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# Elevating Employee Performance in the Public Sector

*How to Get the Best  
from Your People*



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## EXECUTIVE SUMMARY

*In today's economic environment, achieving heightened performance and efficiency is more important than ever to improve competitiveness, deliver better service, and reduce costs. To get the best from your people, organisations must first address a set of fundamental "hygiene factors" to motivate employees to deliver standard performance – capable line management is the most important of these factors. Only when these factors are addressed can employees be energised by "commitment drivers" to elevate performance – strengthening employee connectivity is the one driver that can have the greatest impact.*

*Our experience has shown that many organisations focus on commitment drivers without first addressing the hygiene factors and are then frustrated when employees fail to deliver an adequate return on the investment. Typically, we find public sector organisations need to focus on, and strengthen, their management capabilities. In contrast, private sector organisations often need to focus on their commitment drivers if they are to engage employees and weather the economic storm.*

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## PRIORITISING DRIVERS OF EMPLOYEE MOTIVATION

In today's economic environment, achieving improved performance and efficiency in public and private sector organisations is more important than ever to improve competitiveness, deliver better service, and reduce costs.

Although structural barriers to efficiency can be addressed by implementing process improvements, lean techniques, or business transformation, motivating employees to give their best effort on the job remains a fundamental – though elusive – ingredient to sustained productivity improvement. Indeed, in many instances, transformation may fail to deliver expected results if the underlying factors that drive people performance are not comprehensively addressed.

Much has been written on the theories and frameworks of employee motiva-

tion, from the early work on industrial efficiency by Frederick Winslow Taylor<sup>1</sup> to later theories by psychologists Abraham Maslow<sup>2</sup> and Frederick Herzberg<sup>3</sup>. Although many elements of these theories have stood the test of time, our experience shows that the underlying principles are rarely consistently applied or properly implemented.

In working with our clients across many sectors, we have found that the key to getting the best from people lies in first addressing a set of fundamental “hygiene factors”. The most important of these is having **capable line management**. In this context, this is defined as:

- Communicating expectations and embedding clear guidelines for acceptable and unacceptable behaviours

- Using performance management techniques to plan, monitor, and evaluate delivery
- Recognising good performance and swiftly managing under-performance
- Managing team cohesion and emphasising the impact of individual behaviour on team performance and targets
- Equipping individuals and teams with the relevant support and skills necessary to effectively perform their roles
- Building stable and productive working relationships and networks with other teams or parts of the organisation

Other hygiene factors include job security, pay, and conditions.

Only when these hygiene factors are sufficiently addressed can the workforce be further energised to elevate performance through the “commitment drivers”:

**Employee connectivity**

To deliver elevated performance individuals need to feel their actions contribute to the overall performance of their organisation. Employee connectivity is the meaningful connection between employees and the purpose of the organisation.

**Skill development**

The investment in personal growth and development of employees

through opportunities to learn and apply relevant skills

**Personal recognition**

The recognition of an individual’s performance with meaningful feedback indicating appreciation of effort

Employee connectivity is the commitment driver with the highest impact, although the most challenging to achieve. This requires alignment of employer and employee brands to engage employees with the organisation purpose.

Many organisations focus heavily on these commitment drivers without having the hygiene factors addressed and are then frustrated when employees fail to deliver an adequate return on the investment.

*Transformation may fail to deliver expected results if the underlying factors that drive people performance are not comprehensively addressed.*

## DEFINING PERFORMANCE

Across all businesses and operational environments, there are a number of aspects that impact motivation. Through our experience working with clients, we have prioritised the key factors impacting motivation. From this “motivation menu” we have then categorised these as either hygiene factors or commitment drivers.

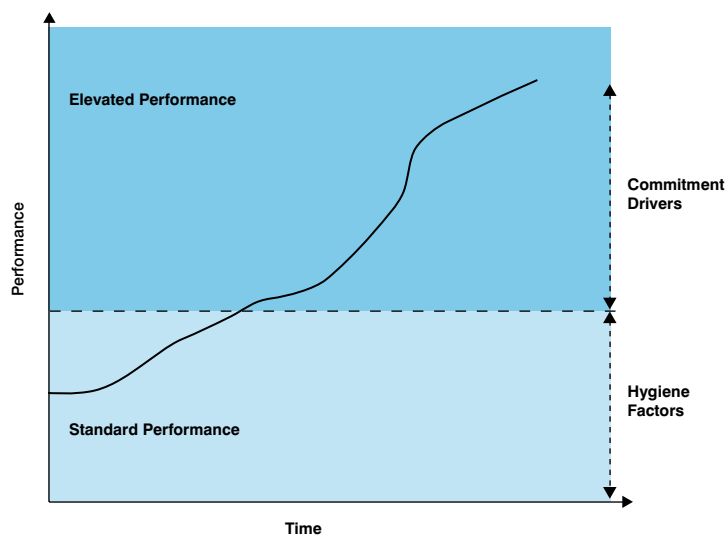
To understand how these hygiene factors and commitment drivers operate, it is first necessary to distinguish between two types of performance (see Exhibit 1).

