

HR's Crunchy Role

I was feeling mellow. I always enjoyed hosting the pre-dinner drinks, part of my role as chair of these annual conferences on central bank governance and management. The conferences were great opportunities to share my experience in governance, leadership and strategic change. Attendees came from all over the globe. They were usually keen to contribute, and some had useful experience of their own to share.

Nigel was one of the best ever. Well-spoken and in his 50s, he looked the epitome of the upper crust English professional. He even played polo!

Nigel had exited as a partner in an international consulting firm a few years earlier. He was refreshingly frank about that previous role. "We really sold a brand, not a service. A big part of my job was giving newly-hired consultants just enough technical background to fool clients into thinking they would get expert advice. The business model worked best with trendy topics we could quickly turn into new service lines. For example we might get a new group together for one day each on risk management, leadership training and social media marketing. Then we would give them slick PowerPoint presentations and an impressive manual, turn them loose and charge them out!"

Nigel now worked as an independent adviser, at top level and for very rich governments. He had come to the conference mainly to listen, and gain background in central banking and financial regulation institutions. But one central bank's "expert" speaker on risk management had annoyed him. (His concise comment to me after the session was "A useless bureaucratic prat with nothing worthwhile to say!").

Not being a negative guy, Nigel had offered to deliver something better himself, if I would authorise an extra evening session. I agreed. Then I watched with delight his superb exposition of how governance boards could quickly and practically determine their risk appetite and oversee risk management. It was just the sort of "simple but profound" approach that I had developed for many different boards in other topics.

I did though feel uncomfortable with Nigel's pragmatic, in fact downright cynical, methods for getting things done inside organisations. They were obviously effective, especially in South America and the Middle East where he was currently working. But for me, Nigel's approach seemed to tolerate incompetence and reward time-serving, and rely too heavily on manipulating politics and relationships. I argued instead for more directness about change: transparent goals, objective performance measures, and a culture of frankness and accountability. Regardless, we quickly developed high mutual respect. The other participants enjoyed our spirited but friendly debates about how to best make organisational change happen.

It was the last evening of the conference, and time to move into dinner. Nigel and I walked along together, still debating something. As we entered the dining room, Nigel lowered his voice. "John, please don't feel insulted. But I just wanted to check on something. All large organisations are full of incompetent people, and – whatever you or I might do – they always will be. You do know that, don't you?"

I stopped short. My knees buckled and I stumbled. I had a dazzling moment of complete clarity. Scenes from my professional life passed before me, like I was drowning. Because right now I was. For 35 years, I had worked hard in the

determined belief that organisations could be governed and managed in better ways that would eliminate, or at least seriously reduce, incompetence. That those better ways to govern and manage could be made sustainable. That good practice would spread, through competition or by example, and that the human race could and would do a better job of running its organisations and its affairs. And suddenly, it seemed blindingly obvious those beliefs were unrealistic and fanciful. Nigel was right!

“John, you nearly fell over! Are you okay?” Nigel spoke with concern. For a moment his voice came from far away, and his face blurred. Then everything snapped back into focus. I recovered myself and stood up tall. “Sure Nigel, I’m fine. I just thought of something else for a moment and missed my step.”

I barely noticed the tasty food and fine wine served at dinner. My mind was churning with examples both good and bad. It continued to churn in bed that night. Was Nigel really right? Try as I might, I couldn’t convince myself otherwise. Yes, I had helped many client organisations think strategically, succeed with strategic change, and improve their governance and management. But had those changes and improvements stuck? Had long-term value truly been added? Truth be told, most client organisations soon made compromises and drifted away from their original bold intentions. And those were the good examples. Most organisations just bumbled along in comfortable mediocrity, or fell for the PowerPoint sales pitches and poor value propositions of “brand name” consultancies like the one Nigel had worked for.

The last two speaker sessions on “talent management” and “social media communications” (ironic topics, given Nigel’s earlier comments) passed quickly. My mind was still churning around Nigel’s statement. I wasn’t any nearer a conclusion, but it was time to close the conference.

First came a go-round-the-table statement from each participant of what they had learned from the conference, how they would apply that in their own organisations, and what obstacles they foresaw. A pattern emerged – yes, in principle they could do a lot, but in practice there would be “people problems”. Behind the polite euphemisms, the underlying problem seemed to be organisational reluctance to remove people who were not doing their jobs competently. Yes, they had ways to do that: contracts, work standards, performance appraisals, and the rest of the human resource management framework. But no, they lacked the will to apply those tools vigorously and create a culture focused on delivering value. I explained that perception to the group, and they concurred. “But do you have any suggestions to change that?”, one person asked.

An idea clicked. “Let’s reflect for a moment on who’s delivering the value.” I moved to the whiteboard, and drew up a table.

% of total workforce	% of total value-add
Best 20%	80%
Total 100%	Total ?

“In an earlier session we agreed that the 80/20 rule – Pareto’s Law – applied to most situations. So looking at the value added by our workforce, can we agree that the

best 20% of your workforce are creating about 80% of the total value?” Heads nodded around the table. “Yes of course, that’s why our Human Resources Department focuses on talent management”, one person said.

“Well, let’s go a step further...”, I invited. “The next best 20% of your workforce are likely to be performing well, producing more value than they cost. Let’s be conservative and say 30%. Okay?” Heads nodded again. I added to the table.

% of total workforce	% of total value-add
Best 20%	80%
Next best 20%	30%
Total 100%	Total ?

“And the middle 20% are probably adequate performers, who are pulling their weight. I’ll add them in to the table.” More nods.

% of total workforce	% of total value-add
Best 20%	80%
Next best 20%	30%
Middle 20%	20%
Total 100%	Total ?

“And then we’ve got the below-average performers. Maybe they are outdated, or lack motivation, or are still training up. But they add some value. Say 10%.”

% of total workforce	% of total value-add
Best 20%	80%
Next best 20%	30%
Middle 20%	20%
Below-average 20%	10%
Total 100%	Total ?

I stepped back from the whiteboard. “How much of the value-add have we accounted for now?”, I asked. “140%!”, several voices proclaimed.

“And as organisations, do your central banks perform at 40% above average? If they don’t, what’s the explanation? And how can you change that?” I waited. An uncomfortable silence descended.

Nigel spoke up. “John, I’ll finish the last two lines.” He came to the whiteboard, and did.

% of total workforce	% of total value-add
Best 20%	80%
Next best 20%	30%

Middle 20%	20%
Below-average 20%	10%
Poorest 20%	-40%
Total 100%	Total 100%

“John is absolutely right on this. And let’s be honest – in any organisation, everyone knows who those people who subtract value are, and how they do that. So if you want a high-performing organisation, then you need to focus your human resource management on removing them. Take that message back to your colleagues.”

We were running late, so I quickly closed the session and the conference. The usual fragmented farewells followed during lunch. Nigel was last to leave.

“Nigel, thanks for all your help during the conference. And thanks for telling me what I should already have known – that ‘all large organisations are full of incompetent people, and – whatever you or I might do – they always will be’. Actually you gave me a bad night. Serves me right for still being so naïve!”

Nigel smiled. “No worries John. I shouldn’t be so cynical. Let’s make a deal. How about you keep working on ways to get the incompetent people out, and I’ll keep working around them until you succeed?”

We shook hands on it.