MAY-JUNE 2018 ISSUE 23

tennant human capital solutions

# Human Resources Notes

"*The aim of* Human Resources Notes *is to provide concise information on topical human resource management issues to guide effective people management practices*."
Peter Fisher, Executive HR Consultant (THCS)

**In this issue**



## Marginal gains, a key to superior employee performance?

Using marginal gains as an approach to performance goal attainment involves breaking down a big goal into smaller parts, and then improving on each of them, to deliver a big performance improvement when the small gains are put together.

This philosophy has been well publicised in sporting circles with the best-known example being the phenomenal improvement in recent years of the British cycling team under the guidance of Sir David Brailsford. Some quick facts: In 2000, Britain won one cycling gold medal at the Olympic Games. In 2004, a year after Brailsford took over management of the team and implemented the marginal gains approach they won two golds and then in 2008 they won eight golds, a feat which the team repeated in 2012. In 2016 they won six golds and still outstripped by far the Netherlands, their nearest rival. Each of the 14 members of the British cycling team took home a medal. The British team has enjoyed similarly spectacular results in the Tour de France through the marginal gains approach.

The success of using a marginal gains approach is based on an understanding that it is not about making small changes and then hoping they work. It is about breaking down a big problem into small parts to rigorously establish what works and what doesn't. The approach has its roots in a basic property of empirical evidence: to find out if something is working, you must isolate its effect. Clear feedback is the cornerstone of improvement. Access to rich data makes performance at the margin easier to analyse, correct and improve.

Writer, Matthew Syed (2015), who is the source of the information above, notes that the marginal gains approach is not just about mechanistic implementation. Success is a complex interplay between creativity and measurement, the two operating together, the two sides of the optimisation loop. Every error, every flaw, every failure is a marginal gain in disguise. An opportunity to learn and improve is presented.

Fuelled by achievements in professional sports, 'marginal gains' may have risen to prominence in recent years but the principle of making small improvements which result in big performance gains when aggregated is not new in the business world. Increasing numbers of companies are following the marginal gains approach. Their initiatives are informed by the huge sets of digitised data now available to them. Google alone conducts over 10,000 data-driven experiments a year, and aeroplane manufacturers learn from every move their planes make to refine their engineering processes. With the right minor amendments and tweaks, an organisation can gain a tangible advantage over its competitors and achieve its own major victories.

Toyota's philosophy of continuous improvement '*kaizen*' is a close relative of the philosophy of goal attainment through marginal gains. Kaizen is not change for change's sake. It's deliberate, constant improvement, and changes that don't bring rewards are not pursued. Continual, aligned small improvements and standardization yield large performance improvement results. Toyota's culture is to create new challenges constantly and not to rest when you meet old ones.

A marginal gains approach to performance improvement has critics. Here are some criticisms drawn from a longer list:

1. Marginal gains cannot simply be added continuously in equal increments of say 1%. The ceiling of human performance means there is a limit to the number of improvements which can continuously be added. As optimal / maximum performance is approached, the size of marginal gains will get smaller.

2. Marginal gains are not stackable as implied by the philosophy. A marginal gain in one performance dimension may be offset by a reduction of performance in a related dimension.

3. Marginal gains are not unique to one person / organisation. Competitors can invest in the same improvements thereby undermining the competitive edge you are trying to achieve.

4. Achieving marginal gains is expensive. Once the easy to implement performance improvement changes have been exhausted the cost of achieving marginal gains is increased. More must be spent to achieve a small percentage performance improvement.

5. If a marginal performance gain is not helping overall performance, then it is not worthy of the investment of effort and money. For example, if you invest in a bigger electric motor on a production line to speed up the line, that will not help overall line performance if there is a bottleneck up- or downstream stream of the new motor.

The starting point in a performance improvement programme is also relevant. If one begins with an average performer and starts investing in marginal performance improvements, the results achieved will quickly be overtaken by a competitor who hires a top performer whose performance capacity is already near optimal to do the same job. Another variable is the amount of resources you spend to achieve optimal performance. The British cycling team's huge budgets have been a big factor in ensuring the team has access to the best of everything including athletes, training staff, equipment and technology as a platform on which to base its quest for maximum podium finishes.

