



## INSIDE THE MINDS OF CORPORATE LEADERS

### Performance Priorities Align With Top Business Issues

by Keith A. Malo

The world has changed and continues to change rapidly. And yet, according to AchieveGlobal's most recent research, the issues that are important to business survival and business success have not fundamentally changed.

To be sure, headlines in the news over the past 18 months—corporate scandals, declining stock values and global instability, to name a few—have caught the attention of business leaders. And yes, there is caution and restraint in new expenditures and hiring. Notwithstanding, AchieveGlobal's recent surveys of business leaders indicate that these events haven't altered business leaders' understanding of what needs to be done to ensure their companies' survival and success.

This focus on business fundamentals was constant and consistent across industries throughout 2002, with no signs of shifting now. Even as dramatic events unfolded and colored emotions, survey results reflected universal recognition among business leaders that products and services still had to be sold, customers still needed to be

satisfied and leaders still had to lead. So what are they thinking and doing to prepare themselves and their companies for the future?

#### WHAT IS MOST IMPORTANT?

An AchieveGlobal survey of U.S. business leaders, completed in January, 2003 (Table 1), revealed that the greatest number of business leaders believe that the issues most important to the success of their organizations are: *daily delivery of customer service, maintaining quality control, recruiting quality individuals, improving staff productivity, surviving in a changing economy/marketplace, and operating at more profitable levels.*

These findings are noticeably consistent with other recent AchieveGlobal business leader research.<sup>1</sup>

While the sampling strategies and survey instruments differed in each of the studies, it is clear that business leaders across different industries agreed on the major issues they now face.

<b>TABLE 1</b>	
<b>TOP BUSINESS ISSUES IN 2003</b>	
(% Important and Very Important)	
Daily delivery of customer service	79%
Maintaining quality control	77%
Recruiting quality individuals	75%
Improving staff productivity	75%
Surviving in a changing economy/marketplace	73%
Operating at more profitable levels	72%

<sup>1</sup> 2002 Business Leader Focus Groups, 2002 Business Leaders On-line Survey

In 2002, U.S. business leaders reported in an on-line AchieveGlobal survey that *recruiting quality individuals* and *improving staff productivity* were chief among their more important business issues.

Another group of business leaders participating in AchieveGlobal focus groups in 2002 reported that their key business issues were *surviving in a changing economy/marketplace, operating at more profitable levels, day to day delivery of customer service, and maintaining quality control.*

When asked to identify the single most important issue to the overall success of their organization for the year, the 2003 leaders' priorities shifted from previous research findings.

In the 2003 survey, U.S. business leaders believe that the single most important issues to the success of their organization include: *surviving in a changing economy/marketplace, operating at more profitable levels, daily delivery of customer service, managing budget reductions, and recruiting quality individuals.*

Two of the 2002 "single most important" issues dropped out of the top three in 2003. The second single most important business issue in 2002, *recruiting quality individuals*, fell to seven percent in 2003 from 19 percent in the previous year. And, *managing retention and/or turnover* dropped to six percent in 2003 from 17 percent in 2002. This could be attributed to the fact that with hardened economic conditions fewer jobs exist, and companies are focusing more on reconciling the balance sheet and less on keeping people on the payroll simply because

they have a retention program. As one vice president noted during the focus groups, "In the sector I'm in (telecommunications), we're shedding staff like nobody's business - so it is a lower issue. There are just too many people for the jobs available."

***"Day to day delivery of high quality customer service. Keeping employees at the top of their game —as one little slip can be real costly to your organization."***

—Vice President Private Banking, Regional Bank

**OPPORTUNITIES AND THREATS**

After sharing their core business concerns, respondents to both the 2002 and 2003 surveys were asked to identify the greatest opportunities and threats facing their organizations over the next year. Much like their

2002 counterparts (31 percent), the 2003 business leaders reported that their top opportunity was *increased demand for current products/services* (34 percent).

