Nature and Nurture

Nurturing the right environment can unleash employees' natural abilities.

By Jennifer J. Salopek

UNRAVELING the mysteries of high performance and discovering how it can be spread throughout an organization has been Susan Lucia Annunzio's life work for the past four years.

Determined to identify and quantify the hallmarks of high-performance work groups, she directed a survey of more than 3,000 knowledge workers worldwide. The research, which was conducted by the Hudson Center for High Performance, led to two major revelations: The environment in which these groups work facilitates their success, and this environment, regardless of company type or location, shares three crucial characteristics—valuing people, optimizing critical thinking, and seizing opportunities.

Creating true high-performance work groups is extremely challenging. A surprising outcome of Annunzio's research was how few work groups are truly high performing. Although 77 percent of respondents identified their work group as high performing, only 10 percent actually could provide evidence of that fact. Furthermore, many of those knowledge workers are working on the wrong thing: In most companies, they are striving to increase efficiencies, rather than creating new products and services. "Forty percent of knowledge workers could point to a process improvement that their work group was responsible for, compared to only 17 percent who said their group had developed a new product or service," Annunzio writes in her book, *Contagious Success*, which is based on those findings.

Annunzio is an adjunct professor of management at the University of Chicago's School of Business and a frequent lecturer at INSEAD in Fontainebleau, France. In a recent interview with *T+D*, she discussed her work, as well as a new executive-development program that she created in conjunction with the Marshall School of Business at the University of Southern California.

T+D: What initially spurred your interest in high-performance work groups?

Annunzio: I just knew that in the pursuit of the Holy Grail of business—sustainable, profitable growth—people had to be the most important part of the equation. I made it my personal mission to convince executives that the key is to treat people with respect and dignity.

I saw the world around me changing. Any time [budget] cuts were made, the first thing cut was something I believed in. Maybe I'm just a 1960s idealist, but I thought there must be a way to prove my hypothesis quantifiably.

T+D: But isn't that intuitive? Weren't we all taught to live by the Golden Rule—to treat others as we would like to be treated ourselves?

Annunzio: It may be intuitive, but when you're under pressure to make the numbers, and fear is running the day, it's easy to go back to what you know. It's scary to admit what you don't know or to surrender control. Although a lot of leaders intuitively understand how to drive high performance, they need to codify and quantify.

T+D: How will your research findings help them do that?

Annunzio: We were able to find specific attributes that correlate to high performance. But, more importantly, we also were able to show that the absence of those attributes leads to losing money and driving out innovation.

T+D: You write that many companies focus, to their detriment, on productivity rather than performance. Why? And what is the difference between productivity and performance?

Annunzio: Productivity evaluates the amount of product against cost, which includes labor. However, knowledge workers produce thought, which productivity numbers can't measure. Creativity—combined with productivity—equals performance, which we define as developing new products or services.

T+D: Why do so many organizations endorse, explicitly or implicitly, a command-and-control type of environment?

Annunzio: That leadership style had its place in the Industrial Age. There was less competition, and no global market, and leaders had a greater ability to control information. However, with the onset of technology, open information sharing, commoditization, and competition from everywhere, that model no longer works. The problems that auto manufacturers are currently experiencing are proof. The answers no longer lie in one person's head, and there no longer is such a thing as a "job for life."

T+D: Why did you focus your research on work groups, rather than on individuals?
Annunzio: Sociopsychological research has shown that the group setting is very important to job performance and satisfaction.

T+D: What are the key learnings for managers in your research?

Annunzio: First, the findings challenge the old notion that high expectations and hard work are what drive performance. These are only effective if the environmental conditions are in place.

You must recruit the best and the brightest, and allow them to do good work. Good work is the thrill of getting

results. You must create an environment that is successful, and foster that environment throughout the organization. You must offer your work group protection and support.

Further, you have to understand the attributes that drive success. One of the elements of valuing people is treating smart people as if they are smart. In other words, you can mandate "what" but not "how." Yes, people must achieve certain goals, but ask your best people how to do that.

T+D: Is compensation a part of recruiting the best and the brightest?

Annunzio: Yes, but pay for performance is only a recruitment strategy, not a retention tool. You must pay people in a way that rewards the environment, as opposed to individual effort. To do that, you must have performance expectations to create that environment, and the meeting of those expectations must be measured.

It's also important to note that our research found that organizations could have high-performing work groups, and performance could be taken away by messing with the environment. For example, keeping employees you know you shouldn't kills the environment. It sends the message that your company needs help no matter how it gets it.

T+D: You write in your book that your research found no one management style common to leaders of high-performance work groups, but you also note that self-awareness, as well as protecting the group from company interference, are crucial. If that is so, why develop a leadership training course?

Annunzio: Classical leadership training is designed to make a leader a better leader. The key to our training is to teach leaders how to enable high performance—how to unleash the potential of the environment. It's a different spin on leadership development; our focus is not on competencies.

T+D: You write that leaders don't need to have all the necessary skills themselves: They should hire those whose skills complement their own. Why do so many leaders think that they should do everything?

Annunzio: I see that mindset most in leaders with the least amount of self-confidence—they believe they should have more skills and experience than anyone else. But self-confidence is earned through mistakes—not by doing something right and surviving.

Business is a team sport. People come with functional skills. The best work groups play to each person's strengths. Leaders who try to be jacks-of-all-trades spread themselves too thin.

T+D: What role does learning and development play in creating a high-performance environment?

Annunzio: One of the things that was universal to the groups was that their learning was rewarded. People were encouraged to experiment, to try out new ideas, and to learn from failure. That made them able to adapt quickly to change. However, those abilities need to be taught.

Many companies are too transactional in their training. Most training and skill development should relate to this environment of ambiguity. You must learn how to show people that learning is essential to high performance.

T+D: What about failure?

Annunzio: Leaders should set the tone. One of the stories I like best in the book is about a company that gives the Most Valuable Failure Award. The award is given to the most well-thought-out idea that showed promise, even if it didn't work in the end. The key here is that thinking is rewarded.

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12 critical questions leaders must ask to enable a high-performance environment

1. What is a high-performance environment?
2. Why is a high-performance environment critical to your company's future?
3. How do you measure the environment?
4. What is the leader's role in enabling a high-performance environment?
5. How do you identify high performers?
6. How do you recognize what's smart about the "wrong" answer?
7. How do you leverage individual strengths?
8. What happens when people don't have the information they need?
9. How do you diffuse negative, destructive emotions?
10. How do you identify underlying problems?
11. How do you work collaboratively to solve problems?
12. How do you test your ideas?

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