The 4S's of a Successful Operational Environment

Atop-notch workplace culture is built on four basic elements: structure, system, spirit and scorecard. Here's a look at each and how you can use them to improve your operation.

Element 1: Structure

Operational structure takes a look at how a company is organized to achieve results. Structure is the fundamental framework of the company, the arrangement or interrelations of all the parts of the whole. While no one structure is best for every company, it is important to assess the basic framework through which any company pursues results to ensure it aligns with and ultimately drives the purpose. There are three primary factors in assessing operational structure:

Bureaucratic vs. Entrepreneurial:

Real entrepreneurs analyze every possible outcome, then assesses both the upside and downside risk of each decision. When they look at the very worst outcome and determine they can live with it, they make the decision and move on. Entrepreneurship is more about the ability to see and manage downside risk than in risk-taking.

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Hierarchical vs. Flat:

A deep (many-layered) operational hierarchy is not necessarily right or wrong. Likewise, an extremely flat organization is also neither right nor wrong. It is, however, quite important to regularly assess where your organization is today, where you are trending, and where you need to be in the future along the hierarchical/flat continuum to best achieve your corporate purpose.

Centralized vs. Decentralized:

As an organization grows, the natural response is to centralize most functions from purchasing and procurement to human resources and accounting. Although there is a continual push in most management writing to decentralize everything, I have found that a progressive balance of centralization and decentralization of structure is usually employed by top companies.

Element 2: System

Every organization is filled with systems that interrelate with one another including information, technology, research, production, distribution, sales, marketing, and customer service systems. There are three primary factors to operational systems: technology, openness and flexibility.

High Tech vs. Low Tech:

Every great company must find ways to buy, integrate and leverage the power of technology. Be forewarned, however, that merely throwing new technology into your system may not be enough. A more well-rounded and intelligent approach to your operational systems is to include not only the tools and technology needed to achieve greatness but also the policies and procedures of all the support areas within your system. But sometimes technology can be addictive. Have you ever gone on vacation and felt withdrawal from your email? It is important to strive for the proper balance.

Open vs. Closed Information:

When assessing open vs. closed information systems, three questions must be addressed. First, how does operational information enter our systems, where does it go and who gets to see it? Second, most organizations that have an extremely closed system are usually led by executives who either do not trust their people or fail to realize the information their people need to better achieve greater results. Third, you must consider the potential over and under use of available communication channels. Email is a very efficient means in which to share vital information, but has become an overused method that can dehumanize the process. Face-to-face is the most powerful way to share vital information, but has become a very underused method.

Flexible vs. Rigid:

There are times when an organization must be very flexible, yielding to molding to market, customer, and economic influence. Likewise there are times when the system must remain rigid, bending little to the current demands. System flexibility must never be allowed to blossom into trend grabbing. Sure, Bob Dylan sang "the answer is blowing in the wind," but any organization that allows its operational systems to succumb to every management fad will certainly dig its own grave. The key is to again ensure that the flexibility/rigidity of your current systems clearly support and move you toward reaching your purpose.

Element 3: Spirit

The courage, the vivacity, the vigor and the enthusiasm with which you strive to achieve excellence is a critical component to organizational success. Operational spirit is the organizational frame of mind while in pursuit of excellence. It is a measurement of cultural temperament, the natural disposition of an organization.

There are three components to operational spirit:

Serious vs. Fun:

Business literature today is overloaded with pundits who claim that only through a fun, upbeat spirit can you bring out the best in yourself and others. Can a fun and upbeat spirit help drive great results? Of course, but so can a more serious and stoic environment. For example, you may not want your brain surgeon to wear clown makeup into surgery. Again, the key is to ensure the operational temperament best aligns with reaching your ultimate purpose.

Creative vs. Cautious:

An important part of the spirit of any organization is its approach to creativity and cautiousness. With a strong spirit of creativity, an organization allows itself the opportunities for fresh thinking, new approaches and exciting avenues for achieving greater results.

Creativity takes courage. It takes executive courage to allow employees the freedom to challenge organizational structures and systems. It takes employee courage to speak up, challenge conventional wisdom, and risk failure in front of bosses, colleagues and customers. When innovation and creativity are overridden by extreme caution, organizational paralysis occurs.

High Trust vs. Low Trust:

The operational spirit of a company rises or falls with the degree of mutual trust exhibited, not from the frontline up, but from the executives down. Trust can be the easiest of all corporate spirit components to break. It can also be the easiest to get.

When assessing the amount of trust within your operational systems, ask yourself the following questions:

Does our executive team really trust our employees? How can we tell? How do they rate us on trust What are we consciously doing to demonstrate our trust or distrust? How might our current level of trust be inhibiting our ability to reach our purpose?

Element 4: Scorecard

Regardless of the form it takes, the scorecard is the recording system for employee performance measurement. Operational scorecards are vitally necessary to ensure all employees (from executives to the frontline) understand how they are doing against pre-determined criteria, and in turn receiving the recognition and feedback deserved for great performance.

There are three key components of the operational scorecard within an organization:

Clear vs. Unclear Standards:

Performance standards can be set in one or more of four areas: quality, quantity, time, and cost. When assessing the performance standards, ask yourself such things as:

What are the critical areas of performance that best drive us toward our purpose?
What are the standards (minimum acceptable level of performance)?

Are the standards clear?

Are the standards measurable?

What is the gap between the actual level of performance and the standard?

Clear vs. Unclear Measurement:

Typically, either a company has both clear standards and measurements (that at most need some tweaking), or they have neither. So how is performance measured within companies with neither? By generic, ineffective, inflexible annual performance appraisal forms that seldom measure meaningful performance, have little direct relation to actual work or clear alignment to organizational purpose.

Effective vs. Ineffective Rewards:

What gets rewarded gets done. Employees will do what is rewarded, be if for personal satisfaction, team building, or for the reward itself. Likewise, employees will avoid what is punished (negative rewards). In most cases, employees focus more time on avoiding what is punished (to avoid reprimands, negative reinforcement, and humiliation) than on what is being rewarded.

In summary, your operational environment is how well you integrate these four elements into your culture:

Structure as the framework toward great results.

System as the support mechanisms toward great results;

Spirit as the corporate temperament toward great results; and Scorecard as how you set, measure, and reward performance toward great results.