



**Critical note**  
**Human Resources Management**  
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**Peak performance: Aligning the Hearts and Minds of Your  
Employees**

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*Real Change Leaders* and *The Wisdom of Teams*

Harvard Business School Press, 2000, McKinsey & Company, Inc.

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*“Forget those cookie-cutter management advisers who have the same solution for every problem. Katzenbach helps you find the right approach to energize your organization. His strategy makes sense, and it works.”*

*John W. Rowe*

## **Summary**

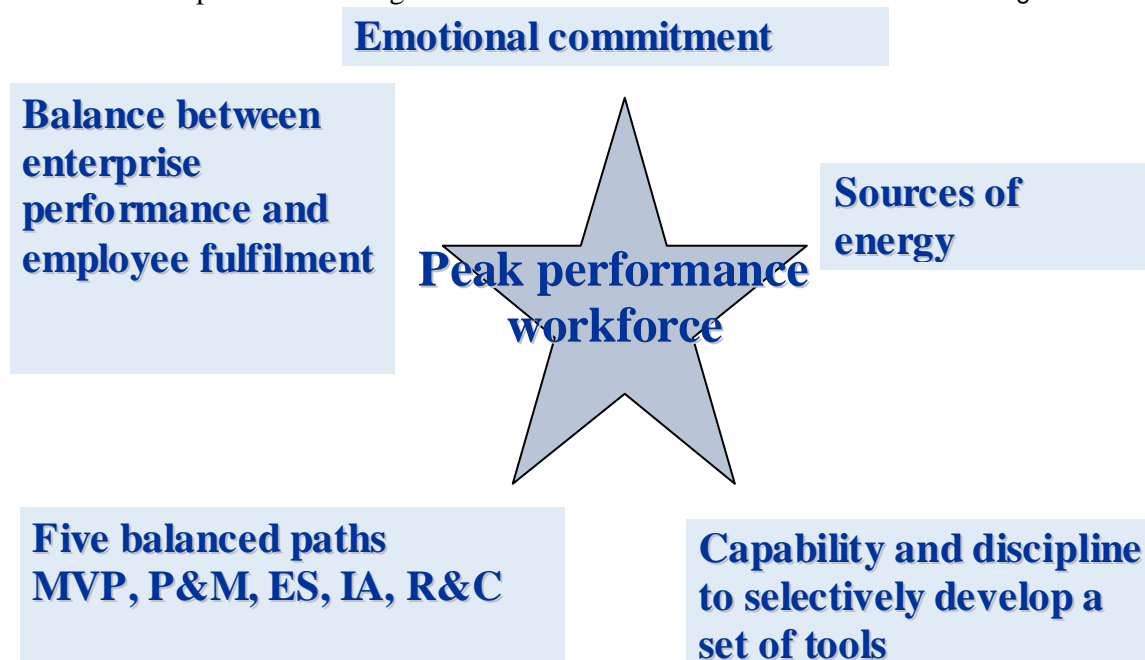
This article analyses the ways of energizing the workforce and creating the emotional commitment among the employees by example of a book written by Jon Katzenbach - "Peak Performance: Aligning the Hearts and Minds of Your Employees". The first part of the paper gives the overview of the book and shows how the most successful companies have unlocked the power of people in ways that propel the organization further and help to maintain the peak performance of their workers as their main competitive advantage. In the end of the first part we focus on some critical aspects that may occur in carrying out and developing these paths.

In the second part challenges for the public sector are suggested in order to harness the energy and spirit of civil servants. The performance criteria of the Consumer Protection Board of Estonia are analysed and some of the Katzenbach paths are recommended.

## Introduction

Jon Katzenbach examined the leaders and organization of some of America's most successful corporations and found distinct patterns according to which companies engage their employees to capitalize on emotional energy and consistently achieve higher levels of performance than their competition. Describing the differences in core values and management styles Katzenbach captures the essence of what it takes to achieve peak performance. All of these enterprises confirm that performance of the workforce is the distinctive competitive advantage of their business.