Unlike the previous year's respondents, the 2003 business leaders did not believe as strongly in the *introduction of new products/service offerings* as a primary opportunity for the new year. The percentage dropped from 31 percent to 22 percent, yet it remained a firm secondary opportunity. *Access to new sources of capital/financing* placed third in both the 2002 and 2003 surveys, at 12 percent and 13 percent respectively.

Figure 1 illustrates the top three single greatest opportunities for the two years.

In addition to the previously stated differences between the two years, *favorable interest rates/financing options* increased to eight percent, up from one percent in 2002. Conversely, *entrance to new global markets* fell from 12 percent in 2002 to five percent in 2003.

FIGURE 1 ¥ Greatest Opportunities

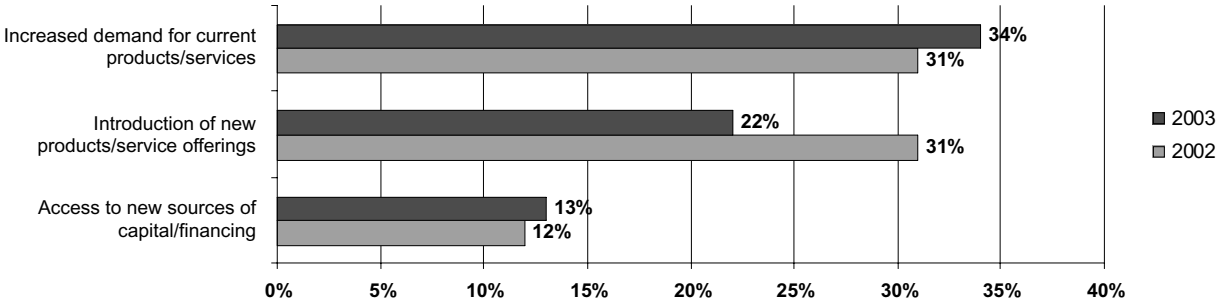
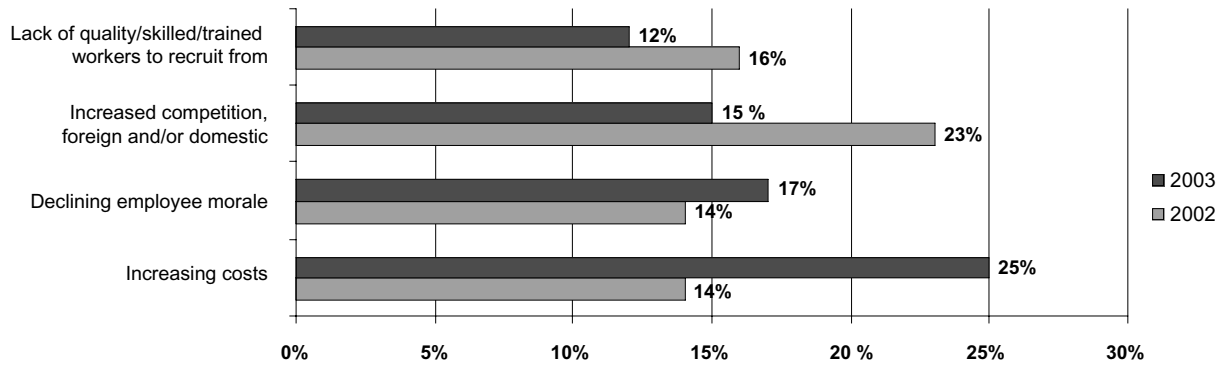


FIGURE 2 ¥ Greatest Threats



With regard to the top three single greatest threats (Figure 2), there were some noticeable changes between the two years. Though the top issues remained the same, they ranked in different order.

The greatest threat identified in the 2003 survey was *increasing costs*, (which includes raw materials, security, taxes and wages), followed by *declining employee morale*, *increased competition*, and a *lack of quality/skilled/trained workers to recruit*. The 2002 business leaders perceived *increased competition*, *lack of quality/skilled training pools to recruit from*, *declining employee morale*, and *increasing costs* as their greatest threats - in that order.

