DCOM®: A Proven Framework for Outstanding Execution

WHAT TRULY DIFFERENTIATES COMPANIES WITH SUSTAINED OUTSTANDING PERFORMANCE FROM COMPANIES WITH MEDIOCRE PERFORMANCE?

ALULA
UPLIFTING BUSINESS PERFORMANCE
A CLG COMPANY

DCOM®: An Executive Snapshot

- DCOM® is an integrated set of findings distilled from extensive research done by real companies with real people and is not a concept or theory created by consultants or academics.

- DCOM® is a framework for evaluating and transforming companies to achieve sustained high performance.

- DCOM® = Direction, Competence, Opportunity, Motivation. These are the four cornerstones of sustained high performance.

- The four cornerstones, although seeming obvious, are in reality unique, subtle, and challenge conventional wisdom.

- Above all: DCOM® has proven time and again to be a powerful tool for transforming organizations and achieving sustained high performance worldwide.

Part 1: The DCOM® Story

DCOM® began with a question: "What does it take to achieve sustained high performance?"

Executives have long been obsessed, both with building high-performing organizations and with sustaining that high performance. This obsession is evident in challenges that recently were posed by CEOs of three multibillion-dollar companies.

> "What must we do to move from the bottom quartile to top quartile of total shareholder return, while engaging our employees in our success?"
> - Major oil company CEO, addressing his executive team

> "What must we do to become the defense contractor of choice?"
> - Major high-technology company CEO

> "What must we do to distinguish ourselves in the commodity chemicals business?"
> - Major chemical producer CEO

This is the story of our search for answers—and the surprising results.

The Quest for Answers

To answer the CEOs' questions, we were asked to partner with their companies and others to address this fundamental and embracing question:

> What truly differentiates companies with sustained outstanding performance from companies with mediocre performance?

To begin, we defined critical terms:

> **Performance:** This is specific to each industry, but typically includes financial results, employee morale, safety records, and delivery of value to the customer.

> **High performance:** This means performance in the top quartile of the industry.

> **Sustained high performance:** This is performance in the top quartile for at least 10 consecutive years.

Our research included organizations across multiple industries, including service and manufacturing—yet the findings were nearly identical, regardless of the sector. The outcome was an invaluable body of knowledge for those companies that originally sought an answer to this overarching question but, more importantly, for others wanting to attain industry-leading levels of performance.

The Findings: Four Cornerstones of Sustained High Performance

The findings turned out to be simple, yet profound and exciting. Their simplicity meant that, as an integrated body of knowledge, they would be powerful tools in the hands of leaders, enabling them to transform their companies.

The research uncovered these four cornerstones:

D	**Direction**	Does everyone in the organization clearly understand what is most important?
C	**Competence**	Do the organization and its individuals have the capability to achieve what is important?
O	**Opportunity**	Are the resources available, and are barriers to performance being addressed?
M	**Motivation**	Do people want to perform, or do they just have to? What are the consequences for their actions that are aligned with Direction?

Upon reflection, these cornerstones appear to be intuitive and obvious. However, the "simplicity" is deceptive in that each is made up of very specific, not-so-obvious elements, many of which challenge conventional wisdom. When fully understood, these elements can be addressed in any organization.

From these four cornerstones, and the more specific elements within each, emerged the DCOM® Framework for *architecting* an organization's infrastructure to be consistent with companies that demonstrate sustained high performance. More importantly, it provided a framework for *transforming* an organization to one capable of sustained high performance.

We refined the four cornerstones to create ALULA's DCOM® Framework. It's much like a four-cylinder engine: if all four are firing properly, you get high performance. But if any cylinder is firing poorly—or a combination of them is firing poorly—you get the results marked in red in the illustration.

D	C	O	M	Results
✓	✓	✓	✓	**High Performance**
✗	✓	✓	✓	**Chaos**
✓	✗	✓	✓	**Bankruptcy**
✓	✓	✗	✓	**Frustration**
✓	✓	✓	✗	**Lethargy**

The DCOM® Framework predicts performance results.

Putting the DCOM® Framework to Work

It's revealing—sometimes startling—for a management team to systematically assess its organization using DCOM®. Doing so brings insights and leads to actionable opportunities to raise the organization's performance.

An interesting test for any company is to see what happens if any of the DCOM® elements is missing or weak. As noted in the model:

- If **Direction** is lacking—people make their own direction, and you have chaos.

- If **Competence** is weak—you get poor or erratic performance, and bankruptcy lies ahead.

- If **Opportunity** is limited—performers can't act and are frustrated with the lack of time, tools, authority, and their inability to remove barriers.