Figure 1



In the figure 1 the necessary elements for achieving peak performance workforce are given. Studying the enterprises whose workforce's performance is the competitive advantage, Katzenbach focuses on some compelling commonalities shared by leaders in these companies:

- they believe strongly in each employee
- they engage their employees emotionally as well as rationally
- they pursue enterprise performance and worker fulfilment with equal rigor.

The top leader of the US Marine is convinced that you have to really care about each worker, and you have to honestly believe that he or she is important for the performance of your enterprise.

Through detailed case studies, Peak Performance highlights the various sources of emotional energy specific to each organization and the discipline companies need in order to follow their chosen path. The book concludes with guidelines for managers seeking to achieve better performance with their own workforces and gain the resulting competitive edge.

## I Overview of the book

### Five balanced paths

Katzenbach's identification of five balanced motivational paths lies at the heart of Peak Performance:

- 1) the mission, values, and pride path (MVP),
- 2) the process and metrics path (P&M),
- 3) the entrepreneurial spirit path (E&S),
- 4) the individual achievement path (I&A), and
- 5) the recognition and celebration path (R&C).

The path any institution chooses must fit its business performance priorities, its marketplace circumstances and its workforce fulfillment needs, as well as unchangeable aspects of its culture and values. Table 1 shows the conditions, sources of energy and applied approaches that each of the five paths requires.

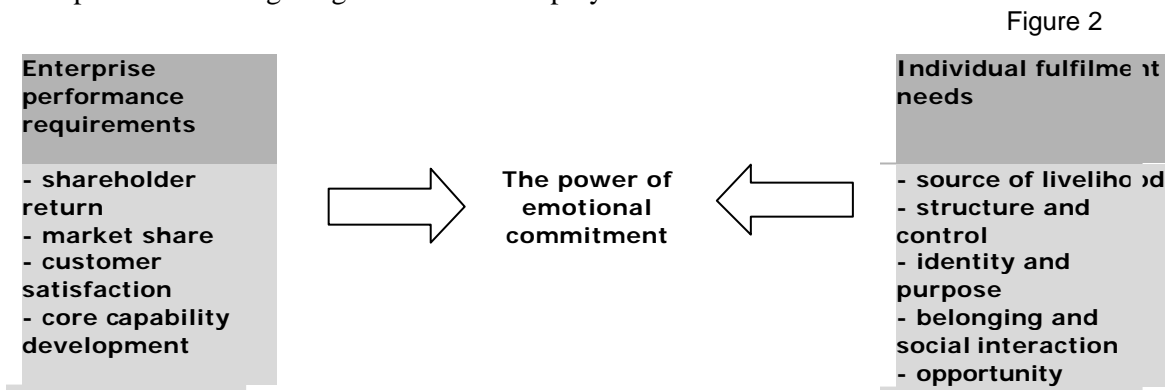
Table 1

| Path           | Conditions  | Sources of Energy  | Applied approaches   |
|----------------|---|--|--|
| <b>MVP</b>     | Rich history, noble purpose, value-driven leadership                                      | Magnetic leaders, compelling legacy, Impossible dreams   | Broader pictures, true value of people, articulating what matters most, purposeful selection             |
| <b>P&amp;M</b> | Behavioural consistency, clear measures, mature marketplace, continuous improvement       | Unrelenting customers, dynamic marketplace               | Performance transparency, Distribution leadership broadly  |
| <b>ES</b>      | High-risk, high-reward opportunities, employee "ownership" potential                      | Magnetic leaders, impossible dreams, dynamic marketplace | Widespread opportunities, distribution leadership broadly, purposeful selection                          |
| <b>IA</b>      | Highly ambitious individuals, individual growth and achievement of prime importance       | Unrelenting customers, dynamic marketplace               | Articulating what matters most, performance transparency, purposeful selection, widespread opportunities |
| <b>R&amp;C</b> | Work is not intrinsically stimulating, monetary rewards are constrained, unskilled labour | Magnetic leaders, compelling legacy, dynamic marketplace | True value of people, generating collective energy, meaningful recognition and rewards                   |

Katzenbach suggests that these paths create a framework of options for managers about where and how to generate emotional energy and how to channel that energy towards higher performance. Leadership's commitment is essential to each path to strike a balance between enterprise performance and worker fulfilment.

