I like big ideas. Like many CEOs, I could do strategic brainstorming all day. But success comes in the performance — a great strategy will fail through poor performance, while strong performance can make a weak strategy look good.

This is just one reason why Decision Toolbox (DT) implemented a performance-driven workforce (PDW) model. It has been wildly successful for us, so I want to share some of the insights we’ve gained in making it work. In my opinion, PDW could become the Total Quality Management model for the 21st century. (I address that in part two of this series next month.)

**Not As Squishy As You Think**

The PDW represents a cultural shift, and a lot of executives think culture is squishy. A lot of savvy business leaders, though, are recognizing that squishy things like culture and retention are actually tied to the numbers. The PDW model is living proof.

In a PDW, employees are rewarded on performance. People often contrast PDWs with profit-driven models, but there’s more to it. DT is profit-driven, believe me. But profit isn’t a model, it’s an outcome of…wait for it…performance! So we monitor profit, but we monitor performance even more closely. With non-squishy tools and numbers.

**Making the Invisible Visible**

Don’t just take my word for it. Strategy consultants Michael Mankins and Richard Steele looked at the gap between strategy and performance. They concluded that companies realize, on average, about 63% of the returns promised by their great strategy. Maybe more importantly, they state that the causes of this gap are “all but invisible to top management.”

(continues on page 14)
Performance Drivers Make This Virtual Firm Successful

The PDW addresses almost all the causes of the gap identified by Mankins and Steele: poorly defined execution steps, unclear accountability, culture that actually blocks execution, inadequate performance monitoring, inadequate rewards/consequences for performance, and others.

**Choosy Companies Choose PDW**

When the economy tanked after 9/11, DT didn’t have to go virtual, and we didn’t have to implement the PDW model. But they both made sense, and they made sense together. Going virtual saved us money, but we wanted to be virtual and awesome. Some believe “virtual” equals “soft,” but think about it: in a virtual model you need to monitor performance even more closely than in a sticks-and-brick office.

A perfect example: every work group has its own set of measurements. Recruiters are scored based on time to fill, client satisfaction survey scores, candidate satisfaction survey scores, sourcing difficulty, and other metrics. These separate metrics combine to create an overall score, which helps us assess individual and group performance, and assign future projects to the highest performers.

There are three positive results. First, our recruiters are motivated to perform at a high level, so they can get more work — and more income. Second, any recruiter get more work — and more at a high level, so they can be motivated to perform. First, our recruiters are measured on key performance indicators (KPIs) that drive the work they do: days to present; attraction of passive candidates; etc. The second measurement is how well they do the work they do from the customer’s point of view. Every project is closed with a customer satisfaction report. The higher the score, the higher their compensation.

So, rather than incentivizing on the amount of the new employee’s salary, their compensation is effected by the customer’s overall satisfaction with their work.

**Tying Compensation to Performance**

In most external recruitment scenarios, the recruiter’s compensation is attached to a percentage of the earned fee, based on a percentage of the employee’s annual compensation. To me, that is bad math and incentivizes the wrong things. We are not a contingency firm and my recruiters do not sell, so they are assigned projects and must perform on every one.

What I want is excellent performance and an incredible customer experience. To drive that, our recruiters are measured on key performance indicators (KPIs) that drive the work they do: days to present; attraction of passive candidates; etc. The second measurement is how well they do the work they do from the customer’s point of view. Every project is closed with a customer satisfaction report. The higher the score, the higher their compensation.

Making the Metrics Work

At Decision Toolbox, measuring the metrics and tabulating an index score is essential to the work we do.

Imagine that 60 recruiters are in a sort of food chain based on their individual KPI scores, and they have attached SIC codes indicating their field of expertise. On their personal dashboards, they indicate how many additional assignments they would like to have. Let’s say six new engineering positions come in. Our system automatically looks for the highest ranking recruiter with engineering experience and assigns them the maximum amount they can handle. If they can’t take them all, the process searches down the food chain until all six are assigned.

