The Performance Ecosystem
Part 1 of the Performance Ecosystem Series

By: Gregg Cochlan, Managing Director, TPI Canada

Part 1 in the Performance Ecosystem series explores how performance is affected by a community of interaction, both internal and external, mental and physical.
In my consulting practice, I’m thankful for the work I get to do and the diverse clients I get to work with. Every project offers opportunities to learn. Just when I think, ‘I got it,’ I learn something new, which then tells me, ‘I haven’t got it yet, but I’m getting closer.’

Let me share my newest learning, which is forming into a strong belief. Organizational performance is an ecosystem. I don’t mean a biological ecosystem as described in most dictionaries, but a community of interaction in which performance is affected both by internal and external, mental and physical environment.

*ec*o*sys*tem: a *biological community of interacting organisms and their physical environment* (Google)

Individuals working (or ‘performing’) within an environment (or ‘ecosystem’) are affected by their own actions and by the actions of others. There is strong interdependency within the ecosystem; every individual action creates a reaction in the whole ecosystem. External actions such as strategies and processes have an effect on the ecosystem, but so too do internal actions going on within individual and group ‘think.’

In high performance environments, you can see actions of people, leadership, culture and organizational design.

Leadership’s role is to provide stewardship of the ecosystem, to provide both the external design and the internal support for overall organizational performance.

In my practice, I work to help individuals, teams and organizations improve their performance. I have been doing this for almost two decades; the company I work with has been doing it for over four decades. My work is largely in the private and public sectors, but what I offer applies to any organization, team or, for that matter, community or country. Performance doesn’t care if you are in sport, health, education, government, for-profit or not-for-profit—the fundamentals are the same.

I have had experiences that have provided insight after insight, specifically on performance. In the work I do, the quest comes
down to each organization, company or team looking for ways to improve, increase or change performance. Let me share what I’ve found to be true (so far). To align our thinking, I’ll start by clarifying a few premises and then share my learning on the performance ecosystem.

5 Starting Premises

1. Organizational performance is dependent on people. This means that no matter what you do, whether you are in government or the private sector, the health sector or manufacturing, professional or amateur sports, you are depending on people performance for the success of your organization.

2. People have more potential than they use. Therefore, you will get a higher level of performance from your people if you tap into their potential.

3. A significant barrier that holds people back is their ‘thinking.’ This barrier is actually within their control—if they know

4. There are four interdependent elements in organizational performance: people, leadership, culture and organizational design.

5. It is leadership’s responsibility to create, guide, design or redesign the elements of the ecosystem to maximize organization performance.

Now that I have stated my bias, let me explain the performance ecosystem. The model below is the framework I will use to walk you through the important interrelationships and interdependencies of the four organizational performance elements—people, leadership, culture and organizational design. Let’s begin at the hub of the ecosystem—people.

People

As I mentioned earlier, organizations are primarily dependent on individual people performance to achieve organizational performance. I’ll use a recent client to illustrate. I’ve been working with a high performance hockey club, which had brought me in after an underwhelming two win, seven loss start. The coach, as a good leader, recognized that his players were underperforming relative to their potential. He intuitively knew that part of the reason was the mental side of the game, and his instincts proved to be true.
I used the TPI curriculum to teach the players how their ‘thinking’ affected their performance, and doggone it, if they didn’t go on a six game winning streak and move to above 500.

Whether we’re talking about sports or business, it is our experience that people have more potential than they’re tapping into, and the major barrier is how they think. Granted, many things can affect individual performance: education, skill, maturity, experience. That being said, individual and group ‘mindset’ has a huge impact on performance. In a nutshell, people’s individual habits, attitudes, beliefs and expectations form barriers to performance. If you can teach your people how their thinking shapes these habits, attitudes, beliefs and expectations, you can improve their performance.

People are at the center of the organizational ecosystem. Whether the individual works to maintain or improve their performance or the leader or organization works with them, if you don’t have individuals performing to their potential your organization won’t perform to its potential. When it comes down to it, leadership’s role is to figure out a way to help people perform to their ability.

Leadership

If we accept that organizational performance is dependent on individual performance, and that a big contributor to performance is the thought process of the individual, then the next question is, what else affects individual performance? Let’s return to the hockey club. The coach was right in thinking that his players had more potential and that their performance was affected by their thinking. But, as you can probably guess, the coach and his coaching staff also affected the players’ performance through their leadership style. We find this to be equally true in business. Leadership style and skills, whether in coaching or leading, undeniably affect people’s performance.

There is a litany of ways to describe leadership style. For brevity’s sake, I’ll explain the two best known and contrasting styles. The first is based on Sir Isaac Newton (1642-1727), a philosopher and theologian who I jokingly describe as one of the first management consultants. He believed the world was designed perfectly, with one exception: humans. Therefore, someone needed to make sure that humankind did not screw things up, and that someone was the leader. Essentially, Newtonian leaders need to command and control their people. They are strong and all-knowing. There needs to be a clear structure of power. Fear is the great way to motivate people.