In light of the fact that the 2003 business leaders have placed greater emphasis on operating at more profitable levels, these changes come as little surprise.

Moreover, given the current business climate, the 2003 business leaders seem to agree that recruitment issues were slightly less formidable (*lack of quality/skilled/trained workers to recruit*) and that managing the *declining morale* of remaining employees becomes a more immediate task.

When responses to both opportunities and threats were analyzed across major economic segments, there were no variations from the study's larger findings (Table 2).

The healthcare industry is the only segment that maintained the same opportunities and threats in both the 2002 and 2003 surveys, supporting the fact that this industry continues to grow exponentially, independent of economic conditions. Moreover, by virtue of its growth pace, this industry remains focused on the recruitment of skilled and talented

TABLE 2 TOP BUSINESS OPPORTUNITIES AND THREATS BY INDUSTRY IN 2003		
Industry	Top Opportunity	Top Threat
Education	Increased demand for current products/services	Increasing costs
Financial Services	Increased demand for current products/services	Increasing costs <i>tied with</i> Increased competition
Government/Military	Increased demand for current products/services	Increasing costs
Healthcare	Increased demand for current products/services	Lack of quality/skilled/trained workers to recruit from
Manufacturing	Introduction of new product/service offerings	Increasing costs
Professional/Business Services	Increased demand for current products/services	Increasing costs
Retail/Wholesale	Increased demand for current products/services	Increasing costs <i>tied with</i> Increased competition
Technology/Telecommunications	Increased demand for current products/services	Increasing costs

labor pools, which are needed to deliver quality care and service.

Respondents were asked if they had a strategy in place to address the most pressing threat to their business. In the survey, 49 percent of the 2003 business leaders reported that they had a strategy in place to deal with their primary threat. This represents a sharp decline from the 2002 survey where 70 percent of the respondents reported that they had such a strategy. The reason for the change is unclear, but implied that, **with rapidly changing conditions, many organizations are operating in “survival mode” and in the absence of deliberately crafted strategies.** This was a theme that was supported by the senior business leader focus groups.

Much like the 2002 survey, the 2003 respondents who reported *declining employee morale* as their single greatest threat were less inclined to have a strategy to deal with that issue. In 2002, half of those respondents reported having a strategy while in 2003 that percentage dropped to 32 percent.

*“I think high productivity is directly proportional to staff morale. We run sometimes six out of seven days a week for long periods of time because the business is just that demanding. But it is very necessary to keep the morale flowing among the workers because they are the nucleus of that productivity.”*

- Production Manager,  
Juice Manufacturer and Distributor

In the 2003 survey executive managers (e.g. VP, C-Level) were less likely than other managers to acknowledge *declining employee morale* as a threat. The percentage difference was six percent (executive managers) versus 22 percent (other managers). Also, executive managers were more likely than other managers, 58 percent versus 44 percent, to declare that they had a strategy in place to manage any threat.

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## STRATEGY TO RESULTS THROUGH PEOPLE

Just what does this recent research tell us? Looking at today’s most important business issues (customer service, productivity, profitability) and today’s greatest business opportunities (increased demand for current products and services, introduction of new products and services), we see **people** as the keys to success. Until people take action, goals and strategies are nothing but words. *Results come from individuals, equipped with the right skills, energized to do the right things at the right time.*

How do things get done in an effective, efficient organization? Business leaders first define the result they want to achieve, then ask, “What needs to happen to bring about the result?” The answer, whether simple or complex, is the strategy - a carefully devised plan of action to bring about the defined result.

Next, leaders direct the practices and processes to develop the capability—in the individuals, processes and systems—to implement the strategy.

