‘Freedom – to me that’s a huge amount of the reason people wanted to work in a start-up. The reason the guys came out of BT was that they wanted to be one in 120 rather than one in 20,000. And that was a huge driver – to feel valued; to feel recognised…they felt every movement of the business. They felt much more engaged with the business, for good or bad.

That’s what motivated them hugely.’

6 Drivers – 2 Languages: understanding the conditions for improved performance in the workplace

Draft report from a qualitative study of issues affecting performance in the workplace carried out for the East of England Development Agency in the Summer of 2007 by:

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‘We must prepare ourselves to tackle fully the challenge of enterprise and productivity. To succeed over the longer term, Britain’s productivity must rise faster than our industrial competitors.’ [G. Brown & P.Hewitt *Productivity in the UK: Enterprise and the Productivity Challenge* HM Treasury/DTI, 2001]

‘Productivity is the main determinant of living standards. Raising productivity is the key to raising long-term prosperity.’ [*Productivity in the UK: Enterprise and the Productivity Challenge* HM Treasury/DTI, 2001]

‘Productivity refers to how well an economy uses the resources it has available by relating the quantity of inputs to outputs.’ [ibid.]

‘The microeconomic reform agenda to promote productivity has at its centre the aim of overcoming market failures to improve the environment in which firms operate. The policies introduced to achieve this focus on five priorities…:

- Increasing investment in physical capital;
- Developing human capital;
- Promoting Innovation and R&D;
- Strengthening competition; and
- Encouraging enterprise and entrepreneurship.’

[*Productivity in the UK: The Evidence and the Government’s Approach* HM Treasury/DTI, 2001]

‘The UK’s productivity has historically lagged that of other major industrial countries…Recently, though, the UK has made progress in narrowing the gap… Despite this good progress the Government’s overall objective remains to raise overall productivity and close the productivity gap with other major economies.’ [*Productivity in the UK 6: Progress and New Evidence* HM Treasury/DTI, 2006]

‘The new Department leads work to create the conditions for business success through competitive and flexible markets that create value for businesses, consumers and employees. It drives regulatory reform, and works across Government and with the regions to raise levels of UK productivity.’ [New Department for Business, Enterprise and Regulatory Reform website: July 2007]

‘My Department contributes to policies under all five drivers of productivity, but has particular responsibility for taking forward reforms under the enterprise and competition drivers.’ Patrick McFadden, Minister of State for Business, Enterprise and Regulatory Reform: July 2007.

Headlines – patterns emerging from discussions with 40+ managers

- Performance is most directly a reflection of **motivation** – it reflects an **emotional connection** between the worker and the work
- Motivation is likely to be maximised in contexts where there is **clarity of vision**
- Vision is made up of **purpose** (what we exist to do); **goals** (which express purpose in terms of performance); and **values** (literally what is important about what we do, and why and how we do it)
- To be effective vision needs to be **communicated** clearly and consistently so that it is **understood and engaged with ('buy-in')**
- Vision provides the framework within which performance is **monitored,** and **feedback** is communicated
- Performance is likely to be maximised when feedback confirms that an individual's contribution is **recognised** and **valued**
- Performance is likely to be maximised when working relationships are effectively managed, and **teamwork** is actively promoted
- Performance is likely to be maximised when people are given the **freedom** and **confidence** to question, innovate, and improve
- Micromanagement and bureaucracy stifle creativity and initiative
- Where vision, recognition and confidence are shared, colleagues are likely to develop a sense of **ownership** of performance
- It is **unusual** for management education to prioritise motivation, vision, recognition, ownership, enabling and communication
- While the Government's 5 Drivers of Productivity are supportive, **no respondents mentioned any of these spontaneously**
- Treasury/DTI policy documents on productivity make almost **no reference to individual or collective motivation**
- It is as if **2 separate languages** are being used to account for performance
- One is the hyper-rational, dehumanised language of the **economic** analyst (all about measuring 'the quantity of inputs and outputs')
- The other is an **emotional** language describing human relationships and experience
- There was a very high degree of **consistency** in managers' analysis of key factors, derived from experience in a wide range of contexts
- The challenge is to translate this pattern of insights into policy
- This report concludes with ideas for accelerating the development of organisations and individuals with high performance potential in 3 related areas**: organisational ethos**; **education and professional development**; and **developing a culture of enterprise**

Context

The context for this qualitative study is the continued frustration felt by the Government in addressing one of its key economic measures: productivity. The study proceeds from the hypothesis that the analytical framework used for policy development in this area may be incomplete.

Purpose

The aim of this enquiry is to understand better the conditions that would need to exist to improve the performance of the UK economy in terms productivity; and, if possible to identify policy innovations which could lead to an improvement in performance.

Process

We have invited managers from a range of professional contexts to reflect on the factors affecting productivity in their experience; and to consider the application of the Treasury/DTI framework of 5 Drivers of Productivity [outlined in *Productivity in the UK: The Evidence and the Government's Approach* Treasury/DTI, 2001], which has been used to inform policy in the period since that analysis was published.

We interviewed 20 respondents individually; and also held 3 group discussions with between 6 and 11 participants.

Data was recorded and shared by the researchers. Individual respondents have been sent a draft of the report and asked to register any strongly felt disagreements, additions, refinements or clarifications within 3 weeks.

Participants

Respondents spoke from experience of managing in a wide range of professional contexts including: venture capital; financial services; on-line marketing; retail; a local authority; the NHS; higher education; strategic management consultancy; social enterprise; regional development; food and electronics production; airline travel; and a number of emerging, knowledge-based market sectors. (For a fuller list see Appendix 1: Participants.)

Key published sources

This work builds in particular on the Work Foundation's *Cracking the Performance Code* project, which reported in 2005 (http://www.theworkfoundation.com). This project developed a model for predicting and evaluating workplace performance, based on a number of original case studies and a comprehensive literature review.

Apart from Treasury, DTI, and Department for Business, Enterprise and Regulatory Reform documents, this report also refers to the work of Ricardo Semler, the revolutionary management thinker and practitioner.

Summary of responses

We asked each respondent to describe the condition(s) which they associate with exceptional levels of performance. For each, productivity is fundamentally a reflection of **motivation**, and much of our conversation revolved around what managers can do to maximise motivation.