## Emotional commitment

The central topic of this book - energized workforces that deliver higher performance is defined as a group of employees whose **emotional commitment** enables them to make or deliver products or services of the desired quality at the given price so that a sustainable competitive advantage is given for their employer.



## Balance between enterprise performance and employee fulfilment

Companies with peak performance workforce (PPW) enjoy a common feature: a dynamic balance between worker fulfillment and company performance over time. For achieving the balance the **individual fulfilment needs** of employees have to be understood and specified. The relative importance of the fulfilment needs vary by workforce segment and by level in the organization. Each enterprise with a PPW has a straightforward workforce value proposition that makes clear what "gives and gets" an employees can expect. Although the value proposition is unique for each company, those following a particular path reflect a similar value proposition that goes well beyond monetary awards and sometimes varies with particular segments of the employee population.

## Peak performance workforce

By **peak performance** Katzenbach means better than the norm, better than expected, better than the competition, and better than similar workforces in other places. We need to specify the critical segment (or entire workforce) whose collective performance forms the core of the institution's competitive advantage. The collective performance of these employee segments largely determines the success of the company. Often these higher-performance groups are at or near the frontline. However, even when the critical workforce is far from the top-management, the latter must be involved in developing an emotionally committed workforce for many reasons. First a cohesive approach is essential, and cohesiveness demands executive leadership alignment. Second, most of the best sources of emotional energy cannot be tapped without the efforts of executive leadership. Third, balancing enterprise performance and worker fulfillment requires trade-offs that can be made only at executive leadership levels.

For identifying the higher-performing workgroups Katzenbach relies on a three-step approach:

- 1) tracking the performance of the enterprise over time
- 2) conducting a series of interviews with executives and managers
- 3) obtaining as much evidence as possible (quantitative and qualitative) to confirm management's judgement.

For determining if the enterprise benefits from a peak-performance workforce, the following criteria are used:

- 1) more than one-third of the workers consistently exceed individually the expectations of their leaders and customers
- 2) the average worker performs better than the average competitive worker
- 3) a strong emotional commitment to higher standards and aspirations is reflected all across the workforce
- 4) the collective performance of the entire workforce or of critical segments forms the core of the institution's competitive advantage and is extremely difficult to copy.

### Examples:

- **Mission, Values, and Pride** path is used by the companies like *U.S. Marines, McKinsey & Co.* The latter is proud of its position as a leading international consulting firm and the former of being a highly trained and disciplined branch of the armed services.
- **Process and Metrics** - this path works within Avon's manufacturing services requiring high level of quality since any defect can hurt sales in the cosmetic industry. *KFC* argues that they are the number one of fast food chicken restoration in the world and sets the sales as a priority.
- **Entrepreneurial Spirit** - BMC Software, i2 Technologies - these two companies both provide computer software and pursue only one path. Thanks to their key segments (product designers and experienced account representatives) they claim high productivity records.
- **Individual Achievement** - At McKinsey & Co the fulfillment of employees' needs is largely centred on the recognition of individual achievement, personal growth and development. Many of the employees openly view a job with the company as a kind of advanced graduate school that will prepare their career for the non-consulting world.
- **Recognition and Celebration** - This path is almost never used alone and is mostly combined with MVP or P&M. Southwest Airlines and KFC are companies, where the performance of the workforce at frontline is crucial. This work consists of a number of operations that does not require high skills and is not intrinsically stimulating. In order to create enthusiasm and emotional commitment managers believe that it is important for workers to enjoy their, so they organize different celebrations and acknowledge the achievements in meaningful way.

### Sources of energy

The sources the PPW draw upon are unique to their situation and point in time - rather than being prerequisites of the path or paths they follow. THE question is what creates the emotional energy and how to channel this emotional energy? The more compelling sources of energy are magnetic leaders, dynamic marketplaces and remarkable histories and legacies of accomplishment

### Capability and discipline to selectively develop a set of tools

Most companies have at least one of these sources of energy, but are simply not disciplined about identifying them or tapping them effectively. An enterprise must understand the role of disciplined behaviour and accomplish the following:

- build up the management commitment
- generate emotional commitment within critical segments
- channel the extra emotional energy by being selective and focused.