Finally, individuals deliver results through productive behaviors. They take appropriate and timely actions—supported by knowledge, commitment and ability—and things get done. Again: *Organizations get results when individuals, equipped with the right skills, are energized do the right things at the right time.* People deliver results; it’s just that simple. The cornerstone to any solution, then, is to determine what individuals have to do to deliver the result and what it will take to create and sustain those behaviors.

*“The key thing that I run into is actually having managers that know what constitutes a good employee. There is a whole gamut of things that makes an employee a good employee. It is not just one good task done. You’ve got the commitment. You’ve got the morale. You’ve got the dedication. There is a lot that goes into ‘is someone a good employee or not?’”*

- HR Manager, Yacht and Boat Builder

Behavioral research tells us that behavior is shaped by the environment in which it occurs. We know that, to a large extent, individuals do what they do because various factors work together to drive that behavior. Change the factors, and behaviors are likely to change as well.

For leaders within an organization, that's powerful information: organizations get the behaviors they shape and reinforce—for better or worse. It follows then that leaders can build an environment that creates and reinforces productive behaviors—those behaviors that bring about desired results.

The AchieveGlobal Behavior Equation provides a framework to do just that.

The Behavior Equation says if...

I KNOW what you want me to do and why, and I CARE about achieving that target, and I CAN do what you want, then... I will behave in the way you desire.

Regardless of the economy and world events, today's business leaders are charged with translating strategies to apply

at a tactical level. They must still ask and answer the question: "Why are people doing what they are doing?" and direct the practices and processes that

will support and develop competent and confident individuals. Training that recognizes and helps leaders shape and reinforce desirable individual behaviors translates into measurable organizational advantages:

- increased sales
- superior customer service
- greater productivity and profitability
- uplifted team morale.

## BEHAVIOR EQUATION: AT-A-GLANCE

Exploring the Behavior Equation further, it's clear that each component comprises several factors:

### I KNOW

I know what you want me to do and why because I can answer these questions:

- What are the organization's purpose, vision, and goals?
- What is my unit supposed to do and how will that help the organization be successful?
- How do my actions impact the unit and organization, and help them to be successful?
- What are the new initiatives and how do they fit with the strategies to make us successful?
- Specifically, what do you want me to do and why it is important?

### I CARE

I care about doing what you want me to because I can answer these questions:

- Why does it matter to me?
- What's in it for me?
- How do the apparent values and beliefs of the organization match?
- How do I know that the values and beliefs of the organization are compatible with my own?
- How am I rewarded for doing what you want me to do?
- How will I receive promotions if I successfully do what you want?
- How closely is my performance appraisal aligned to what you say you want me to do?
- How is my unit rewarded for my contributions?
- How do my actions help the organization be successful?
- How and when will I be coached around those behaviors?

### I CAN

I am able to do what you want me to and I am rewarded for it because I can answer "yes" to these questions:

- Do I have the necessary skills?
- Do the systems I work with permit or make it easy?
- Are our internal processes designed to permit or make it easy?
- Do I have the aptitude to do what you ask?

## TODAY'S TRAINING AND DEVELOPMENT NEEDS

In seeking to understand the link between important training and development issues and *real* training needs, the 2002 and 2003 surveys asked business leaders to rate the importance of various training and development issues to their organizations. Additionally, the 2002 and 2003 surveys asked the business leaders to report where they experience gaps in training, or in other words, in what areas they perceive their organization is most in need of training.

TABLE 3 TOP THREE TRAINING AND DEVELOPMENT ISSUES (% Important and Very Important)		
Training and Development Issue	2003	2002
Improving team productivity	69%	79%
Recognizing and keeping star employees	66%	85%
Improving team morale	58%	73%

When compared to the previous year’s survey, the top three most important training and development issues remain the same; however, their order changes and their percentages drop, on average by over 10 percent (Table 3) each. This suggests agreement on the overall training content that may help overcome the major business issues. The ordering may have changed due to the prioritization shift of the major business issues.