Newton profoundly influenced leadership style for generations. In many ways, the Newtonian leadership style is still prevalent today, in large organizations, in governments, even in hockey teams.

In contrast, Alfred North Whitehead (1861-1947) was a philosopher and mathematician who believed the world was not designed perfectly, but was in the process of developing and therefore people were co-responsible for guiding its development.

This worldview suggested that leadership was shared, that people were co-accountable, that hierarchical power structures were not as effective as horizontal power structures. The Whiteheadian viewpoint holds that fear-based motivation was not as effective as a fearless environment in creating higher performance.
Stand back and look at these two contrasting styles; adjudicate the effect they have on individual performance. Based on your own experience, ask yourself two questions. First, have I seen cases where the Newtonian style is effective? Second, over the long run, which style will provide a higher return on performance?

Whichever way you answer the question, it’s hard to avoid the fact that leadership style does have an effect on individual and therefore organizational performance.

Before I talk about culture and its effect on performance, let me explain the relationship between leadership and culture. Looked at through a Newtonian and Whiteheadian lens, it looks something like this:

**Newtonian:** ‘Our sales are down this month. I really need you to get out there and follow-up with leads and make more cold calls. Let’s get at it or else jobs are going to get cut.’

**Whiteheadian:** ‘Our sales are down this month. What do you think is going on? What are some options to increase sales? What is getting in your way and how can I help?’
As a leader, you either create or inherit the organization’s culture. The bottom line, if you believe culture matters in organizational performance, is that you have a responsibility to ensure you support the highest performing culture.

Newtonian leaders using command and control have a higher tendency to ‘tell’ staff what to do or what they want. Whiteheadian leaders have a tendency to ‘ask.’

‘No one who achieves success does so without acknowledging the help of others. The wise and confident acknowledge this help with gratitude.’ - Alfred North Whitehead

Tell vs. Ask

An interesting learning from the field of neuroscience arose recently on the difference between ‘tell’ and ‘ask.’ Using MRIs, researchers looked at real-time brain function when people were ‘told’ to do something and when they were ‘asked’ to do something. When told, the brain’s response center (the amygdala) is stimulated. The primary role of the amygdala is to process memory and emotional reactions. Simply stated, the amygdala is your fight or flight response center.

When told to do something, the brain’s natural response is to push back or avoid. In contrast, when asked, the part of the brain responsible for creativity and innovation is stimulated. The brain looks for ways to solve the problem put to it.

Translate these responses into ‘have to’ and ‘want to.’ The tendency when we’re told to do something is to feel like we have to, so we try to avoid or at least delay having to do it. When we’re asked to do something, the tendency is to feel like we want to do it and therefore we look forward to doing it.

Within the performance ecosystem, leadership style can create a ‘tell’ versus ‘ask’ approach, which can then create a ‘have to’ versus ‘want to’ response.

Culture

Let’s connect the dots from leadership to culture. If we translate ‘have to’ behavior into culture we create un-adaptive behavior, while ‘want to’ behavior creates adaptive behavior.

Five years after the publication of Cooke and Lafferty’s research, John Kotter and James Heskett published Corporate Culture and Performance. The book provided compelling findings on the profound effect of culture on performance. In a longitudinal study of 207 companies over an 11-year period, they evaluated each company to determine whether it had what they termed an Adaptive or Unadaptive culture. The table below summarizes their amazing results.

<table>
<thead>
<tr>
<th></th>
<th>Unadaptive Culture</th>
<th>Adaptive Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>166%</td>
<td>682%</td>
</tr>
<tr>
<td>Stock Prices</td>
<td>74%</td>
<td>901%</td>
</tr>
<tr>
<td>Net Income</td>
<td>1%</td>
<td>756%</td>
</tr>
</tbody>
</table>


Kotter & Heskett’s work clearly showed the benefits of an adaptive culture on the bottom line. But the field gets even richer.
Since the mid-1990s, we have worked with Human Synergistics International to assess organizational culture. Founded by clinical psychologist Dr. J. Clayton Lafferty in 1971 and directed by CEO and organizational culture expert Dr. Robert A. Cooke, Human Synergistics is a pioneer in the field of measurement for organizational and individual development.

In 1987, five years before the publication of Kotter and Heskett’s book, they published research on the basic types of organizational cultures. They developed what we believe is one of the most practical, most reliable and most academically sound cultural assessment tools available: the Organizational Culture Inventory®.

Human Synergistics’ survey instrument identifies 120 behaviors which either contribute to or take away from performance. These behaviors fall into three definable segments: Constructive, Aggressive/Defensive and Passive/Defensive. Each segment is defined in four general attributes that make up the amalgam of the 120 behaviors. These behaviors create the foundation of your culture, defined as Constructive or Defensive.¹

Results are presented in the circumplex (below). Constructive styles are displayed in blue; the two Defensive styles are displayed as red (Aggressive/Defensive) and green (Passive/Defensive).

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Connecting Culture

In a presentation at the 2005 American Society for Training & Development (ASTD) Expo, Eric Sanders and Robert Cooke discussed the financial returns of organizational culture improvement. They noted the similarity of Kotter and Heskett’s Adaptive and Unadaptive styles to Human Synergistics’ Constructive and Defensive styles, but also underlined the importance of the survey instrument in demonstrating the impact of investment in culture.