There are variances, however, based on previous experience with a particular client. If a customer only wants to work with a particular recruiter, that would trump this process.

This model works for us at DT, as both an accurate measure of performance and a way to distribute assignments effectively to satisfy client and employee needs.

**No Secrets, No Surprises**

Here’s the big takeaway (pencils ready?): You have to define and communicate the performance metrics clearly to your team. Everyone, team members and leadership alike, have to understand the system, the things you measure, the rewards, and the consequences. In a virtual model you need people who are independent and self-motivated, and the PDW encourages that. It’s true that collecting all that data is micromanaging, but our people use those numbers to micro-manage themselves. DT’s philosophy is to micro-train but macro-manage.

Going virtual saved us money

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Total Quality Management took the public and private sectors by storm in the late 1980s. Since then interest has shifted toward programs like ISO 9000 and Six Sigma.

All of these programs are valuable. In fact, at Decision Toolbox (DT) we utilize Six Sigma methods in our own quality efforts. Yet ultimately all three originated in manufacturing, and come from a manufacturing worldview. Each is at least 30 years old.

I think there is a better fit for service organizations in 2014: the Performance-Driven Workforce (PDW). In last month’s issue I gave the reasons we chose it at DT, and why it works well with our 100% virtual company. This month, I’d like to lay out the gist of PDW, at least as I see it, and why it is a better fit. At DT, PDW is based on five principles: Process, People, Performance, Profit and Purpose.

Design a Killer PROCESS

At DT we’re not experts in recruiting for specific professional fields (although we have recruiters with expertise in IT, accounting, manufacturing and other areas). Rather, we are experts in recruitment process. We’ve been refining it for over 20 years. To define your process, you need to start by asking what are the optimal deliverables in your industry? It’s not necessarily what others do! This is an opportunity to differentiate your company.

Process must come first and it has to be well defined. For example, at DT we believe the optimal deliverable is quality candidates and excellent customer service delivered in a timely manner at a reasonable cost. We had to ask ourselves: what processes can we put in place to ensure we present quality candidates? One process is the “Discovery Call,” a brainstorming/consultation session that we hold with the hiring manager at the start of a project.

By probing for information between the lines of a traditional job description — and listening very carefully — we understand what that ideal candidate looks like from the beginning. The Discovery Call also gives us the opportunity to push back, to help the hiring manager understand the candidate market and challenges, and to set expectations. It sets the stage, moving forward, for our recruiters to act as true partners in this search, and in future ones.

(cont’d on page 24)
Hire Great

**PEOPLE**

This is one aspect that makes PDW relevant to the 21st century: the Me, Inc. mentality has spread beyond Gen Y. People in service industries have adopted a strong entrepreneurial spirit, and tying compensation to performance not only makes sense to them, but it also motivates them. You need to make sure your people have a vested interest in the five Ps, and you need to provide clear expectations. By establishing a great process, you’ve provided the tools your people need, but keep in mind that it’s never static: all five Ps can and should change.

I can’t say enough about the importance of hiring strong, self-motivated talent. But just as important is the way you approach them. As Stephen Covey says, “Always treat your employees exactly as you want them to treat your best customers.” Here’s my version: If leadership treats employees as clients, then employees will treat the customer exceptionally well. Give your people the tools they need, recognize their accomplishments, help them develop professionally — and wrap the love around them!

**PERFORMANCE**

**Just Do it Well**

Performance is what your team must do to delight customers, both external and internal. The key is to define performance clearly, determine how to measure it, and decide on rewards and consequences for particular levels of performance. Really important: Make sure everyone understands what’s expected. Now you need to monitor it, celebrate the successes and hold people accountable when they fall short.

This is where PDW differs from TQM and the others. TQM and Six Sigma methods emphasize a proactive approach to integrating the philosophy into the business’ culture. But by giving every employee a vested interest in delighting the customer, you integrate PDW into your culture organically. But don’t stop being proactive about maintaining a great culture.

