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People, Processes, Systems, and Leadership – *Keys to Organizational Performance*

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Abstract

Current evidence about successful organizations emphasizes the importance of integrated organizational factors that combine to convey a consistent message to employees that is the essence of an effective organizational culture (Beer, 2009; Shein & Schein, 2016). Although there is much that is positive about the achievements that some organizations are making to create a sustainable organizational culture, there is also overwhelming evidence that organizations and their leaders are struggling to earn the commitment and followership of their employees (Clifton & Harter, 2019; Edelman, 2023).

Introduction

The purpose of this paper is to present a “performance pyramid” that identifies the importance of aligned people, processes, and systems in creating powerful organizations. The paper begins by summarizing cultural dimensions and the general impact of these cultural characteristics on the conduct of business. We then identify the four elements of a performance pyramid with sides consisting of people, processes, and systems and a base of leadership. Incorporating the relationship between cultural characteristics and the four elements of the performance pyramid, we suggest eight propositions about improving the effectiveness of organizations broadly. We conclude by identifying four contributions of the paper in understanding the impact of cultural norms on business effectiveness.

Hofstede’s Six Cultural Dimensions

Business perspective and interactions with employees are directly influenced by the six dimensions of culture identified by Geert Hofstede (2011). Hofstede’s model is well known and considered to be a useful tool in understanding the individual and combined effects of the dimensions of culture on the day-to-day operation of a business. *Table 1*, shown below, describes the negative impact of extreme conditions of six dimensions of the Hofstede model and their specific application to businesses under the influence of national cultural characteristics (Khashman & Large, 2012).

Table 1: Hofstede’s Six Cultural Dimensions and its Effect on Employees

Dimension	Characteristic	Organizational Impact	Effect on Relationships	Comment
Individualism Collectivism	Collectivists focus on group priorities.	Collectivism puts individual needs below personal needs.	Collectivism undervalues individual relationships	Trust is enhanced by honoring relationships.
Power Distance	High Power Distance gives power to individuals with titles.	High Power Distance requires approval for all actions by the leadership.	In High Power Distance, individuals feel micromanaged and controlled.	Engagement and initiative are generally low.

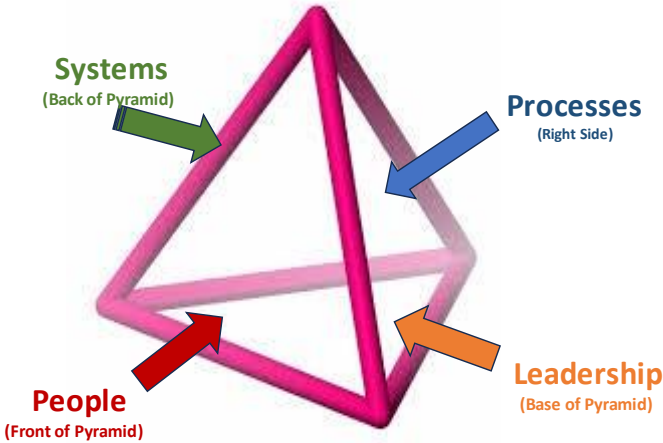
Masculinity Femininity	Masculine cultures assign roles based upon gender.	Gender-based roles diminish the relative role of women.	Masculine cultured reinforces a hierarchical structure.	A Masculine culture tends to undervalue ability and talents.
Uncertainty Avoidance	High Uncertainty Avoidance seeks to avoid risk and control others' choices.	High Uncertainty Avoidance emphasizes rules and policies to maintain control.	With High Uncertainty Avoidance people feel unduly restricted and limited.	Emphasizing maintaining control can negatively impact creativity.
Long-term Short-term	Short-term focus emphasizes short-term goals.	Short-term focus promotes ad hoc decision making as planning.	Short-term focus tends to send mixed messages about priorities.	Thinking short-term limits the ability to impact the future.
Indulgence Restraint	With high Restraint, individual needs tend to be deferred.	High Restraint cultures focus primarily on the needs of the larger group.	In High Restraint cultures, individuals may feel that their needs don't matter.	Undervaluing individual needs may lead to lack of commitment and low morale.

Table 1 puts into context the impact of cultural dimensions on how organizations make decisions and affect relationships with employees. As noted, a culture that tends to be highly focused on position power, puts the group ahead of the individual, employs predominantly short-term decision making, establishes control based upon rules, and tends to rely on gender-based roles.

Understanding the Pyramid

We propose the four factors that make up an integrated “Performance Pyramid,” play a major role in creating outstanding organizations, and are likely to have a major positive contribution to improving the effectiveness of businesses through design. In this section we will identify those four factors and offer two propositions for each factor. Figure 1 presents a visual summary of the four factors of this pyramid.