- **Standard performance** is the typical level of output an individual delivers in the normal course of fulfilling a role. This level of performance is influenced by the **hygiene factors**, which do not drive productivity but whose absence (or negative perception) can destroy motivation.
- **Elevated performance** is derived from an individual exerting

discretionary effort and “going the extra mile” because of their commitment to the team/organisation and its mission and objectives. **Commitment drivers** will spur employees to feel motivated and achieve higher levels of performance.

Clearly, organisations would prefer that their employees deliver elevated performance; however, it is a common mistake for organisations to seek to achieve this without getting the hygiene factors right. Commitment drivers, by themselves, cannot lead to improved performance unless the basic hygiene factors are in place first.

*Exhibit 1  
Addressing Hygiene Factors Is a Prerequisite to Achieving Elevated Performance*



Source: Booz & Company

# SETTING THE STANDARD: MEETING BASIC HYGIENE FACTORS

Many organisations rightly focus their human resources efforts on processes such as recruitment, selection, and training to ensure that employees have the necessary capabilities to meet the demands of their work. However, these alone do not guarantee the level of effort an individual will apply to the job.

In this context, hygiene factors are those essential elements that do not positively influence productivity. However, if absent or if negatively perceived, they can have a destructive impact on individual commitment and willingness to deliver even standard performance.

Therefore organisations must address three hygiene factors to position their staff to deliver at least standard levels of performance on the job (*see Exhibit 2*).

## Management Capability

The most crucial hygiene factor to address is management capability – establishing basic acceptable line management practices, including

- Communicating expectations and embedding clear guidelines

for acceptable and unacceptable behaviours

- Using performance management techniques to plan, monitor, and evaluate delivery
- Recognising good performance, and swiftly managing underperformance
- Proactively managing team cohesion, and emphasising the impact of individual behaviour on team performance and targets
- Equipping individuals and teams with the relevant support and skills necessary to effectively perform their roles.
- Building stable and productive working relationships and networks with other teams or parts of the organisation

Solid management capability is an essential prerequisite to support the commitment drivers that lead to elevated performance. However, typically many organisations, particularly in the public sector, fail to develop management capability

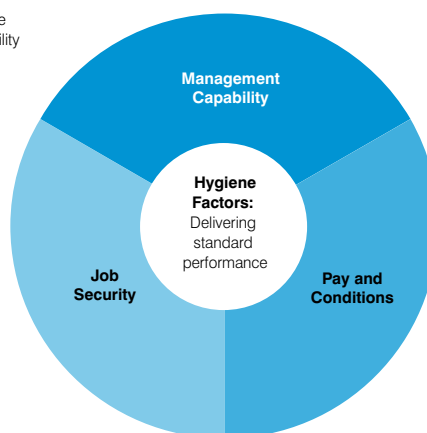
*Exhibit 2*  
**Three Hygiene Factors Enable Standard Performance**

### Management Capability

- The ability of managers to implement basic people management practices that affect employees' ability to deliver standard performance
- Strengthening management capability is the key hygiene factor

### Job Security

- Job security relates to the probability that an individual will keep his/her existing job
- Both low job security and very high job security can be problematic



### Pay and Conditions

- Perceptions of pay levels, rather than the absolute level of pay, is what matters most
- Employees must receive a level of pay and conditions that they perceive to be fair and adequate for their role
- Adopting a total remuneration approach can align pay and conditions with the market without raising salaries

Source: Booz & Company

effectively. A recent ORC International report<sup>4</sup> shows that relative to the private sector, the public sector has a poor perception of management, and in many cases this people management capability is not prioritised during times of change.

That said, we have also found exceptions. One public sector organisation Booz & Company has worked with actively sought to address its management capability challenges as a result of new role requirements triggered by organisation restructuring (see “Case Study: Implementing Improved Management Capabilities in the Public Sector”).