- If **Motivation** is low—performers become indifferent and lethargic, offering little in the way of extra effort.

If Direction is lacking— people make their own direction, and you have chaos.

DCOM® has proven to be a robust framework for assessing an organization as it currently exists. But more importantly, it is an invaluable body of knowledge for *planning and guiding the transformation of an organization to one capable of achieving and sustaining high performance.*

Becoming a High-Performing Company Is within Reach

Now we have answers to the questions posed by the three CEOs at the start of this paper:

1. The oil company used the research findings to reengineer how it executed. Within four years, it attained the top quartile in total shareholder return.
2. The high-tech company's defense systems group went on to win the Malcolm Baldrige Award for Quality, and the group grew so valuable that the parent company sold it.
3. The chemicals company also won a prestigious quality award.

In addition to the original companies that participated in the discovery of these findings, numerous others have used DCOM® to identify and address their shortcomings. They have reported dramatic improvements in financial and operating results, employee morale, and customer service.

The DCOM® Framework has proven to be fully scalable, from tiny startups to multinationals, in any sector, and in any culture worldwide. It is a powerful tool that works anywhere.

Furthermore, we now possess an entire body of research on human performance and motivation that offers well-established principles for creating a motivating environment. These principles are the building blocks for the motivation component of high-performing organizations.

DCOM® is a powerful tool that works anywhere.

Essentially, these building blocks include identification of specific, desired behaviors, establishment of feedback systems to tell people how they are doing, and creation of an environment in which people are effectively reinforced for doing the right thing.

Reinforcement can range from personal pride in work well done to reinforcements delivered by the organization, such as promotions, using this body of knowledge and these principles in a systematic and consistent fashion.

Part 2: Practical Details of DCOM® Findings
(of special interest to leaders)

To fully appreciate the nuances and what really makes a difference, here is a deeper look at the four DCOM® cornerstones and elements. You might be tempted to compare your company to these findings.

D

Direction: Does everyone in the organization clearly understand what is important?

At the highest level, our research demonstrated that **Direction** has three key components: vision, values, and value-oriented metrics.

Vision—High-performing companies have clearly articulated and frequently communicated the vision for their organizations. But what is really important is that the vision is commonly understood and individual employees can readily explain how their day-to-day work supports the vision.

Values—Documenting the organization's values is common practice in well-managed companies. Many have created long lists and short lists, and most values are common from one organization to another. But in high-performing organizations, values not only are documented—four important actions are taken to support them:

a. *The values are behavioralized. Broadly-stated values such as "treating people with respect and dignity" are vague, and observers are likely to disagree on exactly what that means.* In DCOM®, each behavior is pinpointed to make sure "we will know it when we see it." Behavioralizing removes doubt about what each value actually means, and the defined behaviors offer tangible guidance to those who want to emulate the value.

b. *Leaders at all levels actively role model these behaviors.* They establish feedback mechanisms, both systematic and informal, to show everyone how they are doing on the behavioralized values.

c. *Leaders actively watch for others to demonstrate the values.* When they see them happen, they praise the employee for his/her actions.

d. *Decision and actions are made and evaluated in regard to the values.* Further, executives publicly and honestly acknowledge when decisions or actions are inconsistent with the values.

Value-Oriented Metrics—High-performing organizations establish metrics that reflect the delivery of value to the customer. Certainly, these organizations are concerned about traditional financial performance—but they know that relying on traditional financial and productivity metrics to drive performance can easily produce dysfunctional behaviors, reinforce silos, and create performance barriers.

In contrast, value-oriented or customer-oriented metrics reflect the delivery of value to the customer (internal or external) that is created by the organization's workflow. When these metrics are used, they encourage collaborative behaviors rather than traditional egocentric, competitive behaviors that can actually impede performance.

The components of Direction—vision, values, and value-oriented metrics—have three additional common factors in high-performing organizations:

a. *Just a few clear priorities*—Emphasis on a few key goals—three at most—clearly stated and understood.

b. *Alignment of values, priorities, metrics*—Both horizontally and vertically (across functions and across levels).

c. *Constancy of purpose*—Priorities do not change frequently or capriciously. High-performing organizations and their leaders demonstrate the discipline and fortitude to stay the course.

C **Competence:** Do the organization and its individuals have the capability to achieve the vision?

The findings from the research on high-performing organizations identified four critical competencies—technical, collaboration, work management, and economic literacy.

Technical—Technical refers to the functional knowledge and skills necessary to perform the organization's tasks. These might include engineering, marketing, or accounting principles; human resource practices; software skills; etc. "Technical" is the aspect most people think of when they think "competence"—but the following three facets are just as critical.