Figure 1: The Performance Pyramid



Importance of People

People provide the critical dimension of success for any organization and Jim Collins (2001) famously declared that the most important contributing factor for moving an organization from “good to great” was in getting the right people. Emphasizing individuals with the unique qualities that truly add value to an organization requires a clear understanding of how that value is created and how success is ultimately to be achieved (Caldwell, Beverage & Converse, 2018). Unfortunately, the hiring process in many organizations is not based upon a job description that is carefully revised and updated and selection processes for positions are often woefully inadequate (Gomez-Mejia, Balkin & Cardy, 2015).

Motivating and inspiring good people does not happen automatically, and organizations have struggled to understand the critical factors associated with employee performance. Job characteristics theory identified five important characteristics for motivating employees and making the best possible use of human potential:

Skill Variety – The degree that a job requires multiple abilities and talents.

Task Identity – The extent to which work involves completing a complete task.

Task Significance – The impact that a job has on the lives or work of others.

Autonomy – Freedom, independence, and discretion in performing work.

Feedback – The extent which clear information is provided about performance.

When all five characteristics of a job are present, there is clear evidence that the individuals who perform that work are more productive and more motivated (Hackman, Lawler & Oldham, 2015). Structuring work so that people are valued and know that their contribution is respected is critical in generating employee commitment and engagement (Oesterman & Bakker, 2018). Engaged employees are exponentially more likely to be creative, to add value, and to provide better service to customers (Pfeffer, 1998; Malilu & Obonyo, 2018). Engaged employees who are empowered and treated as valued partners have been proven to create greater value for their organizations than employees who are not engaged and empowered (Clifton & Harter, 2019).

Unfortunately, as indicated by Table 1, employees that are treated as subordinate to leaders, are required to follow detailed rules rather than empowered to act independently and are less involved in decision-making which tends to be made by leaders and supervisors. Accordingly, we offer our first two propositions.

P₁: Employees that feel excessively controlled are likely to be less engaged in their organizations than employees in organizations that engage and empower employees.

P₂: Organizations that emphasize the value of hiring employees whose job skills are well matched with their organization needs will be more profitable than organizations that do not emphasize the value of carefully hiring employees.

Significance of Processes

Within the context of work, a process is a series of steps that are followed to achieve a specific organizational goal (Andersen, *et al.*, 2008). Work processes are typically established as control systems to ensure that errors are omitted, variance in the performance of tasks is minimized, and efficiencies are achieved (Lager & Simms, 2023). Organizations that are involved in creating a standardized product which little variance typically create work processes to guide their employees in adhering to tight production standards (Deming, 2000). Establishing work processes to guide employee tasks makes sense when work outcomes are consistent and predictable. Processes need to be much more flexible, however, when employees must use discretion in handling a relationship, are dealing with constantly varying circumstances, or are producing a customized product or service for the unique needs of a specific customer (Christensen, 2016). For knowledge workers, processes have their greatest value when they are 1) purpose-focused, 2) virtue-based, and 3) principle-centered (Turriago-Hoyos, Thoene & Arjoon, 2016).

Stephen R. Covey (2005) has explained that the world of work is now knowledge-, information- and wisdom-based and requires a new approach to accomplishing tasks that require individualized responses. Because “one-size-fits-all” is rarely a solution in this information-

based world, discernment, and the ability to adapt must emphasize the unique needs of clients and customers who may each have varying priorities, unique requirements, or a totally different world view (DeFeo & Juran, 2014).

Organizations that are overly rule oriented, based upon their cultural proclivities may have trouble adjusting to a world where customization of service to customers is the new standard of excellence (Ding & Keh, 2016). Consistent with this discussion of the significance of processes we present two more propositions.

P₃: Organizations focused on inflexible processes and rules to govern their employees are less likely to be successful than more flexible organizations in a world where service quality demands more flexibility.

P₄: Organizations that are routinized and that produce products that do not vary in their characteristics that have carefully articulated processes will be more effective than their competitors that lack those processes.

Reliance on Systems

Organizational systems are the hierarchical ways that different organizations are set up, typically for the purpose of achieving an organization's strategic purpose (Levinson, 2018). Strategy, structure, and systems that are aligned enable the members of an organization to focus their efforts in the pursuit of shared goals (Inamdar, 2012). Organizational systems provide controls that are intended to positively contribute to the achievement of that organization's mission and purpose — such as financial budgets, human resource management training programs, and, corporate-wide information technology systems (Macintosh & Daft, 2019).

Factors such as span of control, functional expertise, the need for cooperation, and the capacity to be adaptable and to respond to change all influence the nature of organizational structures and the integration of systems and strategy. Both independence and interdependence are vital factors in the creation of systems that best serve an organization (Chenhall & Euske, 2007). The ability of an organization's systems to accomplish their intended purposes is often assumed but is frequently not achieved due to a variety of causes ranging from a lack of understanding of the tasks to be performed to a failure to recognize the impact of systems on the achievement of intended goals (Anderson & Caldwell, 2019a).

