StrategyDriven

Organizational Accountability - Fundamental Accountability Drivers

As previously stated, we believe organizations act in accordance with the shared values of the people that comprise them. What an organization values is represented by the rewards sought in return for its products and services, the organizationally defined acceptable methods of reward pursuit, and the manner in which benefits realized are parsed to the organization's members. Therefore, organizational accountability, the timely and consequential pursuit of mission goals, is driven by the ability of the organization to quantifiably measure earned rewards and the culturally determined method of assessing and recognizing employee performance.

Organization type determines the general reward basis driving accountability and the associated assessment difficulty. Types of organizations, their value drivers, and assessment difficulty are:

For-profit: organizations providing products and/or services in return for compensation exceeding the cost of production. The amount of profit, typically one of the primary goals of these types of organizations, becomes the reward driver and is the value most easily assessed.

Non-profit: organizations providing products and/or services in return for little or no compensation, typically viewed as acts of charity. The amount of benefit provided, representing the organization's reason for existence, becomes the reward driver and is a value that is moderately difficult to assess.

Not-for-profit: organizations providing products and/or services at a cost equal to production. These are often membership organizations. Combinations of reduced production cost and increased production at no cost becomes the reward driver if such changes are demanded by members and are often the most difficult to measure.

Note: There exists a presumption that rewards will be sought in a legal and ethical manner.

While organization type determines the reward driver, culture defines in large part how individual contribution to reward realization is assessed and subsequently the apportionment of both positive and negative recognition. Since, as we have previously defined, the accountable organization is a meritocracy, some cultural value positions will make achieving accountability extremely difficult. Cultural value positions and their contribution to driving accountability include:

> *Performance-based*: performance is assessed against accomplishment of the reward driver while exhibiting legal and ethical behavior consistent with the organization's values. Performance-based contribution assessment is the values position most directly supporting establishment and maintenance of an accountable organization.
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> *Position-based*: performance and value contribution is credited based on the individual's hierarchical position within the organization with little or no regard to actual performance. These organizations assume position, representing span of control and experience, necessarily equates to the value a person adds to the organization which may or may not be the case. Thus, position-based assessments do not directly support establishment and maintenance of organizational accountability.
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> *Tenure-based*: a person's value contribution is based on the length of time he/she has been a part of the organization. As with position-based valuation, performance has little or no contribution to an individual's value assessment. This valuation assumes time with the organization equates to experience and that this experience necessarily translates proportionately to performance. Tenure-based valuation does not directly support and is often counter to creation and maintenance of organizational accountability.
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> *Time-based*: a derivative of tenure-based personnel valuation, an employee's time served in relevant positions at like organizations is in some proportion added to his/her tenure when assessing overall individual experience and subsequently value. Time-based valuation does not directly support and is often counter to creation and maintenance of organizational accountability.

Time, Title, and Tenure

The fallacy associated with time, title, and tenure based value assessments is twofold. First, these types of assessments assume time necessarily equates to experience. The error in this reasoning is best illustrated by the law of diminishing marginal returns. As suggested by this rule, the amount of learning and proficiency gained from repetitive performance of an activity diminishes to a point where no additional benefit is realized. Subsequently, after a given number of repetitions, an individual gains no more value adding experience, negating the premise that total time is directly and proportionately related to experience. Second, these assessments assume an individual is capable of perfectly synthesizing and translating their experience into job performance. As is evidenced by the differing grades of school children participating in the same class, no two individuals experiencing the same event will translate the learnings from that event into equal job performance.

Performance-based assessments eliminate a time, title, and tenure assumptions and their associated fallacies. Subsequently, performance-based personnel evaluation against predefined measures of performance helps establish the meritocracy that serves as the foundation of organizational accountability.

Final Thoughts…

Cultural value drivers exert the most influence over the difficulty and often the degree of organizational accountability achieved. Organization type defines the relative difficulty of performance measurement but it is organizational culture that determines how credit for value achievement is distributed. (See Figure 1) While possible to have accountability in all four cases, those organizations valuing time, title, and/or tenure require active top-down rewards, both positive and negative, to achieve accountability. Combining time, title, and/or tenure-based valuation with a relatively

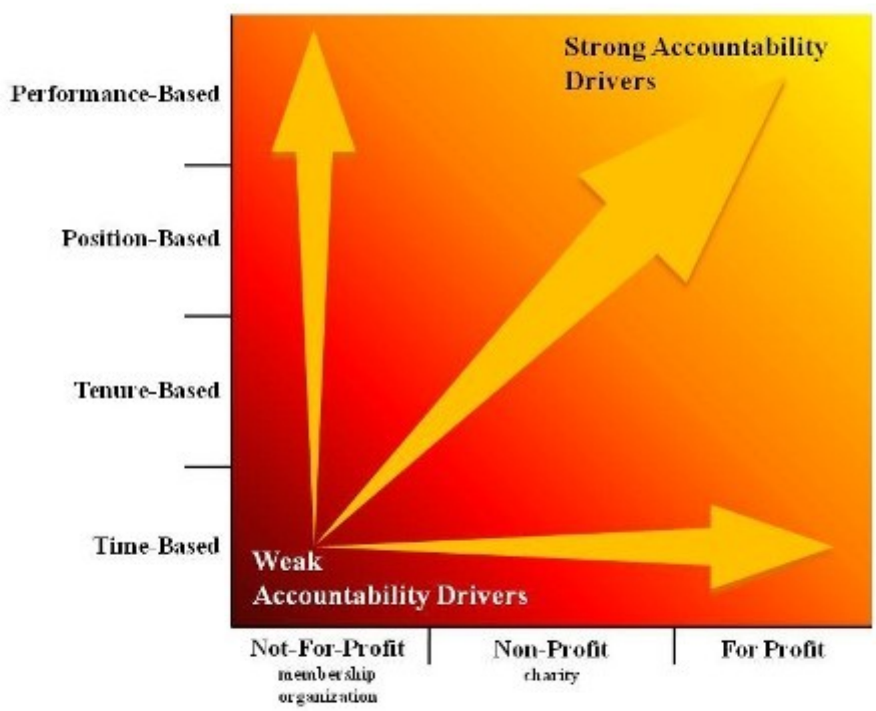

Figure 1: *Accountability Drivers Matrix*

weak performance driver, such as in not-for-profit organizations, makes achieving accountability an act of the will on the part of the CEO and board of directors.

The many differing drivers of accountability in combination create a spectrum of challenging situations through which leaders must navigate when establishing and maintaining organizational accountability. Further complicating these conditions is the tendency of organizations to have components representing two or more of the organization types and a mix of individual valuation preferences within their culture. Because organization type cannot usually be changed, culture becomes the variable leaders must use to heighten organizational accountability.

Leaders seeking to establish accountability within their organizations should pursue reinforcement of behaviors and implementation of processes rewarding performance. While labor contracts may increase the difficulty in distributing performance-based rewards, non-compensation recognition can often be used to reward represented employees. Similarly, for non-represented employees, a performance-based rewards system should displace and ultimately replace time, title, and/or tenure valuation. Finally, because of their weak performance drivers, not-for-profit organizations seeking to improve accountability need to clearly define and consistently apply a value measure against which an individual's performance contribution is assessed.