The verdict: Aiming for marginal gains to achieve big goals should form part of every organisation's approach to optimising the performance of its people. As performance inputs such as technology, education, and infrastructure equalise, competitive advantage must increasingly be found at the margins of superior people performance. ■

<u>References:</u>

1. ____________ (2017) *Challenging Marginal Gains Mathematics: 10 Myths about how Marginal Gains Add Up* Fastfitnesstips YouTube Video: https://www.youtube.com/watch?v=28E9lzSmFvI Accessed 25 May 2018
2. ____________ (2016) *Marginal Gains: A blueprint for the best in the business* Iris (Online) https://www.iris.co.uk/insight/blog/accountancy/2016/marginal-gains-a-blueprint-for-the-best-in-the-business/ Accessed 25 May 2018
3. Sturdevent, D. (2014) (Still) learning from Toyota McKinsey Quarterly (online) https://www.mckinsey.com/industries/automotive-and-assembly/our-insights/still-learning-from-toyota Accessed 26 May 2018
4. Syed, M. (2015) *Black Box Thinking* London: John Murray Publishers pp183 - 196

## Structure, a contributor to organisation effectiveness

Peters and Waterman (1982) included "structure" as one of the 7S elements in their model for analysing and developing organisational effectiveness. Structure comprises the lines and boxes of the organisation chart as well as the committees, project teams and task forces.

Structural creep, a euphemism for an organisation getting more positions than it needs over time and becoming more bureaucratic because of too many layers and too narrow spans of control are challenges. Progression past the start-up phase or growth through acquisition or market expansion may be the cause. This can result in too much distance between the company's leadership and the frontline. Costs can pile up and ideas and decisions, the life force of a strong company, can stop flowing smoothly up and down and across the organization.

Every organisation should review its structures regularly to ensure it is appropriately designed for efficiency and effectiveness. A project to optimise organisation structures often involves increasing spans and reducing layers. Spans are the number of people who report directly to a manager. Layers are the hierarchical levels from CEO down to the most junior positions in an organisation. The aim is to find the right span-and-layer mix. Bain & Company have found that in an average company, a manager has a span of six to seven direct reports and the organization has eight to nine layers between the top leadership and the frontline employee. Rival consulting firm, Booz & Company (2003) cautions that organisations should avoid the seduction of simplistic targets (e.g. "no more than five management layers / no fewer than three direct reports"). Sustained improvements depend on developing the right size and number of building blocks based on the nature of work, the core business processes involved, and the interactions required to drive smart decision making.

Ultimately, structure must fit and follow the organisation's strategy. Structural decisions should be based on the best formulation to support and drive the business strategy. ■

References:

1. _____________ (2010) *Streamlining Spans and Layers* Bain & Company Insights (Online) http://www.bain.com/publications/articles/streamlining-spans-and-layers.aspx accessed 14 April 2017
2. Buchanan, I. *et al* (2003) Management Spans and Layers: Streamlining the Out-of-Shape Organisation Booz&Co (Online) https://www.strategyand.pwc.com/media/file/Management_Spans_and_Layers.pdf Accessed 14 April 2017
3. Koch, R (2011) *The Financial Times Guide to Strategy* (4th Ed.) Harlow UK: Pearson Education p.337 - 338
4. Peters, T & Waterman, R (2004) *In Search of Excellence* London: Profile Books Limited pp 8 – 12
5. Ulrich D and Brockbank W, (2005) *The HR Value Proposition,* Boston: Harvard Business School Press, pp. 133 & 177 – 179

Quote:

"The future depends on what you do today." – Mahatma Gandhi

## Mentorship, developing talent for tomorrow, today

A mentorship programme is one of the ways an organization can ensure that it has a strong pipeline of leaders ready to move up from within. Mentorship can be an important element of an employment equity plan ensuring advancement of people who are better representative of the country's racial and gender demography.

Mentorship is a workplace partnership in which a seasoned leader with a successful track record gives regular guidance to an employee who wants to develop as a leader.

There are three aspects of the mentor / mentee partnership which make it a powerful way to develop people.

