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Human performance & Economic Value Creation

By
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Growth is the only way to create value in the long term.

A company that does not grow by more than 7.5% per year (i.e., a doubling of revenue every 10 years) loses its attractiveness and independence in the long term.

It is difficult to achieve economic growth without growth in human performance, both individually and collectively. Human performance is becoming a critical issue for organizations.

Why and how should economic growth go hand in hand with human performance to ensure sustainable value creation?

Growth as the primary lever for value creation

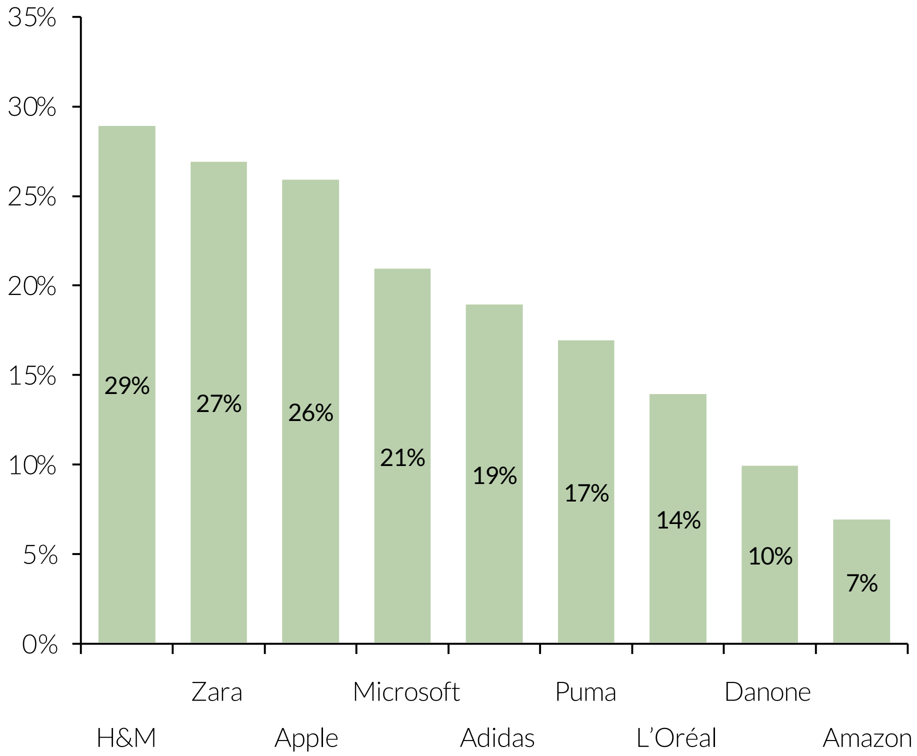
Long-term value creation requires steady growth of more than 7.5% per year. Simply improving results by streamlining and cutting costs is necessary, but not sufficient. Such improvements are only temporary. Profitability cannot rise indefinitely. Only growth in revenue (and consequently in profit and cash flow) allows for long-term value creation.

Growth is a choice, a decision to expand. It does not happen by accident; it is the President's choice. If the President does not make this choice and is not a driving force, growth will not occur. This includes:

- *Defining growth ambitions.* Growth can only happen we have decided to grow and if we have set an explicit ambition.
- *Defining growth options and choosing growth priorities.* Most companies do not grow because they are not positioned in growing businesses or geographies. The portfolio of businesses and geographies is a short-term constraint but it is a medium-to long-term choice. It means exiting certain businesses, reallocating resources, choosing growth businesses, and therefore making trade-offs.
- *Allocate human and financial resources to high-growth businesses.* There can be no growth if less than 50% of investments is allocated to growth businesses. This allocation includes financial resources as well as management's most scarce resource: time.

- Contribution of human performance to the economic value creation from 2019 to 2022-

Example of exemplary leaders



- *Fostering a growth culture.* Top management must nurture this culture through their behavior, motivational levers, and leadership style.

Human performance as a growth enhancer

Human performance cannot overcome market conditions. In industries without growth and low differentiation potential, value creation will be low regardless of management quality, team motivation, or human performance.

Our experience shows that, with few exceptions, human performance helps better withstand market dynamics but does not significantly reverse the trend.

Human performance really makes a difference only when relevant decisions have been made: decisions about ambition, about playing fields, about business models, about speed and scale, and about organizational and operational methods.

This is where human performance acts as a multiplier. In competitive models with growth potential, our experience shows that improving human performance has a significant impact on value creation: it directly contributes to more than 25% of value creation.

Human growth as an amplifier of human performance

Conversely, growth can act as an amplifier of human performance. When a company grows and its people benefit from that growth, human performance rises sharply.

Human performance and financial performance are closely linked. Human performance must be an integral part of the business model.

Key levers of human performance to be developed

Organizations are developming human performance metrics to integrate all the dimensions of this issue. This complexity hinders the improvement of human performance mechanisms.

In fact, only certain human performance levers have an impact on value creation. Of course, these levers are not universal. They depend on the nature of the market, the business model, the market context and the competitive environment.

However, fewer than ten of them are generally discriminating: their level and improvement have an impact on growth and value creation:

- *Value sharing:* employee ownership and perception of value sharing;
- *Leadership communication:* understanding of the corporate strategy and clarity of employees' mission;
- *Commitment:* pride in work and alignment of company values with the reality of their profession;
- *Skills:* sense of support for employee development;
- *Diversity:* representation of women in management;

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We need to focus on a limited number of human performance drivers and create tangible, measurable changes

KEY TAKEAWAYS

- Growth is the only way to create value in the long term.
- A company that does not grow by more than 7.5% per year (i.e., a doubling of revenue every 10 years) loses its attractiveness and independence in the long term.
- It is linked to choices: choosing ambition, selecting playing fields, deciding business models, determining speed and scale, and setting organization & operating modes.
- Growth depends on human performance, which is a significant lever.
- Conversely, without growth, there cannot be no strong human performance.
- It is critical to focus on a limited number of levers ...
- ... and implement action plans to create tangible, measurable changes.

- *High potential:* retention of high-potential employees.

It is therefore crucial to identify the most differentiating levers, focus on them and implement action plans to create tangible and measurable changes.

What to conclude?

Business growth and human performance are closely linked. There is no long-term growth without human performance and no human performance without growth.

Beyond the obvious principle, the critical challenge is to define a limited number of human performance levers and implement actions to create tangible and measurable changes. Certainly, these levers are not universal. They depend on the nature of the business, market and customer dynamics, competitive dynamics, etc.

Nevertheless, our experience shows that some of them are often discriminatory: sharing value with employees, understanding the company's strategy, pride in work, consistency of values with reality, support for employee development, the representation of women in management, retention of high-potential employees, etc.

An ad hoc or incremental approach is not sufficient. What is needed is a break break with a focus and significant acceleration on certain levers.

As with any significant change, it must be approached in a structured way, linked to economic value creation, and at the highest levels of the company.

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Strategia Partners *is an international strategy consulting firm based in Europe (Paris & Zurich), the United States (New York & Seattle) and China (Shanghai). It assists Boards, CEOs, Executive Committees of major European and North American groups in their growth strategy. His approach integrates 3 perspectives: strategic and financial performance, environmental performance and human performance.*

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