The following diagram shows the connect between Adaptive and Constructive culture and between Unadaptive and Defensive culture. For convenience, TPI uses the labels Constructive and Defensive.

We work with a wide variety of clients to address individual, leadership and culture performance in their organizations. When the transformation is done right, the return on investment is impressive. So much so I am comfortable categorically stating that if you focus on people, leadership and culture, your results will be unequivocally profound. The circumplexes on the following page are examples of cultural transformations that have led to amazing results.
Manufacturing
118% Improvement

2003 I=374

Revenue - 36%
Income - 240%

2005 I=814

Quarterly Bonus - 3,061%
Long Term Debt - 36%

Outsourced IT 2007 - 2009
123% Improvement in Culture
99% Improvement in Profitability

2007 N=41 I=308

Service Design Time - 80%
Service Transition Time - 50%
MTBSI - from 1/wk in 180 days

2009 N=50 I=686

End User Satisfaction - 30%
Client Satisfaction - 25%
Gross Profit - 99%

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Organizational Design

So far, we have covered off three of the elements that affect organizational performance—people, leadership and culture. The fourth and final element is organizational design. I am purposefully finishing this article with organizational design because my past experience has been that most companies spend an inordinate amount of energy and money on this element. Most, if not all, their efforts are focused on strategy, structure, process and technology. This is all ‘above surface’ work versus ‘below surface’ work, where the focus is on people, leadership and culture.

The challenge to working above the surface is that leaders try to change the organization from the outside versus the inside. Working on the inside is where the greatest sustainable transformation happens, not on the outside. That being said, because performance is an ecosystem, work above or below (or inside or outside) needs to happen together. If you change one area you affect the whole system.

If there is one thing I hope you take away from this article it is an awareness of the interrelationship between all the parts. Actually, make that two things: I also hope you gain a greater appreciation of the critical importance of what’s below the surface.
Pulling All the Levers

One of the most interesting discoveries I have made, after years of working with different organizations, is that there are common elements of organizational design and transformation—direction (strategy), structure, process, technology and people.

Leaders are the stewards of the ecosystem; you need to respect that if you change or add something to a process it will have an effect throughout your organization.

Whether you are a start-up or a well-established legacy organization, the typical journey starts with the development of a strategy or direction, which usually includes a vision, mission and goals. This is followed by designing or re-arranging the organization’s structure, such as the creation of a new board or new committees, positions and functions. In a start-up, this might mean creating or delineating CEO or CFO positions.

Next comes the design, re-design, re-engineering or re-invention of processes to align with the new strategy and/or structure. This is followed by development of new or improved technologies to aid in organizational change.

The final step, which we’ve talked about throughout this article, addresses organizational culture and leadership—the people element.

Like levers, leaders pull on one or another of these elements to facilitate the change or growth they desire. What I now understand is that pulling on a single lever, such as strategy, might lead to some success, but often has little effect. In fact, it can sometimes work against one of the other levers. In order to ensure sustainable, holistic change, you need to consider all five strategic levers. More specifically, you need to consider how all five levers work within the ecosystem.

I’ll give you an example of pulling on a single lever. Recently, we’ve seen renewed interest in process as a means to improved performance. There almost seems to be a four-year cycle to focus on process. Without a doubt, process plays a huge role in organizational performance. During my 17 years of working in a corporation I was involved in not one but three significant process improvement initiatives: Total Quality Management, Business Re-engineering and Six Sigma. I wish I knew then what I know now. Namely, that trying to improve process if you have not addressed culture, leadership or people’s natural tendency to resist change will hugely minimize your return on investment in process.

Approximately seven out of 10 organizational cultures are defensive, specifically passive defensive. The number is higher for
government, large or legacy organizations. If you’re looking to improve performance, the necessity of seeing and addressing the whole ecosystem becomes paramount.

‘Process philosophy argues that there is urgency in coming to see the world as a web of interrelated processes of which we are integral parts, so that all of our choices and actions have consequences for the world around us.’ – C. Robert Merle, Process-Relational Philosophy: An Introduction to Alfred North Whitehead

Read a great article on the ‘Culture and Results’ published by Cardiff University, a leading expert in continuous improvement, at:


**Summing Up**

This article has covered a lot of ground, but I’ll draw to a simple conclusion: if you are looking for performance improvement, consider the interdependence of people, leadership, culture and organizational design. If you are underperforming, it is likely that more than one of these elements is out of alignment. Too often, time and money is spent on one element without consideration of its interrelationship with the whole ecosystem.

After 40 years of learning, The Pacific Institute has become very good at performance improvement. We work in almost every sector all over the world, and we look forward to helping you realize your potential in actual performance results. We measure our success by our client’s actual results.

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1. OCI style names and descriptions are from Robert A. Cooke and J. Clayton Lafferty, Organizational Culture Inventory®, Human Synergistics International, Plymouth, MI. Copyright © 1987-2013. All rights reserved.


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