#### **Pay and Conditions**

Perception of pay levels, rather than the absolute level of pay, is what matters most to employees. It is therefore important that employees receive a level of pay and conditions that they perceive to be fair and adequate for their role. Although perception of pay and conditions is not considered a significant driver of enhanced employee performance<sup>5</sup>, poor perception has clear negative results.

Base pay is one of the most tangible ways in which people measure how valued they are by their employer and how they are positioned relative to others, both internally and externally. For this reason, organisations typically benchmark key roles against selected comparator organisations to ensure that pay scales remain fair and competitive.

Simply increasing pay does not directly lead to increased effort. In fact, focusing attention on money in order to motivate people often produces the opposite result. When pay becomes the primary goal, a person’s interest becomes focused on the payment rather than on performing the task, reducing the individual’s interest in the task itself<sup>6</sup>.

But pay is only one part of the overall remuneration package. Organisations can positively influence staff satisfaction and become more competitive, without automatically raising salaries, by adopting a total remuneration approach – looking at all elements of reward offered to employees. For instance, employees may be willing to accept a reduced base salary relative

to equivalent jobs in the market in favour of more flexible working conditions and greater holiday benefits. This is an area in which public sector and nonprofit employers have traditionally been able to differentiate themselves from the private sector to attract and retain staff.

#### **Job Security**

At an organisational level, job security is influenced by the state of the economy and prevailing business conditions. At present, job security in many organisations is low as a result of the weak economic climate. On an individual level, job security is determined by job performance as well as by market conditions.

Concerns about job security increase feelings of pressure and stress levels, which have been proven to have a negative impact on performance.

Individuals perceiving a low level of job security are more likely to seek greater stability and pursue alternative roles with a higher level of security. This search for alternative employment can become a distraction that negatively impacts performance in



the current role and may even lead to the employee leaving the organisation altogether. In those instances where perceptions of job security are not aligned with reality, this is particularly disadvantageous for the organisation.

Public sector organisations are often criticised for providing too much job security and failing to address underperformance. This not only leads to substandard performance by some individuals but also can frustrate other team members who are affected by the poor performance.

Either way, managing employee expectations regarding job security is key for achieving and maintaining standard performance. The 2009 “Best 100 Companies to Work For”<sup>7</sup> survey highlighted the importance of open communication regarding business performance and head count reductions, particularly during an economic crisis. At an individual level, organisations can manage expectations by defining clear objectives and providing honest feedback. It is also important to ensure that perceptions of job security are aligned with reality.

### Case Study: Implementing Improved Management Capabilities in the Public Sector

Booz & Company recently worked with a public sector client to address management capability challenges resulting from new role requirements triggered by organisation restructuring. An initial assessment suggested that management capability was inadequate to meet the organisation’s performance challenges and that a training investment was needed.

Building on this assessment, the leadership team developed a set of people management capabilities to address priority gaps. With this as a guide, a structured, modular training initiative, designed to improve managers’ skills over a 10-month period, was rolled out.

The initiative was designed to improve the skills of managers while also providing ongoing support and coaching to embed new ways of working.

The specific objectives of this training included the following:

- Providing participants with the professional skills, tools, and techniques needed to fully adopt a performance culture
- Enabling management teams to adopt their individual and collective roles
- Promoting informed decision making
- Ensuring that management teams had a practical understanding of the operating model, organisational goals, objectives, their impact on new ways of working, and desired behaviours

This series of pilot training interventions provided the basis of a more formalised management academy designed to equip managers with the skills needed to do their jobs and deliver real business benefits.

Crucially, training was coupled with top management commitment to ensure that standards of management quality and capability were applied and maintained in practice. Line managers who were unable to adapt to the new ways of working were redeployed to alternative, non-management roles.