Other words used to denote motivation were **desire, hunger,** and **passion.** All of these words reflect the overwhelming sense that work is an **emotional** experience.

Our respondents universally stressed the underpinning need for **clarity of vision** to provide the context where high levels of performance can be achieved. **Vision** in this context is made up of **purpose** (what we exist to do): **goals** (how we express purpose in terms of performance); and **values** (what we believe to be important about what we do, and why and how we do it).

[It was noted that high levels of productivity can be observed in organisations (eg universities), where there may be a lack of strategic clarity at the level of the institution, but a strong sense of individual and/or shared purpose may be found at more local levels, eg research group, or department. Local loyalties are also found in production environments where team leaders and small group dynamics may be more powerful drivers than the 'corporate' ethos.]

Recognition, teamwork and **ownership** are the essential factors which are able to be realised where clarity of vision exists, and is understood and supported by colleagues.

Recognition is used to denote a situation where the individual understands her/his role within the bigger vision; believes it to be valuable and valued; and is given regular feedback to monitor and improve practice, and to reinforce self-image and self-worth.

Teamwork is here used to capture the critical importance of working relationships with colleagues, managers, subordinates, customers (internal and external), professional advisors, etc. Within the framework of these key relationships, 'team' players are able to express their commitment to a shared vision, and their individual and collective contribution to its fulfilment.

Ownership reflects a two-way commitment: by the organisation to enable its people to experience and exercise responsibility for performance and innovation within a shared vision; and by employees to sharing responsibility for performance and results. This is an emotional commitment (though not always perhaps a conscious, or articulate state), which lies at the heart of performance, and is most likely to be found where clarity, recognition and teamwork are already priorities. 'Ownership' is to some extent both literal and metaphorical.

These elements were agreed to be overwhelmingly important, and generalisable across all the contexts of which respondents have experience. An expression frequently used when these three conditions are met is **'buy-in.'**

Of his Adidas turnaround days, Roddy Campbell, former CEO of Global Operations, relates exceptional performance to the creation of a 'breakthrough culture'. However large or small the project that someone works on, the key issue again identified is 'engagement' or 'ownership'. Under-pinning 'laying down a regime of hard work' is once more this notion of good management. Structure and process are of consequence but even more so is the cohesion found in building *social* relationships beyond work. It's the human side of organisations that Roddy brings to life, the stories that people tell, the visions they buy into, and what they learn about the company and management from 'the informal grapevine'. Engaging people's minds comes from 'clarity'; a 'greater narrative' is required 'to engage the spirit'. This doesn't mean that things have to be complex, it just means consistency in the relationship between what people do everyday and its perceived value to the individual and those around them.

Over-specialisation to Campbell's mind can militate against this process. That is, people have to be able to see the whole.

Being engaged is not the same thing as having a continual positive experience of work. Indeed in many instances, given Campbell's experience of turnaround situations, there was a great deal of trial and tribulation to take people through in the name of cost reduction.

These tough times, however, can help breed pride, a sense of identity, and commitment to the cause. He sees a core obstacle to be overcome today to be the existence of an 'instant fix culture'. It's not just turnaround teams not being given enough time. The younger generation appear less willing to take time to allow their engagement to grow. The result of this can often be a workforce so keen to find their passion that they jump from job to job too quickly to allow the engagement they seek properly to take root.

Amplification and discussion

As managers, the respondents saw their priorities as being to articulate purpose, or vision, and to ensure colleagues are able to contribute to fulfilling the shared purpose (usually as part of a fit-for-purpose team), and see/feel their contributions valued. Many of these managers emphasised that they would not dictate to colleagues *how* shared purposes should be achieved. Colleagues should be empowered, provided with the right resources, and given the confidence to respond to operational challenges. Giving colleagues the freedom to express themselves helps them feel good about their contribution, and confident about themselves personally and professionally.

Part of achieving this is **'taking the fear out'** of participation. This was seen as important in a range of contexts (including 'enterprise', or business start-up). It is important in the context of the speed of decision-making, which was regarded as a generic business priority. The positive expression of this is **confidence.**

Taking out the fear is partly cultural. But it is easier in the context of specific business models. (Eg, in the on-line marketing context, small or large changes to a customer proposition, and to how this is communicated can be trialled at very low cost, so quick decisions can be made with a high degree of certainty about outcomes.)

People need to feel, at some level, that what they are doing has some **intrinsic importance**; that **they are an important part** of making it happen; and that their **contribution is understood and valued**. They should feel that they have the opportunity – perhaps a responsibility – **to critique current practice and suggest new and better ways of doing things.** (Several respondents referred to recruiting and developing colleagues who display a curiosity about the business and its current practice – that is those with a predisposition to think about how and why things could be done differently and better.)

[NB Fearless and critical engagement cannot be taken for granted. It is only likely to occur as a result of deliberate and sustained management focus on contriving this kind of climate.]

A key element is individual and collective **self-image.** This can motivate people to perform exceptionally in one-off situations, and over more sustained periods. This was well described by one respondent as 'the congruence between the organisation's goals,' (and we might add image), 'the individual, and the outputs.'

For some, this congruence may be derived from a 'vocational' identity (eg priest, policeman, voluntary worker); for some the alignment might be brand-related (I feel good about working for Apple, or the University of Cambridge); for some the gratification may be intellectual (typical of academic researchers). But in many environments managers have to imagine and contrive this sense of identification, and keep its existence under continuous review.

Organisational **structure** should be shaped by the need to **communicate** clarity of vision and recognition, within an appropriate operational scale. (A number of respondents referred to the need to keep operating units reasonably small - Virgin and Gore-Tex were referred to in this context.)

Respondents suggested structure should be 'fit for purpose to serve the motivation of individuals;' and should 'support individual responsibility and connection.' An inappropriate structure could be accused of 'soaking up trust and diminishing freedom.'

While observing that it is a 'a topic beloved of CEOs and HR teams in slow moving bureaucracies,' the Work Foundation concluded 'the exact structure and shape deployed seems to make little difference to high-performing organisations.' As one participant asserted, the questions around structure should be: 'Is it empowering? Does it feed the passion?'

Relationships

Teams bring together appropriate, complementary skills and personalities (for example matching strengths in creativity and aspects of financial/legal management).