Collaboration—Companies with sustained high performance have discovered that collaboration is key, because the whole is greater than the sum of the parts. Thus, they promote collaboration through selection, training, and practice. These companies have found that a fundamental ingredient of high performance is not just cooperation, but mutual support and shared success. This is in contrast to most organizational environments that purposely or inadvertently promote a competitive environment, which impedes collaboration and, hence, performance. In many organizational cultures, collaboration is not a natural behavior for most people. It requires training and mentoring. But the payoff is that a collaborative culture can be a significant competitive strength.

Work Management—High-performing organizations have found that employees work most effectively when they have work-management skills such as decision making, problem solving, workflow, etc.

Economic Literacy—High-performing organizations teach their employees how the organization functions from operating and financial perspectives. They teach employees where leverage points exist for operating efficiency and value creation, enabling them to make better decisions in their work.

Unfortunately, our research shows economic literacy to be one of the most neglected areas of employee competence. Many companies assume that employees are not interested in, or will not understand, the economics of the organization. To the contrary, the experience of high-performing companies is that employees are hungry for this information and, when they have it, they can act responsibly.

O Opportunity: Are barriers to performance being managed?

All too often, employees are willing to contribute extra effort to work through a difficult period or to achieve new performance heights, yet may be prevented from performing to their fullest *because the company does not give them the* **Opportunity.** Obstacles to performance can be a lack of resources, lack of authority, or poor work processes.

In contrast, high-performing organizations systematically remove performance obstacles and create an environment where people have the opportunity to perform their best. We recognize four components of opportunity:

Authority—Are people given the correct level of authority to do their job? Employees are typically in the best position to make decisions regarding their work, but in most organizations they are over-managed.

Boundaries—Just as authority is important, it is also critical that employees know the boundaries within which they can act.

Processes—In many cases, the work process itself restricts employee performance. Fortunately, there has been much emphasis on process design and redesign in recent years.

Resources—Often, employees are not given the resources they need to get the job done. Resources can include time, information, people, place, money, materials, tools, technology, etc.

> *Opportunity:*
> *Authority, Boundaries, Processes, Resources*

M Motivation: Do people WANT TO perform…or do they just HAVE TO perform?

Creating a Motivating Environment—High-performing organizations are especially adept at creating environments that help people feel good about doing a good job. They help people understand the day-to-day activities needed to get the job done. They provide frequent, candid feedback on how the company, the team, and individuals are doing.

And, most importantly, they make sure people know that their efforts and contributions are truly appreciated. They do so by making sure that people experience consequences for their effort and accomplishments—positive consequences for the right behavior and outcomes, and negative consequences for the wrong behavior.

A basic fact of behavioral science is that every behavior is followed by a consequence—either a positive one or a negative one. These consequences determine whether or not the individual will repeat the behavior. Thus, giving performance feedback to individuals is a very powerful motivator. The key to motivation is consequences and real-time, data-based feedback. Together, they create an environment that encourages employees' Discretionary Performance[SM].

Three things are important here:

1. Employees must receive data-based, real-time feedback.

2. The consequences for people's behaviors must be aligned with the Direction.

3. All consequences for people's behaviors must be aligned, and informal and formal consequence systems must be aligned with each other.

This might seem very intuitive, but more often than not individuals and organizations inadvertently punish people for doing the right thing and reinforce people for doing the wrong thing. These skills simply do not come naturally to most.

Motivation:
Create a motivating environment…
to encourage
Discretionary Performance[SM]

Sustained high-performing companies do not leave performance feedback and the consequences that employees experience to chance. They thoughtfully engineer policies and systems to deliver the right consequences for the right behavior and the right results.

Beyond policies and systems, sustained high-performing companies also make sure leaders know how to deliver consequences that promote Discretionary Performance[SM] of the right things. Surveys indicate that the vast majority of leaders believe they do a good job at this. Yet, research has told us that typically fewer than 15% of managers within an organization actually create a motivating work environment.

It's Your Turn—And Your Opportunity

If your company already is doing the things enumerated above, congratulations on your achievement of a high-performing organization! However, if your enterprise isn't quite there yet, we offer the DCOM® assessment described herein, and invite your inquiry.

About ALULA^{SM}

ALULA is a management consultancy founded in 1993 as Continuous Learning Group, Inc. (CLG) to assist Fortune 500 companies with improving strategy execution. Today, ALULA exists to inspire and accelerate the extraordinary growth of individuals and exceptional performance of business. ALULA employs proven principles of behavioral science to help organizations more efficiently and effectively implement change, enhance leadership capability, and improve performance.

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