# ELEVATING PERFORMANCE: BUILDING COMMITMENT

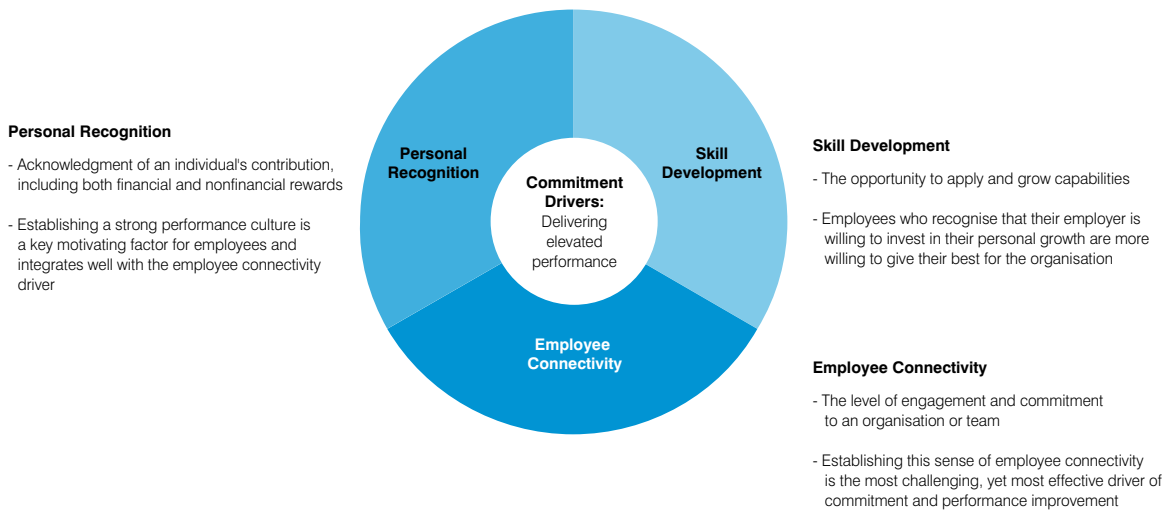
Only when the hygiene factors are in place can organisations effectively invest in the commitment drivers to deliver elevated performance. These drivers enable elevated performance by emphasising emotional as well as rational aspects of motivation.

Our experience shows that three commitment drivers are particularly important in motivating discretionary effort: employee connectivity, personal recognition, and skill development (see Exhibit 3).

## Employee Connectivity

In order for individuals to deliver elevated performance, they must feel their actions directly contribute to the overall performance of the organisation, team, and customers they are serving. Establishing this sense of connectivity is the most challenging, yet most effective driver of commitment and performance improvement. When employees can see a direct link between their work and the impact it makes on the success of their team, their day-to-day

**Exhibit 3**  
*Commitment Drivers Emphasise Both Emotional and Rational Aspects of Staff Motivation to Deliver Elevated Performance*



Source: Booz & Company

tasks feel more meaningful and they are inclined to invest additional effort. Evidence shows that the extent to which individuals believe in their work has very tangible performance benefits<sup>8</sup>.

Employee connectivity is often stronger in the public sector, where many employees are focused on delivering public policy and services. For example, contact centre employees at a large public sector organisation recognised that the entire purpose

of all interactions at the centre was to “increase take-up of entitlements to eliminate client poverty” and were willing to go the “extra mile” as a result.

Though public sector and nonprofit organisations have a relatively easier time establishing a sense of employee connectivity, given the link their services have with a “greater good,” many private sector organisations offer valuable lessons. These organisations drive performance by creatively

and effectively connecting their employees with their customers (see Exhibit 4).

Furthermore, increasing employee connectivity has direct benefits on performance. A recently published study from Wharton Business School shows that companies that traditionally rank high in Fortune magazine’s “100 Best Companies to Work For” survey also deliver higher annualised performance during both booms and recessions<sup>9</sup>.

**Exhibit 4**  
*Lessons on Fostering Employee Connectivity in the Private Sector*

SUPERMARKET GIANT	HIGH-STREET RETAILER	LEADING AIRLINE OPERATOR
<ul style="list-style-type: none"> <li>- Choose a purpose that supports a viable commercial strategy and that people want to follow</li> <li>- Link how people are promoted, paid, evaluated, and trained to the purpose</li> <li>- Use the same language for the customer proposition and the staff proposition to embed values and required behaviours</li> </ul>	<ul style="list-style-type: none"> <li>- Align the customer brand with the internal message</li> <li>- Ensure that the sales staff match the customer demographic and can relate accordingly</li> <li>- Increase the frequency of direct communication between the front line and the top of the organisation</li> <li>- Minimise layers between the customer and the top of the organisation</li> </ul>	<ul style="list-style-type: none"> <li>- Illustrate how critical the front line is to the economics of the business</li> <li>- Make sure employees view themselves as a service business</li> <li>- Be empathetic to front-line employee issues and making their lives easier</li> <li>- Give front-line employees a share of the profit they make</li> </ul>

Source: Booz & Company

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### **Personal Recognition**

Recognising individuals for good performance is a powerful way to reinforce and sustain elevated performance. Recognition can include both financial and nonfinancial rewards (including career development opportunities). Establishing a strong performance culture is a key motivating factor for employees and integrates well with the employee connectivity driver.