The physical **environment** should support interaction, shared responsibility and learning.

A **culture**, or **climate** that values the contributions of individuals and teams is as important in physical/production contexts, as it is for knowledge-based activities.

These conditions can be achieved where there are strong personalities in leadership roles. Production team leaders, and corporate CEOs can play dominant cultural roles while at the same time inspiring highly participative behaviours.

Rewards

In general respondents believe that the most powerful reward is recognition. This may be reflected in financial reward – particularly where this reinforces a self-image of prestige and can be taken as a reflection of the inherent importance of the work, eg in banking and strategic management consultancy. Even in these environments, long and intense working hours are undertaken because of a shared commitment to the ethos of the team and the inherent reward of knowing one is making an important contribution.

Other examples were cited where exceptional performance was recognised by relatively small financial rewards. Members of a US call centre which rose from 58th to first place in a performance table were amazed to receive a $5 MacDonald's voucher. One employer distributed half of all above-budget profit to his workforce as recognition of their contribution. He believes this has significantly helped retention in a low-wage, and normally high-turnover sector.

There was a widespread view that knowing one was doing a good and valued job was the most important reward. We asked our respondents about their own motivation. This response was typical:

'It's much the same as the way I see everybody else who works in the factory. I like to go home thinking that I've done a good job and that my efforts have some value.'

Sue Cheshire former MD of the Academy of Chief Executives, has distilled her twenty-plus years of experience of 'excellent' people (people who excel in some discipline) into four key areas. She identifies the following key traits –

1.) They are voracious learners about themselves and about everything around them
2.) They distil learning from others and act upon it
3.) They are conscious role models: they realise the impact they have on others
4.) They communicate a compelling vision to those around them

She points to the symbiotic relationship between on the one hand trust and respect, and on the other possibility and ideas. Commitment in her eyes always comes from a platform of mutual trust and respect.

Cheshire's current area of interest is self-organising communities, which have become increasingly prevalent with the rise of peer to peer technologies -

most noticeably the internet. She looks not only to the aforementioned trust, but equally the emotional connection people have to the cause and the group identity this tends to inspire. This brings us back to the theme of reward beyond the monetary. With social networking technologies and with other online networking platforms the key motivators appear to be intrinsic interest and peer status and feedback.

It is a powerful combination if the company's purpose can embrace the individuals. This needn't get as far as Ricardo Semler's desire to put the individual's goals ahead of the company's goals, but it ought to necessitate an alignment between the two. Cheshire thinks that enlightened organisations – those capable of fostering highly performing individuals – are those who are more conscious of their individuals' needs and passions and the importance of continually nurturing the individual's emotional connection to the organisation. She also emphasises the clear relationship between investing in the individual and the benefit to the whole, as she concluded 'the greatest gift any leader can give is investment in themselves'.

Trust

A high priority is placed on creating a climate of trust by many of the managers we spoke to. This is also a characteristic of high-performing environments identified by the Work Foundation.

The concept is linked to **openness, honesty, freedom, confidence**, and **empowerment.**

Far from being laissez-faire, or letting-it-all-hang-out, organisations which achieve high levels of trust build this within the framework of a clearly articulated and shared vision, where purpose, goals and values are understood and 'bought into.'

Creating a climate of trust is part of the process by which organisations liberate innovation. Curious individuals are encouraged to question the status quo, and come forward with ideas for doing things better, and for doing new things.

Control freakery

It is when leaders indulge in control freakery and micromanagement that motivation is likely to be lost. Implicitly trust, (self-)respect, and autonomy are withdrawn from colleagues by this fundamentally insecure management style.

(NB it is interesting to reflect on this phenomenon within the public sector, where centralisation and a command-and-control culture – allegedly imposed by ministers – may be thought to be contributing to demoralisation, and a failure to innovate and improve the quality of service delivery in line with the increases in investment.)

Targets

This consideration of management style links to the issue of **targets.**

The so-called 'targets-based' culture allegedly introduced by the current government has attracted a lot of political and media criticism recently. This may be because this management tool has bee has been insufficiently understood, and ineptly applied by politicians and civil servants who believe that appropriating the vocabulary of the private sector will automatically lead to improvements in service delivery. 'Targets' in health and education have become a code for reductive oversimplification, and an end in themselves, inclined to offer perverse incentives which at worst subvert underlying priorities and values.

If organisational and personal goals are simply reduced to what can be measured or counted, much of what is important and valuable is unaccounted for (purpose, values, complexities). This will normally detract from motivation and performance.

Within the experience of our respondents, however, targets play several legitimate roles. Firstly targets help articulate vision, purpose, and priorities. So they can play a key role in the complex, ongoing task of communicating what matters to the organisation.

Secondly, they are a concrete and comprehensible vehicle for recording and recognising individual and collective achievement – thus providing *one of* the essential feedback mechanisms for colleagues; and the reassurance that a valued contribution is being made.

The achievement of targets – and sometimes more importantly the failure to reach them – can provide valuable learning for individuals and organisations. Respondents spoke of the value of understanding *how and why* targets had, or had not been attained, as part of a critical approach to business improvement and innovation.

And targets can be used to help incentivise performance. Our respondents had differing experiences, but generally acknowledged that noticeable, but not 'distorting' elements of performance related reward could help promote a sense of teamwork, and shared ownership of organisational success.

So the application of 'targets' as a management tool can be appropriate if it is used as a way of reinforcing a careful commitment to clarity, teamwork and ownership.

Once again respondents asserted that *recognition* was more salient than (material) reward. (That is not to deny that production workers might insist on apparently small financial increments in return for taking on an additional responsibility, eg for First Aid, or joining the Works Council.)

Creativity, innovation and performance

Respondents commonly suggested – in many cases seemed to take it as read – that creativity and innovation are characteristics of high performing individuals and organisations. Conversely, these attributes were likely to be absent from more sclerotic environments.

One respondent described the familiar sight of watching managers in slow-moving businesses beating their heads against a problem 'until they stop feeling the pain.'

They lacked the habit of stepping back and 'peering round the edge to see if there's another way around the problem.'

This respondent reflected the views of many in suggesting that the education of managers has not prioritised the development of the confidence and creativity which lie at the heart of performance improvement and innovation.