You can get creative about the variable compensation, but you need to make sure the rewards and consequences have real value. At DT, for example, recruiters are assigned projects based in part on their performance index: higher index = more work = more revenue. Prizes are for contests, and those are fun, but for PDW to work, you should tie a significant portion of compensation to performance.

**PROFIT**

**Happens**

Process, people and performance-driven profit. As I wrote in last month’s *The Fordyce Letter*, profit is an outcome — a by-product. It’s not just for executives though. The whole idea behind PDW is to give everyone a vested interest. Heck, we even reward channel partners outside the company. Don’t get me wrong, the variable compensation in our PDW program is based purely on performance, and not on profit. But consider this: it may seem counter-intuitive, but in a month when all employees perform well, your actual profit margin might be a little lower than in a month when employee performance is so-so.

But I see that as an investment in future business, with a stronger ROI than you’ll get from any marketing. Nothing generates more business than delighting the customer. I’d rather pay my people to delight than pay an agency to advertise. And it shows your people that your money is where your mouth is.
PURPOSE and Meaningfulness

Have you ever met a business owner who said her sole reason for running that company was to make money? There are lots of easier ways to make money than owning a business! Have a look at Simon Sinek’s TED video, “Start with the Why.” (goo.gl/5ehQGt) He makes a compelling argument that highly successful companies and people start with the why, not the what.

People want and need a purpose in addition to money in order to find meaning in their work. For several different perspectives on meaningfulness at work, see a recent blog series by members of DT’s leadership team (www.dtoolbox.com/blog/). But to give you a couple of examples, Jay Barnett founded DT 20 years ago because he believed there was a better way to do recruitment — and we’re still looking for how we can be even better! A big why for me personally is that running a successful company allows me to make an impact in the philanthropic community.

Be sure to check in next month when I’ll explain how PDW helps ensure that performance drives seamless processes, from qualifying a potential client to ensuring client satisfaction at the close of the engagement…and beyond. TFL

Tom Brennan, Decision Toolbox senior writer, contributed to this article.

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Drive Performance by Focusing on Process, Not Outcomes

By Kim Shepherd

First things first: the performance-driven workforce (PDW) model is NOT about outcomes. It is about process. Some leaders may say, “Sales are down, so we need a performance plan to drive sales up.” Makes sense, right? Well, not for PDW. Positive outcomes will follow, but for PDW to work, you need to focus on the process.

Think about the low sales example as a drought. You need rain. But rain doesn’t come because plants are thirsty. Rain comes because water evaporates into vapor, then condenses in clouds and falls. Dreaming about lush plants won’t bring the rain — concentrate on the mechanics.

Not What Has but What Will Happen

Culture is a passion of mine, and it plays an essential role in PDW. But at a fundamental level, PDW is mechanical. A robust culture ensures that your people never feel like cogs, but the mechanics of PDW help ensure performance throughout all processes. In this model, performance is not what has happened, but what you want to happen, every day, for each and every project.

In the traditional view, processes are series of action steps, but in implementing PDW you should think in terms of building a seamless conveyor belt. The belt integrates performance, from qualifying a potential new client through executing each engagement to promoting a long-term partnership with the client.

Seeds Puts Performance First

For example, at Decision Toolbox (DT), we recently developed a customer relationship management (CRM) tool called Seeds. Most sales teams manage their pipeline with a goal of making each prospect a client, at which point performance kicks in. Seeds lets us manage the pipeline as if each prospect is already a client, with performance in the driver’s seat from the beginning.

Calling it Seeds reminds us that the harvest is just the outcome. Farmers don’t wake up every morning and pick fruit. Day in and day out they focus on the process of nurturing the seeds and the plants, so that come fall, the harvest will be bountiful.

With Seeds we also capture valuable intelligence about any potential client or project from the beginning, and (this is the important part) that intelligence flows into the onboarding process, invoicing, operations, project team assignments, work plans, sourcing strategy, quality control, customer satisfaction, client retention and more.

