and provide the foundation of its culture. It all starts there.

Problem is, it often ends there, too. Purpose and Vision must be more than mission statements framed on a wall. They need to live and breathe in the messages from leaders, in the strategies chosen, and in employees' behavior.

> **When Purpose and Vision saturate an organization, everyone is more productive, committed, and engaged.**

The findings of many research studies support this central idea: When Purpose and Vision saturate an organization, everyone is more productive, committed, and engaged, and feels responsible for results (Gallup 2013; Parkes 2010; Parkes and Langford 2008). A recent Korn Ferry study of 112 organizations found that employees who endorsed the organization's Purpose and Vision and understood their part in making it reality had *half the normal turnover rate*. Likewise, other published research holds that when the messages broadcast by top leaders strongly align to the Purpose and Vision, that also has measurable benefits for return on investment, profits, and venture growth (Korn Ferry India 2012; O'Boyle and Harter 2013; Baum and Locke 2014).

Purpose and Vision aren't something organizations stumble upon. Rather, they need to be honed deliberately by founders or top leadership teams and then used to shape the strategy, organizational design, internal and external communications, and operations. Purpose and Vision is where people plug in to an organization and find the reasons to stay committed, engaged, and motivated (Masson and Royal 2009).

Choice and focus: Strategic decisions about how an organization will pursue its vision.

Managing any organization boils down to codifying a few key decisions. How will it achieve its strategy? Who will do what? What should everyone focus on first? What operating model will it employ? These precepts are the heart of organizational structure and design, the process of defining roles, setting reporting relationships, and determining how work is going to get done.

Organizational structures tend to stagnate. Everyone gets too comfortable with how they've always done things.

The structure an organization chooses—rigidly hierarchical, flat and matrixed, or some other type—should suit the nature of its services, its strategy, and how its employees need to relate to one another. A traditional hierarchy remains effective for strategies centered around standardization and efficiency (Cameron et al. 2014). Horizontal, flat, or matrixed structures, by contrast, enable collaboration, innovation, and autonomy (Morgan 2014).

Unfortunately, organizational structures tend to stagnate. Frankly, everyone gets too comfortable with how they've always done things. Over time, that creates logjams, impedes growth, and prevents organizations from capitalizing on opportunities (Sisney 2012).

It's when organizations plateau (or, conversely, start growing too rapidly) that they most often seek outside help to refocus their organizational structures.

Those who ignore such problems do so at their peril. Research shows, for instance, that reporting structures that impede cross-team interactions can be a drag on product development speed (Sosa, Eppinger, and Rowles 2004), and ineffective or inappropriate organizational design is associated with higher turnover, lower engagement, and difficulty attracting and keeping top talent (Magloff n.d.; Parkes 2011; Cale n.d.).

Accountability and Fairness: Establishing a culture of responsibility and equitable rewards.

Let's be honest: No one gives their best if they think they're getting a raw deal.

On fairness, employee pay is where the rubber meets the road in most organizations—and the friction comes as much from transparency as dollars. For employees to perceive their pay is fair, they must understand how pay rates are determined, believe that it is related to performance, and know what is required to earn a raise (Rasch and Syzpko 2013). That means efforts to systematize pay scales should incorporate why particular jobs warrant more or less money than others, such as skills required, scope of responsibility, and market forces.

Consider this: People who are paid fairly—and perceive it—are *more than twice as likely to be highly engaged* and exert discretionary effort toward their careers. They are also less likely to suffer from problematic work-related stress and less likely to threaten to quit (Szypko 2014).

Accountability manifests slightly differently. Here the question is how logically and consistently jobs and their responsibilities are outlined. For instance, are job descriptions structured lucidly throughout an organization, or are individual managers making it up as they go along?

People who are paid fairly—and perceive it—are more than twice as likely to be highly engaged.

When leaders are clear on each role's purpose, expectations, degree of autonomy, etc., they can fit the right people into the right jobs, and help employees become engaged and proactive—driving improved performance at all levels (Piccolo and Colquitt, 2006; Christian et al. 2011; Shantz et al. 2013; Lewis et al. 2015).

Ad hoc compensation and job design habits are an underappreciated drag on engagement and lead to unnecessary turnover. However, organizations can quickly recover with job evaluation tools that measure job roles, giving each a formal score that can inform pay grades, company structures, succession, and hiring plans. Such an evaluation process also could look for duplication of roles, alignment of job functions to the overall strategy, and problematic over- or under-pay patterns.

Where does leadership fall in the Superior Performance Model?

Astute readers might wonder why leadership is not broken out as a component of the Superior Performance Model. The outsize role leaders have in driving success is, of course, thoroughly researched and documented—and selecting and developing leaders is crucial to driving performance. For this model, however, we express leadership as an element that binds and flows through all of these components. Good leaders promote Organization Enablers and People Drivers; in turn, their leadership is enhanced by a superior working environment. To extend our power-generation metaphor, leadership is the wiring that directs Discretionary Energy between people and an organization.