Time and again interviewees remarked upon the importance of working relationships.. Many reflected that the main reason people leave organisations is not for reasons of financial reward, but from an unsatisfactory relationship to a manager. Henry Stewart of Happy Computers has taken this fact and done something quite striking with it. 'The most radical belief we hold is to choose managers in the basis of how they manage people.' Normally, of course, he says, managers are chosen on the basis of how good they are at their job, *not* how well they manage. At Happy, which in recent years has on more than one occasion topped the awards for employee satisfaction, the two main functions of management are kept separate. Certain managers are responsible for strategy and decision-making. Other managers are responsible for supporting, motivating and coaching. Very few undertake both roles because on his understanding and on their experience, very few people do both very well. It seems logical to Happy Computers that if the most common reason people leave their job is because of their manager, then people should be allowed to change their co-ordinator. Apparently this can even be sorted within 5 minutes. Fundamentally, then, Happy's success is built upon an approach as he describes as 'managing as if people mattered'.

Happy's philosophy is overtly rooted in the tenets of Ricardo Semler whose best selling work *Maverick* was read by Stewart in 1992.This same book is now read by every single member of their staff who receive a copy as part of their induction. People are encouraged to work out their own working area such that at any one time it's only likely a third of the staff choose the office. Management have instituted a process that they call 'pre-approval' this means they will give the green light to implement a project without even taking a look at it. The shift of emphasis, therefore, is towards managers playing the role of facilitators, getting them out of the way of them thinking they are experts. This in turn engenders a culture of celebrating, rather than fearing, mistakes.

This whole approach to people and management is neatly summed up by American author and guru Jim Collins' idea that 'the customer comes second'. Stewart himself is not above these principles and as chief executive he focuses on strategy and looking outwards leaving a colleague to do the staff management. In his eyes, the quality of management, *real management* is directly proportionate to the level of productivity. Trusting and freeing your people up is captured in a key Happy question – 'When have you worked at your best?'

The 5 Drivers of productivity

We reviewed the DTI's famous 5 Drivers of productivity: investment; skills and human capital; innovation/R&D; competition; and enterprise [as articulated in *Productivity in the UK: The Evidence and the Government's Approach,* Treasury/DTI, 2001, and 5 subsequent policy papers up to March 2006].

On consideration, all were seen as contributing to the environment in which firms seek to operate effectively. However, they were not seen as having the impact of deliberate, local management action and style.

Investment in new plant or technology could enable improved productivity; induce *expectations* of improved performance; and be welcome evidence of an owner's commitment to the business – the psychological effect being sometimes as important as the practical impact. (Conversely, an investment in new plant can be interpreted as a threat of increased automation, cost-saving, and workforce reduction.)

Skills and human capital are the raw materials of business potential. Respondents had differing experience of recruiting people with the necessary skills. The increased availability of flexible immigrant labour was noted as an improvement – both in terms of numbers and commitment.

There is some evidence that it is difficult to attract and retain more qualified people in the region. One employer had adopted a policy of 'growing their own' engineering talent, following the early departure of two recent recruits from outside the region. Most managers had some commitment to training, but this was likely to focus on improving operational competence.

Professional development for managers was seen as prioritising functional management techniques: strategic planning; finance; marketing; HR; operations, etc. A number of respondents have MBAs, or had supported colleagues who have studied for MBAs. All agreed that the knowledge and networks acquired in this way were likely to be of value.

They also agreed that the MBA process was unlikely to prioritise the communication skills and sensitivities needed to maximise motivation in the ways their own accounts had highlighted. It was also suggested that the MBA model would not always equip managers with the ability and confidence to imagine new ways of doing business.

At all levels of business, managers are looking for what one respondent calls 'learning agility.' This means being equipped to develop the flexibility to take on new and multiple roles. This in turn means the workforce has the adaptability to respond to change or disruption – whether from unforeseen absences, or the impact of new technologies and competitors.

In order to be sustainable all businesses need to be open to **innovation**, and to engage in R&D in its widest sense, ie looking for new and better ways of doing things. Managers find this problematic in at least two ways.

First there is not always the aptitiude and inclination to question the status quo within the workforce. As one respondent observed, in a highly regulated environment, where colleagues are rewarded for compliance, the habits of creative thinking and innovation seem to be positively discouraged.

Innovation is likely to be more prevalent where there is a less ‘obedient’ culture. This inevitably creates challenges for managers, and several respondents noted the difficulty of convincing colleagues that innovation is a real priority alongside satisfying current, familiar customer needs.

This leads to the second challenge, which is to do with capacity, and managing resources which are focused on future opportunity, to some extent at the expense of fulfilling to-day’s order book. Many respondents agreed they were not satisfied that the right balance was being achieved in this respect.

The overall finding is that innovation needs to cultural priority, involving all colleagues. It must not be reduced to a small number on a budget statement, or a few boffins toiling in a lab. In this context, R&D tax credits – while appreciated by some smaller businesses – do not necessarily serve to incentivise innovation in its widest sense.

Competition is both a source of motivation, and of good ideas. (Competition was to be found *within* businesses as well as between them.)

From the economic perspective, competition means there is a constant pressure on firms to try to take cost out of the business – indeed some respondents suggest that the biggest focus for innovation is cost reduction. Competition also puts pressure on quality, both of products and services. So the classic tension builds between cost and quality. The firm that can deliver customer satisfaction at the lowest cost normally has the market advantage.

There are many interpretations of the word ‘**enterprise**.’ The DTI/Treasury emphasis is on business start-up activity. This is partly influenced by figure which show the incidence of start-ups is significantly higher in the US, ergo they must be a good thing. And partly because you can count them - an overridingly attractive quality to economists.

Our respondents seemed more interested in enterprise as a mindset, or attitude. This would link to clarity and ambition of vision; and a **confident approach to risk**. Start-up is seen as a context in which high levels of motivation, innovation and performance are likely to be found, but the enterprising impulse probably drives the business start-up rather than the other way round.

So some of the characteristics we have found associated with high performance are also characteristics of start-ups. The important thing here is the promotion of ambition, confidence, energy etc. The benefits may be to the existing employer; or they may, in the right circumstances, lead to the formation of new businesses.

