

Cost of the Status Quo

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To improve organizational achievement, we must continuously improve its key component: employee performance. Without ongoing improvement, employee effort becomes routine and the organization develops a status quo culture. Maintaining this type of culture has a cost.

Employee achievement is a function of many organizational skills. Recruiting and selection, training and development, and management and leadership all affect the quality of the people in a company and therefore affect organizational achievement.

Employees in an organization fall into one of four quadrants. Employees in each quadrant impact organizational results.

COMPETENT BUT DEMOTIVATED 3	COMPETENT AND MOTIVATED 2
NOT COMPETENT AND DEMOTIVATED 4	MOTIVATED NOT YET COMPETENT 1

On his first day, a new hire is motivated but not yet competent. He does not know the company policies and procedures necessary to be successful in his job.

Through orientation, on the job training, and mentoring, this employee moves from quadrant 1 to quadrant 2. He can now perform his job in a satisfactory manner and is a motivated, functioning member of the organization.

Unfortunately, over time many employees move from quadrant 2 to quadrant 3. They are competent but have lost motivation. They go through the motions but make no effort to improve and excel.

The extent of this problem is well documented. "A mere 14 percent of employees around the world are highly engaged in their work. In other words, roughly 85 percent of people at work are giving significantly less of themselves than they could." *From the Towers Perrin Survey of 86,000 employees around the world.*

Employees move from quadrant 2 to 3 for numerous reasons, including no personal connection to the mission of the organization, weak supervision, confusing direction, lack of clear goals, and siloed operations where departments work at cross purposes.

Who interfaces the most with employees, managers or peers? Dissatisfied employees don't like to be alone. They recruit other employees to join them in their dissatisfaction. This can cause particular damage to new employees.

When a company allows these conditions to persist, the culture of the organization is affected and some employees move to quadrant 4. They are demotivated, they lose interest over time, and they become incompetent.

This takes a person far beyond the lack of motivation we saw in employees in quadrant 3. People in quadrant 4 complain in the parking lot with the fatal disease called **Ain't It Awful Here!** They have negative attitudes. They poison the organization's culture and the work of others.

The lower productivity in quadrants 3 and 4 has an enormous cost. If 30% of employees in a 100-person organization with a \$4 million payroll are in quadrant 3 and are only 60% productive the cost is \$480,000. If we assume a product / service gross margin of 30% the organization must sell \$1.6 million to recover the \$480,000 wasted payroll investment. For a 200 person organization the sales required to cover the wasted payroll investment is \$3.2 million.

In addition to productivity costs, employee failure costs include time wasted by direct managers, the cost of repairing fractured team morale, and replacement hiring costs.

Lack of commitment to employee execution has an enormous cost. If you could move people from quadrant 3 to quadrant 2, imagine what that would mean to your company.

Management and leadership are key to employee and organizational achievement. The two critical components are a clear organizational vision and an effective leadership culture.

When employees personally relate to a clear vision, they focus on how to best deliver results to clients.

Effective leadership builds a results based culture based on enthusiastic, motivated, confident teams of employees committed to achieving the vision of the organization. In this development culture, employees desire to improve personally and to meet challenging goals. They feel valued and rewarded.

Ongoing employee development has the following advantages.

- Accelerates the move from quadrant 1 to quadrant 2
- Keeps more employees in quadrant 2 and helps recover employees from quadrant 3
- Minimizes the influence of employees in quadrant 3
- Minimizes the number of employees in quadrant 4

The results of employee development are dramatic. A large scale research project by Harvard Business School professors Leonard Schlesinger and Jim Keskett found that companies that have distinguished themselves in the way they hire, train and treat their employees have experienced:

- Growth rates 60 – 300% greater than competitors
- Return on sales 200 – 300% greater than competitors
- Return on assets 150 – 300% greater than competitors

Effective leaders understand a basic truth: no company with unhappy unmotivated employees ever had satisfied customers. Ongoing development of employee performance brings competitive advantage in your marketplace.

Thanks to Mike Weaver, Achievement Associates, for thought behind this article.