Successful organisations employ a systemic performance management approach: clear objectives inform regular performance discussions at organisation, team, and individual levels. Furthermore, regular conversations ensure that poor performance is discovered early and its conse-

quences are addressed immediately. This approach requires good management capabilities, one of the hygiene factors discussed earlier.

Incentives and rewards must be aligned to objectives throughout the organisation to promote and reinforce desired ways of working. Aligning compensation to employee performance has been shown to have an impact on staff performance and should form part of a coherent performance management regime. Many organisations may do this in theory but fail to execute effectively due to a lack of management capability and clear accountabilities.

### **Skill Development**

Employees who recognise that their

employer is willing to invest in their personal development and growth are more willing to give their best for the organisation. In leading organisations, this development includes both high-quality opportunities for on-the-job learning and more structured training interventions.

It is key that this training is targeted and useful. Courses with little relevance or applicability to the employee's work waste time and resources and contribute to a negative perception of the training. Leading organisations recognise that skill development needs to be intelligently managed, establishing a core curriculum that relates directly to work being delivered.

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## CONCLUSION

Commitment drivers alone do not lead to improved productivity levels without the hygiene factors being in place. By targeting hygiene factors and commitment drivers together, organisations can boost their employees' willingness to exert discretionary effort and improve productivity.

If any of the hygiene factors are missing, not only will standard performance not be achieved but initiatives to drive elevated performance will fail or at best yield unsustainable results. In order to encourage individuals to apply discretionary effort, organisations must ensure that all three hygiene factors are fully addressed before tackling commitment drivers.

Hygiene factors and commitment drivers can be applied across different business and operational environ-

ments in different ways. However, it is important for organisations to be able to diagnose their particular problems and prioritise solutions accordingly. For this reason, management capability is the pivotal hygiene factor without which commitment drivers will fail to deliver.

In today's economic environment, where both public sector and private sector organisations are expected to deliver much more with less, these issues can no longer be ignored. Public sector organisations need to focus on and build up their management capabilities while having an inherent advantage regarding their commitment drivers. In contrast, private sector organisations need to focus on their commitment drivers – especially employee connectivity – if they are to engage employees and weather the economic storm.

*The formula for driving continued  
improvements in productivity:  
Elevated performance =  
hygiene factors + commitment drivers*

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## Key Takeaways

- Motivating employees to deliver their best is a fundamental ingredient to sustain productivity improvement.
- Theories on how to motivate employees are rarely applied consistently or implemented in the right manner.
- A core set of hygiene factors can position employees to deliver a standard performance: management capability, pay and conditions, and job security.
- The most important hygiene factor is management capability: establishing acceptable line management practices to manage and motivate employees.
- Only when these hygiene factors are addressed effectively can the employees be energised to elevate performance through the commitment drivers: employee connectivity, skill development, and personal recognition.
- Establishing employee connectivity is the most challenging, yet most effective driver of commitment and performance improvement.
- Hygiene factors plus commitment drivers delivers elevated performance; without the hygiene factors, achieving even standard performance can be a problem.

## Endnotes

<sup>1</sup> Frederick Winslow Taylor, *The Principles of Scientific Management* (Harper & Brothers, 1911).

<sup>2</sup> Abraham H. Maslow, "A Theory of Human Motivation," *Psychological Review* (Vol. 50, No. 4, July 1943).

<sup>3</sup> Frederick Herzberg, Bernard Mausner, and Barbara Bloch Snyderman, *The Motivation to Work* (John Wiley, 1959).

<sup>4</sup> "Putting It in Perspective," ORC International (2008).

<sup>5</sup> Increasing satisfaction with total compensation provides 21% increase in employees' intent to stay, but only a 9% increase in effort. Source: *Driving Employee Performance and Retention through Engagement*, Corporate Leadership Council (2004).

<sup>6</sup> Herbert H. Meyer, "The Pay-for-Performance Dilemma," *Organizational Dynamics* (Vol. 3, No. 3, Winter 1975).

<sup>7</sup> "The Sunday Times 100 Best Companies to Work For," the *Sunday Times* in association with CIPD, (10 March 2009).

<sup>8</sup> *Driving Employee Performance and Retention through Engagement*, Corporate Leadership Council (2004).

<sup>9</sup> Alex Edmans, "Does the Stock Market Fully Value Intangibles? Employee Satisfaction and Equity Prices," University of Pennsylvania, the Wharton School (2008).

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