Once again, passion, ownership and freedom are important in the context of start-ups. As one respondent declared (with some passion): ‘‘Freedom – to me that’s a huge amount of the reason people wanted to work in a start-up. The reason the guys came out of BT was that they wanted to be one in 120 rather than one in 20,000. And that was a huge driver – to feel valued; to feel recognised…they felt every movement of the business. They felt much more engaged with the business, for good or bad.

That’s what motivated them hugely.’

She referred to a spin-out from a large corporate environment, where the originators of the new business were atypical of the wider organisation. She was not alone in believing that the large corporates ought to be a fertile source of spin-outs, but that the large corporate culture does not always encourage – indeed may even actively discourage – enterprising attitudes and behaviours.

The potential for ‘intrepreneurship’ does not only exist in big businesses. A number of our respondents observed the importance of these attitudes and behaviours in growing smaller businesses.

2 Languages

But **the striking thing about these conversations is that none of the Treasury/DTI Drivers were mentioned spontaneously as being key conditions for exceptional performance.** They are seen as providing only a partial framework for analysing productivity in local contexts.

Correspondingly, the striking feature of the Treasury/DTI analysis **is the total absence of any reference to, or recognition of the critical factors of vision, teamwork, and recognition – in short motivation -** identified by our respondents.

The 5 Drivers are explicitly drawn from Economics, and an account of productivity which is reduced to (somewhat dehumanised) *inputs* and *outputs.*

What is left out of this account – the very factor which our respondents immediately identify as being of prime importance – is individual and collective human *motivation.*

So we have evidence not that the 5 Drivers analysis is wrong, but that it is significantly *incomplete.* (We do not wish to seem disingenuous here. Our findings help to confirm the hypothesis which we shared at the outset.)

One way to express this would be to suggest that Economics does not offer a sufficient analytical framework to account for behaviour at the level of the individual and the firm; and that other frameworks – drawn from psychology, sociology, anthropology, perhaps – may need to be called upon to present a more revealing and comprehensive account of the issues affecting productivity.

The challenge is to imagine initiatives or interventions which give an appropriate weight to the issue of motivation; and which could influence more managers to create the conditions locally which maximise motivation.

Implications for policy development

Our findings indicate that, within the framework of policies which effect the general economic environment, the conditions for exceptional performance may be best established on a local basis, subject to deliberate leadership and management actions.

It seems to be the case that comparable approaches to management and leadership are associated with exceptional performance and enterprise in different kinds of organisations – large and small; private and public; commercial and not-for-profit.

What influences might be applied at the policy level which could encourage, facilitate, or incentivise effective local management action?

One of the things that seems to distinguish exceptionally performing organisations is a sense that they themselves are different or do things differently. Paul Simms of Eyeforpharma (I4P) says: ‘we like to think of ourselves as different’.

Paul has a very clear sense of the differentiation between his and other firms. Though his firm is about organising pharmaceutical conferences he surprisingly says that they don’t hire conference organisers: instead, ‘we hire people who want to build a business’. In fact this leads to the opposite approach taken by most employees. ‘In I4P you don’t climb the corporate ladder, rather you build your own ladder beneath you.’ When asked to pin down what things above all typified the organisation’s approach to its people, two things were paramount:

1.) Firstly, freedom, to come up with and implement ideas

2.) Backing – have a new idea? You are ‘very very likely to get the support’.

In turn what this seems to foster is a sense of everyone having ownership of the whole. ‘If you don’t like it, you have the ability to change it’.

There’s no receptionist or admin support: however big they grow they intend to keep it like s small business, in essence, a ‘free, honest, hard-working, DIY culture’.

The focus on ideas as opposed to process and structure seems to engage people with the creative side of their potential. Everyone in the firm is aware that the driver of their growth is creating a surplus of good ideas that the business can then capitalise on by creating new conference formats and expanding to other new areas.

With everyone thinking like a business owner, people task themselves with finding ‘more than enough that they can do themselves’. At which point the organisation can hire someone new and it can grow exponentially.

This sense of ownership is also reflected in commission structures and allows people to take shares in new product developments. Conversely, employee engagement is not just created by giving people creative and entrepreneurial environments. But also by the sense of camaraderie engendered by sharing in bad times.Paul mused ‘if you can ride the bad times, people will stay with you longer’.
I4P sits as an independent operation within a bigger group of companies. Comparing themselves with some hugely successful entrepreneurial companies there seems to be a common thread of a personal approach implied by having a ‘collective of small teams’. Steve Jobs of Apple, for example, is renowned for his preference for working with a dedicated small team of highly talented people. I4P attracts and develops confident people. For Paul though, confident personalities per se are not the entire story. The key is confidence in the idea. Confidence as a trait can be brought in. ‘Plenty of successful people have issues with confidence’ says Paul.

Policy discussion

The policy challenge is how to make local (ie individual and/or collective) ***motivation*** *subject to political direction or manipulation.*

[NB And productivity in the workplace is not the only context where this challenge exists. As it happens, Motivation is not only the key to productivity and enterprise in the workplace, but also to engagement and performance in education.]

And yet policymakers cannot see this. Or if they can see it they find it hard to translate it into policymaking. (Perhaps they can theorise it but it’s as if they cannot emotionally inhabit the space where motivation is absent).

It may be because people who have a strong sense of duty, responsibility, and drive, <u>and</u> a strongly developed habit of rational analysis (and the personality type to combine these 2 characteristics) are not susceptible to the absence of motivation which affects more feckless and less disciplined personalities.

If this is the case it’s not hard to see why Gordon Brown – driven adherent to Enlightenment values, rational economist, son of the Manse, strong moral compass etc – might find it hard to identify with the indifference, or inertia of a comfortably employed middle manager, or a disenchanted 15 year-old boy.

This inability to identify with less driven and ‘ rational’ personalities undermines policymaking, and perpetuates the failure of policy to impact on the problems of productivity, lack of enterprise, and poor performance – or ‘low aspiration’ – in the education system.

Somehow linked to, and reflective of the ‘rational’ approach to policymaking is the attempt to manage through central norms, or targets, and a command-and-control method, which directly mitigate against the models of trust, empowerment, distributed and shared ownership, enterprise and initiative which our respondents have associated with exceptional performance.