1. The mentor provides an independent perspective to the mentee. Mentors give feedback that is specific, constructive and in real time. Mentors draw on their expert knowledge and long experience. They build and don't break down the mentee.

2. A mentor accelerates the development of a mentee. A company chooses mentees because they are individuals with a talent for leadership. If left alone, these employees would grow their careers and it is likely that they would reach higher levels in the organisation. However, the timely insightful feedback of mentors helps them improve faster.

3. A mentorship programme develops the mentee's unique capabilities. No two people are alike. Successful organisations have learnt that you need to customize leadership development to suit the unique talents of each participant. Mentorship allows mentees to base their development on their individual strengths and discover their own recipe for success in work and life.

A mentorship programme is one of the ways that an organization develops quality leaders. It is an important part of a learning and development strategy to grow a successful, sustainable and competitive enterprise. ■

## Incapacity, not the same as misconduct

Under the umbrella of the Bill of Rights in the Constitution, which stands at the pinnacle of South African statutes, several employment laws regulate the relationship between employers and employees. Some of the more significant are the Labour Relations Act, Basic Conditions of Employment Act, Occupational Health & Safety Act, Employment Equity Act and the Skills Development Act. Codes of Good Practice issued by the Department of Labour provide additional clarification and guidance on application by employers of the requirements of the employment law statutes.

In the context of a highly-regulated relationship, an employer is not free to end the employment of an employee at will. In this regard, Chapter 8 of the Labour Relations Act as well as Schedule 8, Code of Good Practice: Dismissal are relevant. An employer may dismiss an employee for one of three reasons [1] misconduct; [2] incapacity; or [3] operational requirements (employee is surplus to the employer's needs). There are two primary types of incapacity recognised in South African law: poor work performance incapacity and ill-health or injury incapacity.

Employers must understand the difference between misconduct and incapacity because although all dismissals must meet two primary requirements of fairness namely ***substantive fairness and procedural fairness***, the standards to be met and the procedures to be followed for misconduct and incapacity are different.

- Substantive fairness refers to the reason why management decided to dismiss or impose a measure short of dismissal and whether the action is justified for this reason.
- Procedural fairness refers to the method or steps a manager uses to reach a decision and apply a measure.

When addressing ill health incapacity, for example, how it is different from misconduct is clear. However, when an employer must address poor work performance, the distinction between incapacity and misconduct can easily blur.

Here are the differences between misconduct and incapacity when considering the employee involved:

| Misconduct | Incapacity |
|---|---|
| • Fault<br>• Able<br>• Won't<br>• Has competence | • No Fault<br>• Not Able<br>• Can't<br>• Does not have competence |

The major point on which misconduct and incapacity are different is that in cases of misconduct, the employee is 'to blame' for breaking a company rule. The employee either intentionally or negligently did not comply with a conduct obligation. While in cases of incapacity the employee is 'not to blame'. The employee is incapable of achieving a performance standard for reasons beyond the employee's control.

Reference:

1. Grogan, J. (2015) *Dismissal* (2nd Ed) Cape Town: Juta pp. 375 - 376

tennant
human capital solutions

# HUMAN RESOURCES SERVICES

We advise and help clients implement HR practices for business success

**lower costs ● reduced risks ● productivity ● growth**
**longevity ● competitive advantage ● profitability**

We resolve clients' employee issues and harness the worth of employees

## Top 5 services

| | |
|---|---|
| 1. Outsourced HR partner | Regular on-site presence to identify, prioritise and proactively deal with employee issues affecting business performance. |
| 2. HR strategy | Identify people challenges and opportunities and implement initiatives to lever business performance. |
| 3. Governance | Implement a framework of policies, procedures and practices which are compliant with employment laws and support business operations. |
| 4. Training | Develop and facilitate training in industrial relations, supervisory and management skills, negotiation, employment equity. |
| 5. Fair dismissal | Execute all aspects of the disciplinary process including investigation, charge formulation, initiation, chairing. |

"Our goal is to provide HR consulting services which make client companies more profitable" – Tennant Human Capital Solutions

Lindy McEvoy: 082 682 3764 | lindy.mcevoy@tennant.co.za
Peter Fisher: 082 453 7034 | peter.fisher@tennant.co.za