### Alignment approaches and tools

By emphasizing a few meaningful sources and approaches an institution can reinforce focus, and align the activities and decisions of large number of people. Often there are a few critical "dos" and "don'ts" that workforce should start doing or stop doing.

Alignment approaches and tools:

- building personal self-image - showing people their true value, creating and sharing broader pictures, generating collective energies
- sustaining the focus on performance - making purposeful selection, articulating what matters most, providing performance transparency, making rewards and recognition meaningful
- opening up options and opportunities - creating widespread opportunity, distributing leadership broadly, enhancing the work itself.

### Some critics

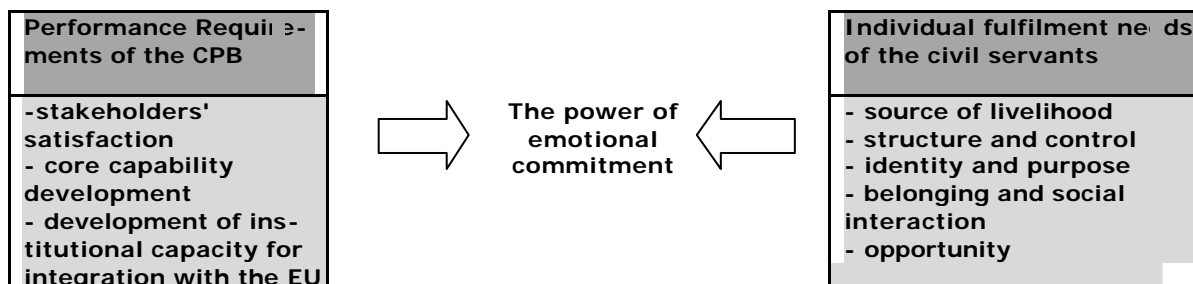
I'd like to finish the first part with some critical comments. J. Katzenbach writes about the companies with peak performance and identifies the particular features, but how to choose and develop a right path, if a manager feels that performance of the workforce is only average or even worse. It is very difficult to start to implement the MVP path when there is no remarkable history or a magnetic leader even if it seems to be the best choice for creating the emotional commitment. Secondly, start-ups in the phase of development need another strategy (ES or IA) than being a mature company. Imposing such a change may confuse the clients as well as the employees. It may prove difficult to carry out the change of the path as well as keep and retain customers.

## II Personal comments

### The ways to energize people and to choose the paths of balanced performance for the Ministry of Economic Affairs

A key success factor for public institutions is their employees (fig 4 next page). The performance of a state body depends on the skills, competence and behaviour of the civil servants. In order to study the state institutions according to the Katzenbach's suggestions for finding the right motivation path(s) we must at first identify the performance requirements of the public bodies (fig 3 below). They definitely differ from the ones of the private sector. Here we can speak instead of shareholders value, market share and customer satisfaction

Figure 3



about the satisfaction of taxpayers, of partners in the public as well as in the private sector in Estonia and abroad, etc. The individual achievement needs are the same in private as in the public sector.

For choosing a right path we need to specify what conditions and resources are available and what would be the appropriate tools to increase the emotional commitment in the civil service. Principally four of five paths described by Katzenbach can be suggested to the state authorities. The one excluded is Entrepreneurial Spirit. Still here, for instance in case of a short term project with clear goals, time constraints and financial rewards it could be used in the public sector.

#### **Four paths and applied alignment approaches for the civil service**

**Mission, Values & Pride** is undoubtedly the best choice for a state agency. The main motivation in the public sector should be the mission and pride to serve the population, protecting

its interests and creating a better environment for its activities. Unfortunately the lack of dynamics often eliminates enthusiasm and emotional commitment.

Fortunately in the Central and Eastern European Countries the situation is different at the moment. In Estonia for example, civil servants have the responsibility for creating democratic principles and reorganizing old structures. They have to make a clever choice choosing between protecting the interests of a small nation in Europe and following international agreements (the will of bigger countries). During the last decade a lot has been done. Leaders should emphasize much more on the recent achievements, not on the time schedule for harmonizing the national legislation with the European Union laws.