The policy initiative which comes closest to reflecting a people-centred approach to performance is ***Investors in People (IiP).*** *This initiative, born in the old Department for Education and Skills, is celebrating its 15 anniversary, and 37,000 organisations are accredited within it (a big number, but a low penetration nationally: there are 400,000 businesses in the East of England alone, and much of IiP's success has been with public and voluntary sector organisations).*

IiP has a particular focus on encouraging organisations to commit to investment in training and professional development. Organisations wishing to be accredited commit to fulfilling a Standard – a protocol of good practice in relation to staff development, which integrates this with business planning. The Standard is intended to reflect the established business process summarised as Plan – Do – Review.

The evidence suggests that involvement in IiP is a good way of reflecting and codifying good practice; and that good practice in staff development is associated with motivated staff, and successful performance. It is more difficult to tell from the data how much new behaviour has been initiated *(the likelihood being that organisations already committed to good practice were among the early adopters).*

The Standard is generically similar to Standards introduced in production quality (ISO 1000/1001/9001); in environmental quality; in developing IT applications; and even – within the Management Charter Initiative – Standards for 'professional' managers.

This impulse to Standardisation has characteristics of a bureaucratic approach to organisational behaviour which risks being at odds with local individuality (we have seen that high performing organisations have a self-image of distinctiveness). As a policy lever, it is hard to see this well-established, but relatively low profile and somewhat long-in-the-tooth initiative exciting either Government commitment or significant change in the business community.

If we are seeking to create a 'culture of enterprise' we need to identify processes which can have cultural impact. And rational argument, and simple material, or economic gain seem to be levers of limited effectiveness in this context.

If we are hoping to change habits of attitude, behaviour, expectation and self-image we will need to consider where and how these habits are currently formed. If we want our citizens to develop the ability to improvise, innovate and take risks, we need to ensure institutions and processes exist which encourage and reward these behaviours.

This would seem to get us back to education – both within schools and further and higher education – and in the workplace.

Our respondents have confirmed that in their experience, what tends to be rewarded in these settings is conformity and the ability to acquire and reproduce a body of knowledge and competences (one of which will be the 'skill' of rational analysis).

In fact the limitations of this dominant educational model are reflected in the obsession with 'skills', which seems to crowd out consideration of the more nebulous attribute of motivation.

So can we imagine the sort of institutions and processes which might genuinely prioritise the development of the habits of innovation and enterprise (and fun)?

And if we could, how could such institutions and processes achieve credibility with parents, employers, and participants? And policymakers?

Jonathan Cher of Goldman Sachs saw the essence of GS productivity as being rooted in freedom, flexibility, entrepreneurialism, camaraderie and a de facto flat hierarchy. A sense of difference is also important. In this context, being the most distinguished name globally in banking - 'a lot of people are dying to sit where you sit, it's kind of motivating.'

Peer group influence – those you work with and those you judge yourselves by – seems to be another contributing factor to the GS productivity machine. In Jon's eyes 'peer benchmarking' was critical. This was mostly seen as an upward spiral of positive feedback and competition although it could occasionally spill over into the less helpful area of bonus comparison. GS expects responsibility: 'there is a low amount of validation from other people.' The firm expects you to be self-motivated. It attracts and develops those types and although there are formal review procedures you typically have to be driven by yourself to get the feedback you need.

This was consistently amplified elsewhere, that it is the informal check-ins and low level conversations that really set the tone, rather than bi-annual HR reviews which many felt were dreaded and perfunctory and un-linked to development activities in employment.

There is no concept of face time yet everyone works extremely long hours. 'Working in an environment where everyone works really hard is definitely inspiring'. Part of this is a clear appreciation that management works hard. There's a whole lot of difference between asking someone to give up a weekend to do work for you and as Jon recalls asking 'I'm coming in on Sunday…would you mind helping me?'. Seeing everyone no matter what seniority muck in to do whatever it takes to get it done with you is a 'huge huge thing'. 'You are totally invested in the performance of your team'.

The world of City investment banking is a particular one: the general rule seems to apply though, that whatever the environmental factors people have to be well matched to them, they have to feel that they 'thrive' in the environment. Clear internal progression structures can be extremely motivating knowing whose seat you can be sat in in 3 years.

It's almost as if exceptional performance is taken as a norm within GS culture. That is, for example, if someone does amazingly well with a new product this year they're not just trying to match it next year; they're trying to exceed all expectations. It's more a culture of massive goals than SMART goals. Jon talked about 're-defining the boundaries of exceptional' and the notion that you can 'always grow more'.

Contrary to popular perception it isn't all just about money, GS is hugely focused on reputation and strong values permeate his work. Integrity is paramount. Money is just a way of 'keeping score', albeit a 'very quantifiable way'.

Policy objectives

To embed proven management styles and practices more widely in British organisations

To increase the priority placed on individual and collective motivation in British organisations

To increase the numbers of managers who have the confidence to share ownership – of organisational goals and processes - with their colleagues.

Thematic conclusions and propositions

Our findings have led us to believe that policy needs to adopt a different language, and to prioritise new conceptual frameworks, if it is to influence radical improvements in performance. There remains a question of how far it is either the responsibility, or within the scope of policy to engineer change at the local organisational level. However we have identified three overlapping thematic areas where policy innovation should be focused.

The first is **organisational ethos.** Our evidence shows that deliberate management action impacts significantly on performance. Leaders and managers who prioritise communication, motivation, feedback, recognition etc, can be expected to make a real difference. And yet, experience, endorsed by our respondents, suggests that very many managers lack either the awareness or the ability to prioritise these performance-enhancing behaviours.

We believe we should be initiating, developing and evaluating ideas which create a far higher profile for the kind of management ethos which our respondents have associated with high performance. We need to promote the visibility of good practice, and provide managers with a variety of (motivating) stimuli to provoke a confident examination of their own behaviours, and exposure to the processes associated with success.

We need to develop an ambitious framework for change which may include new institutions, structures, processes and incentives. And we need to imagine ways of making these attractive to busy business managers.

As well as promoting a different 'skillset' in managers, we need to imagine environments where new ideas can be initiated and evaluated. We need to innovate ways of 'taking the fear' out of innovation, and increasing the speed of decision-making.

The second focus is **education and professional development.** It is widely acknowledged that a high proportion of UK managers have not had much, or any fit-for-purpose management training. And those that have, report that the most prevalent form of professional development – the MBA – usually does not prioritise the people and communication issues which we have identified as having the greatest impact on performance.