(cont'd on page 24)
Performance Wants To Break

Be careful as you build your conveyor belt. There are a thousand points where performance can fail. You have to anticipate those points and boil out the margin for error. This is where the mechanical aspect of PDW is invaluable, and where a great technology team can shine. Technology is the waffle batter that will flow into the gaps and lock down the weak points on your conveyor belt.

PDW demands real-time financial information, so if you don’t already have an internal organizational system, get one. Find an integration system that works for your company to streamline everything. Operations should integrate directly with accounting, for example, so you don’t have to wait until the 10th for last month’s results. Get your tech team to provide you with dashboards that show you the financials you need right now, whether it is 10:30 a.m. or 10:30 p.m.

Don’t rely on an off-the-shelf, expensive, Enterprise Resource Planning system (ERP) to mix your waffle batter for you — PDW is very intentional. We might even call it Performance Deliberate Workforce. For example, at DT, our ERP/ATS/CRM is Recruiting Machine, a software-as-a-service product we developed internally.

For our internal use, we made sure not only that it’s easy to customize pricing and compensation, but also that these customizations integrate across accounting, payroll and operations. TFL

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Concrete ideas for making PDW work

I've been on my soapbox about the Performance Driven Workforce (PDW), a model I believe is more relevant to the Me, Inc. generation than total quality management or Six Sigma. While those are great methods, PDW can take the best of those and make it even better.

PDW is working well at Decision Toolbox (DT) and it's a perfect marriage with our virtual structure. I'll share some of the tactics we've used to drive performance across the organization. Remember: focus on process, not outcomes.

Performance reviews are so 1990

Instead of reviewing what happened in the past, use real-time metrics to drive performance. In human resources, for example, we monitor recruitment partners' performance along a number of metrics (hire ratio, days to find, client satisfaction and many others). Recruiting Machine, our internally created organizational applicant tracking system, will alert us if the metrics are off. But it's also a quality self-service tool. Our recruiters use it to focus their efforts before the alerts ever beep. This system drives performance by turning those numbers into an index score that we use to assign projects and, by extension, income.

Intentional quality and customer service

These highlight the proactive nature of PDW. Set up your system to create excellence in those areas, not just to measure them. Among the tactics we use to do this are client quality surveys AND candidate surveys. Results for both tie into the real time performance metrics, so our recruiters are incented to delight both clients and candidates. Metrics also feed into various dashboards for real-time monitoring and, more importantly, real-time calibration. We maintain squeaky boards (remember those squeaky dry erase markers? We've digitized them.) to set targets, monitor and brainstorm solutions around candidate sourcing and quality.

Growth? Piece of cake

Combine PDW with great technology, and you've got the basis for powerful scalability. Throw virtual into that mix and scalability becomes boom-ability. Being virtual has led us to create many of the tools that also make us boom-able. For example,
managing change orders can be challenging in a sticks-and-bricks environment. In a virtual environment there are even more cracks for things to fall through.

Say a client decides, mid-search, they want to open up the requirements to broaden the talent pool. At Decision Toolbox that means several people have to take care of various small tasks. In our system, a requestor fills out an online job change request, ticking off the various parties who need to take action. The notice is sent to all parties via email. As each party completes their task, they log it in the system. Sometimes the completion of one task triggers the next. But the system helps prevent things from falling through the cracks. This is what I referred to previously as technology being the waffle batter that seals the gaps in your performance-driven processes.

Our people are our product

This is especially true in the service industry, but it applies in others as well. And just as you would invest in your product, you need to invest in employees to keep them at peak performance. You’ll see ROI in quality of service and also in efficiency/cost effectiveness and employee retention. We depend on our people to be autonomous, so we micro-train and macro-manage. We offer regular trainings via Decision Toolbox University (DTU) and Decision Toolbox Sourcing University (DTSU). Training will always be more effective if it is fun and engaging! TFL

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