**Process & Metrics** - use of this path is somewhat limited and is relevant only if one really can measure and compare the work results. These might be for example the inspection or call centre activities.

**Individual Achievement** is important in the public sector in Estonia. The dynamic society, international cooperation projects, elaboration and implementation of new legislation, active negotiations with business associations and NGO-s offer a wide range of opportunities for personal development.

**Recognition and Celebration** - since the monetary rewards are often constrained in the public sector, it is important to find other ways to recognize good performance. In addition to the incentives given by the law (longer holidays, annual bonuses) the most widely used is

Figure 4

#### **Threats on the existence of the state bodies**

First of all one may ask whether we need to identify a key success factor in a public sector. There seems to be no competition that could endanger the "business". The laws need to be implemented and an administration seems to be a full natural monopoly. However, the changes are coming - in many countries cutting costs in the public sector is on the agenda. In Canada in the mid 90-s the administration was downsized to one third. Many agencies were restructured and the tasks of many others privatised or given over to the NGO-s. During the last six years the Ministry of Economic Affairs of Estonia carried out twice significant cuts of budget and lay-offs of employees. The National Board of Consumer Protection was also restructured twice since 1994.

The second reason of seeking the ways for creating the motivation and emotional commitment of the workforce in the state bodies is the need for high-level experts. Often the position in a state body is seen as uninteresting, non-dynamic, boring etc. It's hard to attract people with high potential and commitment because of the low salaries and low reputation. Thus the main concern of the leaders in the public sector should be to motivate their people in order to achieve better performance.



advanced training, e.g. to exchange experiences with the foreign colleagues during the international workshops. However, even when money is not a main motivator, it can be the main de-motivator. Thus the possibilities for financial recognition for a good performance should be found as well.

### **Performance criteria of the CPB and suggestions for the appropriate paths**

At first sight it seems that the Process & Metrics path is the most appreciated in the Consumer Protection Board of Estonia. Two main departments - Supervision and Consumer Policy & PR - have both only numerical performance criteria that refer to the evaluation of the efficiency and effectiveness of their main work processes - inspecting the enterprises, solving consumer complaints, informing public via call centre, meeting deadlines of international cooperation projects, etc. This is due to the requirements set by the Ministry of Economics. The Board is entitled to get premium from a special fund only when it achieves the numerical indicators.

In fact, analysing the motivation of the employees, two other paths - Mission, Pride & Values and Individual Achievement - seem to be much more essential for the staff. MVP is important for the inspectors who have already 10-20 years experience in the field of product safety. Coming with the skills obtained in the Soviet time they can be proud to use them also in conditions of the free market economy. It's impossible to get such an exceptional education nowadays. For the younger generation, who has graduated during the last 5-6 years the Individual Achievement path fits well. Young people enjoy opportunities offered by international projects, development of media relations, consumer education and information, etc.

It's hard to specify which of the departments forms the critical workforce. Both, information officials as well as inspectors are at the frontline. So, the two main paths would be suggested for the CPB - MVP and IA - coupled by the P & M and R & C.

## Conclusion

J.Katzenbach describes in his book "Peak Performance" five distinct paths (Mission, Values, and Pride; Process and Metrics; Entrepreneurial Spirit; Individual Achievement; Recognition and Celebration) that help to build and sustain high levels of employee performance. The managers should identify the right patterns for their companies, choose accordingly the sources of emotional energy and adequate approaches to channel that energy, and be disciplined to keep energy and commitment at high level. Then, discipline is a key for successful implementation.

The Katzenbach five paths for energizing employees are helpful also for implementation in the public sector. The performance of the workforce becomes critical for a state body if a question rises about its further existence in the process of privatisation or reducing the tasks by transferring the responsibilities to the NGO-s.

Improvement of performance of the CPB of Estonia is based at the moment on numerical indicators and evaluation discussions. This document suggests that motivation and emotional commitment could be reinforced by other tools like emphasizing the true value of people, past achievements, opportunities for personal development, etc. It is necessary to achieve the balance between the performance requirements of the Board and its employees' expectations.