People Drivers: A renewable energy resource

People are the source of Discretionary Energy in every organization. They are, in fact, a renewable and expandable resource of performance-driving energy. If, in our previous section, Organizational Enablers are a metaphoric solar power system, people are the sunlight itself.

People Drivers ensure organizations hire the right people, put them in the right jobs, and direct them to do the right things—all practices that make Discretionary Energy production soar and individuals excel.

Clarity: Understanding a job's expectations and its connection to bigger objectives.

To do something well, you have to know what you're supposed to do. Clarity around job roles, duties, expectations, and how work contributes to success—all of these bolster engagement, job satisfaction, and personal job performance. It is well-established, for example, that individuals who are committed to specific and difficult goals outperform those given vague goals, like "do your best" (Locke and Latham 2002; 2006).

> Individuals who are committed to specific and difficult goals outperform those given vague goals, like "do your best."

Other research shows that when leaders create clarity, their teams are more likely to exceed performance and monetary targets in business (Sala 2002), create high-performing schools in education (Barnard and Lees 1999), and improve ratings and outcomes in hospitals (Mulrooney and Sala 2003).

How big a difference can clarity make? Our researchers have found a strong positive association between clarity and profitability; in one study, clarity accounted for up to 41% of the difference in net operating income across the companies analyzed (Watkin and Hubbard 2003). Clarity can also be systematically measured as part of a workplace climate assessment, and improved directly through leadership coaching, organizational design, or job design initiatives.

Capability: Knowledge, experience, and competencies needed to drive performance.

Talent and workforce capability are the cornerstone of performance. But matching relevant capabilities to specific roles in specific settings is what gives organizations an edge. More and more, organizations are using formal assessments to help identify, develop, or deploy capable employees where they'll make the biggest difference.

Such assessments provide a high level of confidence about the capability of a new hire. Korn Ferry, for instance, correlated assessment scores with on-the-job performance ratings 12 to 24 months later for 642 business leaders. Those "strongly recommended" based on assessments were *eight times more likely* than the others to be considered a top performer by their new boss.

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The granular, detailed assessments offered today certainly empower organizations to identify top candidates for hiring and promotion. They also support sophisticated job fit for leaders. Analysis of our firm's leadership assessment data has revealed that traits such as composure and detail orientation are extremely salient for leaders whose roles are mostly stable and tactical. But in volatile or ambiguous scenarios—such as a startup or emerging market—curiosity and adaptability are traits that better serve strategic decision makers (Lewis et al. 2015).

Commitment: The desire and opportunity to contribute fully.

It's a mistake to think of commitment as a personality trait to screen for; rather, it is an expression of a relationship.

Senior executive teams' commitment level accounted for up to 46% of the difference in operating income across companies.

Organizations strengthen that relationship by being accountable, articulating desired outcomes, and ensuring fairness (Masson and Royal 2009; Jaros 2007). They also build commitment by making sure key decisions and operations are aligned to the Purpose and Vision.

Employees who feel committed—especially emotionally committed—to their job or organization are generally highly productive top performers. They are personally concerned with outcomes and work hard to hit targets.

Korn Ferry research into CEOs and senior executive teams, for example, found that their commitment level accounted for up to 46% of the difference in operating income and 8% of the profit variance across companies (Watkin and Hubbard 2003). Commitment also results in reduced costs and disruption from turnover. Hiring and training new employees is particularly expensive in some industries, such as health care, where it accounts for more than 5% of operating budgets (Waldman et al. 2004).

Interestingly, though, committed individuals stuck in an organization with weak Organizational Enablers are more likely to quit; without effective channels for them to expend their energy and contribute to success, they are quickly frustrated.

Conclusion

The Korn Ferry Superior Performance Model takes diverse theories and research on individual performance and organizational outcomes, and fuses them into a cohesive, actionable framework. The model outlines what organizations need to consider, measure, and change on their way to achieving superior performance.

If an organization

- Articulates its Purpose and Vision and keeps everything aligned to that;
- Operates with deliberate Choice and Focus about organizational design and structure;
- Adopts compensation, promotion, and other practices that reinforce Accountability and Fairness;
- Provides Clarity about expectations for each role and how it contributes to success;
- Builds talent Capability by using assessments to aid hiring, job matching, development, and succession; and
- Fosters Commitment by motivating people with an opportunity to contribute fully,

then it will have flipped the switch to let Discretionary Energy begin flowing through every employee and leader.

People power performance. Organizations that work outward from this central concept discover not only a path to improvement but also a renewable source of Discretionary Energy that fires innovation, sparks expansion, and sustains achievement.

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About Korn Ferry

Korn Ferry is a global organizational consulting firm. We help clients synchronize strategy and talent to drive superior performance. We work with organizations to design their structures, roles, and responsibilities. We help them hire the right people to bring their strategy to life. And we advise them on how to reward, develop, and motivate their people.

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success.

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