Another possibility is that the percentage drop in the “high end” responses (e.g. very important, important) and the order change could reflect a sense of bewilderment on the part of business leaders. Often under pressure to “do something,” managers and leaders frequently look for quick fixes to solve large problems. In the 2003 survey business leaders may be saying that there is some ambivalence as to which training areas will *truly* address priority concerns and help manage those concerns *quickly*.

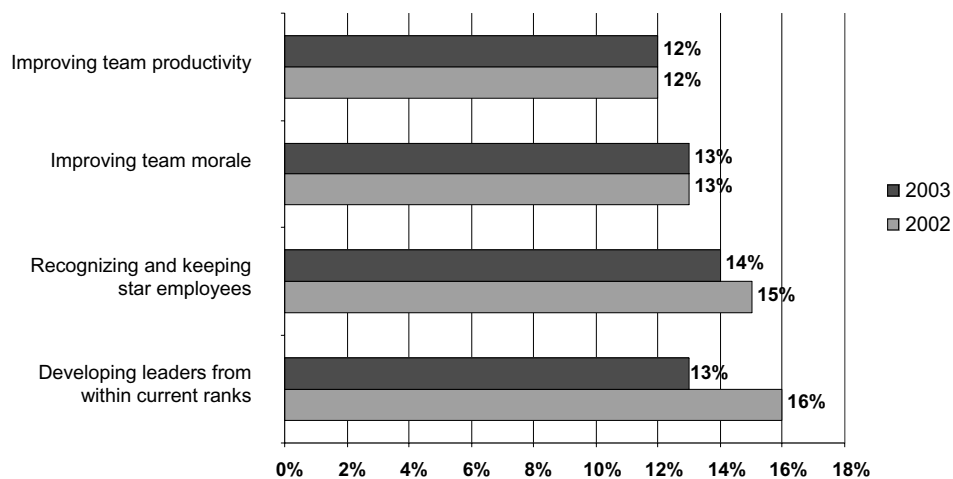
In the 2002 survey, *improving team productivity* actually tied with *developing leaders from within*

*current ranks* as an “important” training issue. Developing leaders, which fell to the fifth most important training and development issue in the 2003 survey is not reflected in the “top three” in Table 3.

The 2003 business leaders reported that their most significant training and development needs are *recognizing and keeping star employees*, *developing leaders from within the current ranks*, *improving team morale*, and *improving team productivity*. This conclusion is illustrated in Figure 3.

The 2003 business leaders, when comparing their stated training needs to those of their 2002 counterparts, placed slightly less significance on *developing leaders from within*, and remained relatively consistent to needs for *succession planning* and *learning how to identify good employees*,<sup>2</sup> when all three issues can, arguably, be closely related. The differences in these year-to-year results though, are not statistically significant.

FIGURE 3 Leadership Development and Training Needs



## KEY SURVEY FINDINGS

### CONCLUSIONS AND IMPLICATIONS

In the past 18 months we have witnessed dramatic business events, including massive layoffs, record business bankruptcies, shaken investor confidence, slowed economic growth, declining markets, demand for greater shareholder returns and sagging morale in the workforce. In spite of this, or, perhaps even because of this, the priority focus of business leaders appears to be on fundamental business concerns.

The most recent AchieveGlobal business leader survey findings are consistent with our 2002 research in that they show today's business leaders remaining concerned with fundamental business issues—customer service, quality, productivity, profitability, recruitment of quality people—and ultimately, surviving in a changing environment. While these issues may receive more media attention and are perceived to be of greater importance during times of crisis or challenge, addressing them is consistently important to the success of most organizations.