Certain cultural dimensions fit well with the hierarchical nature of organizational systems and structures. While role assignments and positional responsibilities may play an important role in designating supervisory responsibility, that structure does not always equate with operational efficiency or effectiveness (Caldwell & Anderson, 2021). Organizational systems may become so rule focused that those rules actually impede achieving desired outcomes. Consistent with this discussion of the role of organizational systems, we offer propositions five and six.

P₅: Hierarchical structures, with system responsibilities defined, may not always optimize the achievement of organizational purposes.

P₆: Systems and structures may well accomplish organizational tasks but at the same time impair rather than enhance the achievement of organizational goals.

Leadership not Management

Although each of the four elements of the Performance Pyramid are connected, the fact that the base is leadership is especially significant. Warren Bennis and Burt Nanus (2003) explained that leadership is far more important in helping to lead change and inspire hearts than management – emphasizing that leaders inspire people rather than managing tasks. Although managing tasks is necessary and important, leadership is the key to achieving excellence in organizations – especially in unlocking the potential within people and in helping them to flourish (Caldwell, 2012). Stephen R. Covey’s (2005, p. 98) definition of leadership is that leaders treat people so well that they come to recognize their greatness and strive to achieve it.

In his outstanding book about leading change, John Kotter emphasized the critical importance of understanding the phases that organizations go through in becoming the best version of themselves. The ability to help others to evolve and the wisdom to guide an organization through the change process are difficult challenges that threaten the success of relationships and that confound organization members at all levels. Beck and Harter (2023) observed that leadership is not only difficult and demanding but their research found that 82% of the people chosen to lead organizations were the wrong people who lacked the proper combination of skills.



Figure 2: Hersey-Blanchard Situational Leadership Model

The capacity of leaders to be flexible and to be able to respond to contextual needs was clearly articulated by Paul Hersey and Ken Blanchard and is widely respected as a situational leadership model (Blanchard & Hersey, 1996). According to the model, a leader adjusts her or his style to their followers’ maturity. For example, if an employee’s maturity is high and the individual is experienced and competent, the model suggests the leader provide minimal guidance. In contrast, if the follower’s maturity is low, the manager may be wiser to provide explicit directions and supervise work closely to ensure that colleagues have clarity about expected

outcomes and the steps to follow to achieve them. *Figure 2*, presents a visual summary of the Hersey-Blanchard model and the importance of the leader’s ability to respond most effectively to followers’ maturity level.

Because leadership is about guiding change and empowering people, leaders, as indicated in Table 1, due to their combination of skills – based upon their inherent cultural dimensions – may face basic conflict with what modern employees are seeking in those who lead them (Clifton & Harter, 2019). Based upon this review of the importance of leadership in the Performance Pyramid, we offer our seventh and eighth propositions.

P7: Organizations will inherently find the process of leading change more difficult when the focus is on management control rather than empowering people.

P8: Leaders will struggle to unlock the highest potential of their employees, if their primary focus is on task control rather than on employee empowerment and engagement.

Contributions of the Paper

Although leaders and organizations of all types have a desire to optimize their ability to utilize the potential of their employees, the unfortunate reality is that most leaders are ineffective – a reality that has been documented repeatedly for the last eighty years (Barnard, 1938; Bennis, 1959; Pfeffer, 1998; Collins, 2001; Anderson & Caldwell, 2019b). Understanding the four elements of the Performance Pyramid is an opportunity for leaders and organizations to improve their effectiveness. In the pursuit of that worthy purpose, we suggest that this paper has made four contributions to practitioners and scholars.

- 1) We identify the application of Hofstede's six dimensions of national culture and suggest how those factors may impact organizations and their leaders.**
- 2) We describe the four elements of the Performance Pyramid and explain how each element applies to the modern organization.**
- 3) We integrate the characteristics of culture with the elements of the Performance Pyramid and identify inherent opportunities and problems for leaders and organizations.**
- 4) We present eight propositions about the four elements of the Performance Pyramid and their application.**

The realities of leading organizations are difficult and challenging and the struggles faced by leaders from all over the world are disappointing in their ultimate results (Damron, 2018). Leaders struggle and the challenge facing leaders throughout the world is to improve in their ability to inspire, develop, and guide those whom they lead and serve. The difficulties of leadership have been cited by scholars with the hope that improving leader effectiveness will improve organizational results and interpersonal relationships. We hope the insights offered by understanding the Performance Pyramid grant leaders opportunity to polish their skills, improve the understanding of their roles, and more successfully integrate their employees into the task of creating more productive organizations that also help individuals to grow and flourish (Jamail & Caldwell, 2023).

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