There has been plenty of agreement from respondents with the idea that our education and assessment systems reward conformity and obedience (cf Richard Florida's phrase about a system developed to support the industrial revolution 200 years ago: 'good workers who follow instructions'). This embeds conservative, risk-averse attitudes which militate against exceptional or enterprising behaviour.

Even (or perhaps especially) in the area of management education, an emphasis is placed on the acquisition of a knowledge base, and competence in a range of functional techniques (typically strategy, marketing, finance and accounting, HR, IT etc, what Handy calls the 'languages' of business; what policymakers call 'skills').

It is relatively rare to find educational models which offer an integrated management philosophy. That is to say a model which articulates a sense of the purposes, principles, responsibilities and opportunities associated with successful leadership.

(This lack of an integrated approach reflects the existence of self-contained academic specialisms within management, and the dominant model of knowledge accumulation and its assessment within our institutions.)

And yet, our findings suggest that managers have an opportunity to stimulate exceptional performance if they have the **wisdom and confidence** to promote a deliberate ethos, which may be independent of their knowledge base, and their operational competence in a given context. It seems not to be necessary for a manager to be an expert in the physical practice of washing and ironing in order to influence improvements in productivity in a laundry.

Of course, knowledge and competence – skills - are important. They are some of the resources, along with experience, analysis and intuition which contribute to wisdom and confidence.

But the policy fixation with 'skills', most recently reaffirmed in the Leitch report, condemns the development of educational policy in the workplace to a limited prospectus which fails to recognise some the most important drivers of performance.

So we need to envisage models of professional development which do address these issues, for managers at all levels. And to promote these so as to impact on the business community – indeed the working community – as widely as possible.

In this context it should be noted that many managers who are already in senior positions find it unattractive to be told they are deficient in some vital aspect of their work. So the developmental models need to be sensitive to the motivational issues which managers themselves have.

The third focus we propose is **the promotion of a culture of enterprise.** This would seek to impact on a more societal level; there is plenty of evidence that achieving this kind of change is extremely difficult. But we believe it is worth focusing on policy initiatives which could spread a more enterprising culture.

This is the area of mindset, or attitude – a much bolder goal than the starting of new businesses – although this would inevitably happen if the cultural change were successfully brought about.

There are many challenges. Overcoming a fear of failure – which is reinforced by deliberate and accidental mechanisms throughout society – is one of them.

But a focus on motivation and confidence– over and above skills and competence – could drive a radical change in attitudes and behaviours at many levels of society.

We need to promote a whole new way of perceiving work and performance. This may need to begin with senior policymakers who are constrained by a rationalist-economic take on the world which is not reflected in the experience of practitioners.

This new way of perceiving is not afraid to acknowledge the crucial role of emotion in working life.

We need to identify the mechanisms that reinforce timidity and inertia, and be honest about the pervasiveness of these mechanisms in our workplaces and educational systems. We then need to be creative in working out ways of moving on from these inhibiting factors, without disorientating and dismaying people and institutions that have grown up within them.

There is scope here for a radically new vision for the workplace. But it depends on an honest and wholehearted willingness to question the status quo (as the Work Foundation has argued). There is a great opportunity for this new vision to be initiated and explored in the East of England – the self-proclaimed Space for Ideas.

Engagement scarcely seems a problem at ?What If!, the UK's leading innovation consultancy. James Baderman, head of the Social Footprint team, seemed to find it very easy to articulate why ?What If! has been a many times winner of the Best UK Workplace award. From his point of view there is a very clear relationship between employee happiness and employee productivity. It's not automatic: There is no use in creating a very happy workplace, if it does not to lead to a very productive workplace. Thus, though ?What If! is unashamedly 'touchy feely,' a very strong commercial emphasis sits beneath this. It makes sense financially to have good people stay with you longer because they are happy.

When the company was formed it had three tenets – '1.) To be great for clients; 2.) To be great for the world; 3.) To be great for us.' The physical office format is inspiring and also comfortable; busy areas, quiet areas, benches, sofas, bean bags and lots of stimulus on the walls. Such wall markings include: widespread demonstration of ?What If! values.

And What If do not just keep culture, environment, and performance as internal things: a big part of Baderman's role is in fact monitoring What If's overall external impact. Opinions are sought from partners of employees, suppliers, stakeholders, the community, clients, and staff to get a global sense of the company's social and societal impact on those that have dealings with it. The resulting report, their *social audit* – including all the good and the bad – is then proudly offered to anyone that comes through the company's doors. Such *authenticity*, though not surprising given the aforementioned openness and honesty that the culture promotes, is rare and yet a powerful tool for continuing to engage hearts and minds. This is both in the sense of allowing people influence over the way the organisation runs and seeing the organisations value's such contribution and also in placing the everyday within a wider compassionate values framework that people can buy into.

Appendix 1: Participants

The authors are grateful to the following for their generous participation:

James Baderman works at leading innvoation consultancy ?What If! He leads the Footprint team using the firm's processes to drive social innovation. Projects include helping on Jamie's School Dinners campaign to supporting ethical businesses around the globe. James co-authored Everyday Legends about leading social entrepreneurs in the UK.. In 2006 James won the Enterprising Young Brit accolade..

Martyn Bensley is Director of Global Engineering at Hamlin Electronics, which designs and manufactures sensor solutions for a range of applications, mainly in the automotive sector. 40 engineers report to Martyn, in established plants in the UK, US, and Mexico, and in a new plant being built in China.

Jan Benson went to the US to take the MBA at Wharton. She became a financial analyst and held senior operational and customer service roles at Eastern and American Airlines. Back in the UK she managed the Serco business at a major NHS acute unit. She now manages a private sector supplier of clinical services to the NHS.

Bridget Buttinger is Deputy Chief Executive at Norwich City Council where she has worked for over 20 years. Currently she has overall responsibility for resource management, having recently led the HR and organisational development functions. She has an MA in Human Resource Strategy from the University of East Anglia.

Roddy Campbell is former global head of Adidas. Prior to this, Roddy had a wealth of experience in FMCG, Professional Services, Retail and Consultancy with global companies – including Pentland Group and Unilever. Former British youth athlete and mentor to a group of young entrepreneurs through the Institute of Directors. Roddy Campbell is now a banking adviser with Attfield James.