Business leaders report the continuing need for training assistance to improve productivity, recognize and retain good employees and raise team morale. These are critical success factors and constant themes in all business cycles - good and bad, up or down. Effective leaders know that a respected, skilled, and productive workforce will produce the

- **Most Important Business Issues:** daily delivery of customer service, maintaining quality control, recruiting quality individuals, improving staff productivity, surviving in a changing economy/workplace, operating at more profitable levels.
- **Greatest Opportunity:** increased demand for products and services.
- **Greatest Threat:** increasing costs.
- **Top Training Issues:** improving team productivity, recognizing and keeping star employees, improving team morale.
- **Top Training Needs:** recognizing and keeping star employees, improving team morale, improving team productivity.

quality products and services that are needed in order to be competitive in today's challenging markets.

As business leaders individually assess and plan to resolve the array of challenges that face them, their companies, and the people that they lead, they will carefully ponder what they want to achieve. They will weigh the advice of their colleagues and consultants. They will look at what their competitors and peers are doing. They will consider many factors—some within their control, some not.

They will decide what is most important to *them* and *their* organizations—which opportunities must be seized, which threats must be mitigated.

Knowing what needs to be done and why, leaders will set priorities. They will ask: “Which of the many things that could occupy my company's resources are the right things to do now?” A strategy will evolve, and people, money and time will be dedicated to executing the business leader's strategy.

Since **people** will be executing the business strategy, they must be prepared and properly equipped to go to work. People need to know what they are being asked to do, and why they are being asked to do it.

People also need to know why achieving results should matter to them, so that their commitment can be justified. And then, when people know the rewards of success, are

*“We have a responsibility and commercial need to develop people under us. As managers we have to deliver results through other people's improvement.”*

- Classified Advertisement Manager, Newspaper

<sup>2</sup> Both training needs, not reflected in Figure 3. Succession planning moved from eight percent in 2002 to seven percent in 2003 and learning how to identify good employees stayed consistent at 10 percent each year.

equipped with suitable skills, competencies and knowledge—they are motivated to get the job done. AchieveGlobal research consistently supports the conclusion that organizational success can be sustained when competent people—individually and in teams—know and care about the results.

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#### ABOUT THE RESEARCH

Between December 27, 2002 and January 6, 2003, the AchieveGlobal research team conducted an on-line survey with a random sample of business leaders in the United States. A total of 373 respondents completed the survey, of which 125 were executive managers (e.g., vice president, C-level) while the balance represented other management ranks. The margin of error is  $\pm 5$  percentage points at the 95 percent confidence level.

Throughout November and December 2002, the AchieveGlobal research team conducted focus groups in Omaha, Nebraska, Tampa, Florida, and London, United Kingdom. The audience for each session was director-level and above. In total, 57 individuals participated in the groups.

In February 2002, the AchieveGlobal research team conducted an on-line survey with subscribers (in the United States) to different publications including *BusinessWeek Online* and *Workforce* magazine. A total of 375 respondents completed the survey, of which 88 were executive managers (e.g., vice president, C-level) while the balance represented other management ranks. The margin of error is  $\pm 5$  percentage points at the 95 percent confidence level.

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#### ABOUT THE AUTHOR

Keith Malo is research manager with the AchieveGlobal research team. He brings 12 years of supplier-side research experience to AchieveGlobal. Keith's research career began with the full-service market research firm National Research Corporation. Over ten years with National Research he held a number of operations and client service positions which included the design, management, and execution of various research projects, quantitative and qualitative, utilizing an assortment of methodologies. His career continued with Sterling Research Group, Inc., a full-service market research firm, where he served as a client services manager. In addition to his management experience with both firms, Keith has been a research consultant to a number of clients representing segments within the healthcare, hospitality/lodging, and entertainment industries. With AchieveGlobal, Keith manages a number of product and market research projects. He has authored and co-authored a number of articles and has presented research findings at professional conferences. Keith has a BA (political science) from the University of Nebraska-Lincoln.

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#### ABOUT ACHIEVEGLOBAL

AchieveGlobal is the world leader in helping organizations translate business strategies into business results by developing the skills and performance of their people. We are a single resource for aligning employee performance with organizational strategy through training and consulting solutions in sales performance, customer service, leadership and teamwork.