Jonathan Cher works in credit derivatives for global banking leader Goldman Sachs. He has a Masters in Physics and a degree in Natural Sciences from Cambridge University. Jon is a Cambridge Ice Hockey Blue, and is bilingual (French/English).

Sue Cheshire is the Managing Director of the Academy for Chief Executives, a confidential learning environment for non-competing CEOs from all sectors of industry, commerce and the 'not for profit' sector. She has a degree in psychology; is a Director of a small but growing high-tech company, and a Director of the Institute for Small Business Affairs.

Dr Sally Ann Forsyth is Director of Colworth Science Park, home to the UK research activities of Unilever. Sally heads up the 2004 Unilever and Arlington Joint Venture to develop Colworth Park into a diverse and vibrant science community, already comprising approximately 500,000 ft of laboratory, office and ancillary space.

Rowan Gormley is founder and Managing Director of Virgin Wines, Europe's leading internet-based wine marketing business. He was recruited by Richard Branson from Electra venture capital, and founded and ran 2 Virgin businesses in the financial services sector. He is a qualified accountant, and has an MBA from ?

Julie Fryatt is currently HR Director at Norwich Union Insurance, which has 22000 employees worldwide. Before joining NU, she was part of a technology-led business start-up. She has held HR management roles at American Express and Anglia TV, and has an MA in Human Resource Strategy from the University of East Anglia.

Ian Peter MacDonald is a founding Director of GreenLed Ltd, a new enterprise selling ultra-low energy lighting into commercial and domestic markets. He was previously a founding Director of Customworks, designing, manufacturing and selling speciality merchandise for museum and gallery shops internationally.

Alan Preece is Director of Marketing and Communications at the University of East Anglia.. He was previously Director of Public Affairs at ASDA. He has also run his own PR consultancy, worked for Tesco, and in the utilities sector during privatisation.

Tim Rowan-Robinson is Chairman and Managing Director of Thorpeness Golf and Country Club, a group which owns and manages 4 hotels in Suffolk. He has extensive experience in the brewing sector, having held senior retail and marketing management roles with Watneys and Whitbread. He has an MBA from Cranfield.

Paul Simms is General Manager of eyeforpharma, which has grown from 2 to 14 people since 2004. It specialises in events, publishing and online networking for the pharmaceutical and healthcare industries. Paul has helped start up two other successful London-based businesses: Fresh Minds and Streetcar (both doubling in size every year and worth over £10m in under 5 years).

Tim Smith is Production Manager at Kettle Foods in Norwich, where he is responsible for the performance of 3 shifts of around 60 people creating the full range of Kettle Chips. He previously worked in production management roles at Walkers Crisps and in the concrete industry.

Henry Stewart is founder of Happy Computers, London-based ICT company, which works with high profile city institutions, but also supports charities and housing associations by providing cost effective and high quality training. Set up in 1990, Happy have won numerous Best Workplace awards.

Richard Turvill is an Owner/Director of Camplings linen hire in Great Yarmouth. He is a graduate engineer who held production and marketing management roles in RHM businesses, before becoming a senior strategic management consultant at KPMG. He took the Sloan Management Programme at the London Business School.

Group discussions were undertaken with:

- a group of managers from the **East of England Development Agency;**
- 11 delegates attending the **Social Enterprise East of England** AGM; and
- a group drawn from the **Common Purpose** network in the region

Appendix 2

6th Driver: outline interview framework tb/jb

We're here to discuss productivity and creativity, and how these can be maximised in the workplace…

What do you think are the most important headline factors affecting performance in these areas? What are the conditions you associate with exceptional performance?

Can you give us your view on how these issues are managed here?

Probe – organisation structure
- **teams/size/skills/complementarity**
- **environment**
- **culture/climate**
- **rewards**

Explore DTI drivers: - investment
- **skills and human capital**
- **innovation/R&D**
- **competition**
- **enterprise**

What motivates individuals to be productive here?

How does this compare/contrast with other working environments you're familiar with (previous employers; competitors; suppliers; customers etc)?

What motivates you as an individual?

Can you talk about the role of management action in this context?

Can you talk about the role for professional development, or training in this context?

Can you identify other sources which could help develop our understanding of these issues?

‘the two features which seem to ring through in terms of getting the most out of people, if that’s a measure of productivity, are firstly establishing a very clear sense of the direction in which we want the organisation, or a project to go; and then applying a minimum of management control beyond that. The way in which individuals are allowed and empowered to get on to do their jobs in that context with a minimum of interference and a minimum of bureaucratisation, the more effective they seem. And the more they seem to be able then to contribute and feed back into the processes of developing the organisation further.’

‘in the areas that I have worked in it is absolutely the case that where there is lack of clarity about the overall objectives of the organisation, and the way in which they relate to individual activity, and the more there are constraints on individuals’ ability to act and deliver against those objectives, the more difficult it becomes for them to do their job. And the more likely they are to play it safe, and not push on to get the extra they might out of a particular opportunity.’

‘there are areas where specific projects – very large and complex projects – such as major bidding opportunities…have required small groups of people to work together for a very specific and time limited objective. So everybody knows what they’ve got to do, they know the timescale, and to some extent they probably know that it is an unreasonable demand of them. But the sense of teamwork they get, and the clarity of what they’re trying to achieve appears to be able to drive them to deliver quite exceptionally.’

making unreasonable demands: ‘I’m clearly not alone in seeing it as part of a management style, because as I said there are teams outside my control who undoubtedly have fulfilled things that were well beyond their genuine job descriptions and what might be expected. And that required exceptional hours to be worked, and exceptional working across a range of other disciplines and other people…We had a concept in one business I worked for called ‘testing people to destruction’, which was meant in an almost entirely benevolent way, but it was to really see how far people could achieve, and in some cases surprise themselves, if you gave them enough space to attempt to fulfil the potential that might be there. There is an element of risk to it, because clearly some people find that very stressful and quite difficult. But generally speaking, I found that people continually surprised me with what they are able to achieve, if I let them see what is required, and say ‘have a go at that.’ ‘

‘my intention is to ensure that they feel a sense of achievement.’

Role of appraisal? ‘neither a carrot nor a stick. So it doesn’t really have an engagement with the reality of their life.’