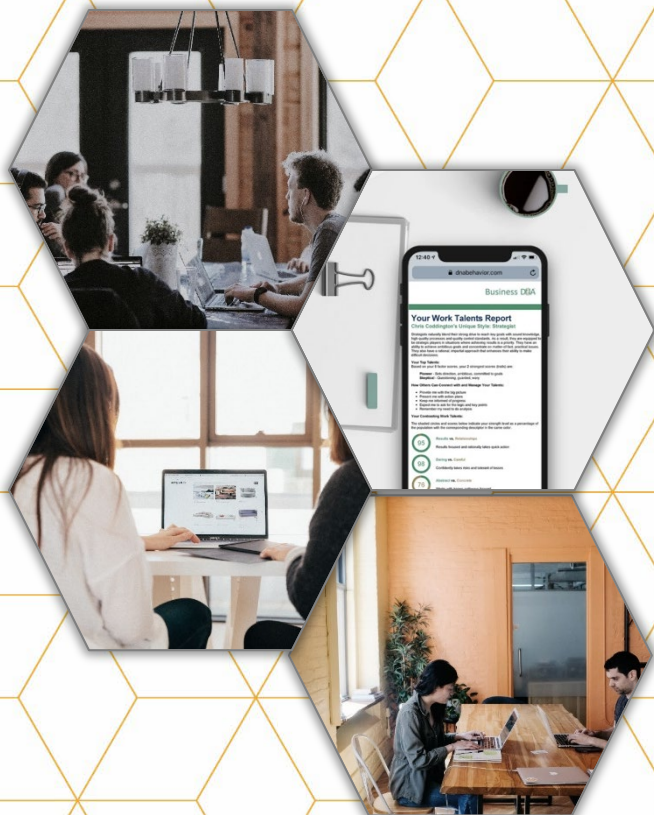


DNA Sustainable Performance



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Many companies today are searching for that silver bullet that will create, drive and sustain their company's performance. The pressures to do so are enormous.

According to Russell Reynolds Associates, the average tenure of CEOs in 2023 was 8.1 years. However, a study by Equilar found that the average tenure of CEOs has decreased in recent years, from 7.6 years in 2013 to 7.2 years in 2022. The median tenure for S&P 500 CEOs also decreased from six years in 2013 to 4.8 years in 2022. The results today are a direct reflection of a company's past strategy, its culture, its understanding of its clients' needs and its ability to deliver on those needs.

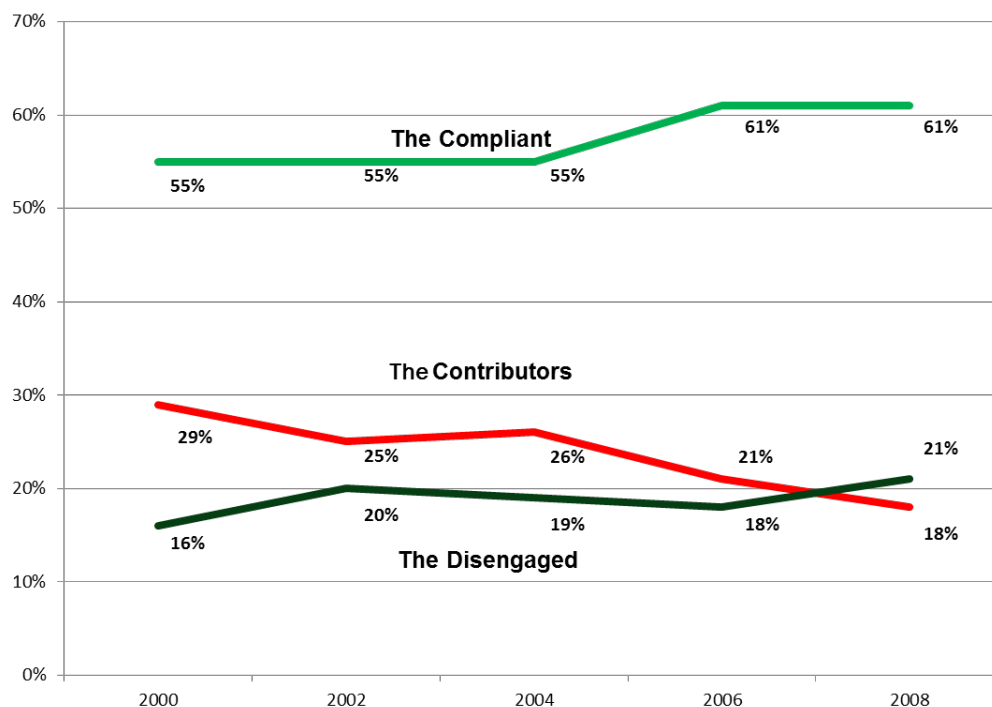
So, what does create, drive and sustain both personal and company performance?

We believe the answer to that question lies within the leaders starting with the CEO, and then the collective of every employee in the company.

Since DNA Behavior was formed in 2001, we have come across an incredible number of people all over the world whose talents were not being liberated and whose level of personal engagement in the company was low to neutral at best.

The Performance Problem: A Lack of Emotional Engagement:

Thanks to the research undertaken by the Gallup Group in 2009, we have a much better understanding of the economic aspects of emotional engagement of both employees and clients to a company's bottom line. Our booklet on Building a People-Centric Organization published in 2023 provides more of the recent research which supports Gallup's 2009 findings.



What should be startling to many leaders of companies is that the downward trend on those people engaged in the workforce does not appear to be abating and the level of non-engaged or actively disengaged people is increasing. According to Gallup research in 2023, only 23% of employees are engaged at work.

Emotional engagement of employees and clients is an important element in sustainable performance. In the past and still to date many companies are investing in programs such as “Six Sigma”, “Total Cost Management”, “Business Excellence” and others to increase their effectiveness and client satisfaction and hopefully profit.

None of these programs however have been able to arrest this downward trend over the last twenty years. In some cases, they have exacerbated the trend. The principal reason is that they do not address the heart of the issue, which is the emotional engagement of both employees and clients – the human element. Many of these programs seek to reduce variation and control outcomes, which works well for mechanical processes but poorly for processes and systems that have any level of human involvement.

A Mindset Shift is Needed from Satisfaction to Emotional Engagement:

If we are to deliver sustainable performance our mindsets need to shift. Behaviors that drive short term decision making to meet the next quarter’s budget need to be changed to be balanced by what motivates and sustains organizational performance. Many decisions drive short-term performance but destroy long-term value principally by disengaging both employees and clients.

There have been many attempts over the years to understand and measure client satisfaction as an indicator of how well companies know and serve their clients. As many companies, however, are finding out, client satisfaction ratings are not a measure of a client’s future loyalty or buying intentions.

As one CEO recently said: “We have received great client satisfaction survey results over 90% for the last couple of years but unfortunately our client turnover is close to 30%”.

Client satisfaction does not measure client intimacy. Rather, it simply measures the rational factors of confidence and basic performance, competence to deliver. While availability and delivery are fundamental, they do not determine the future intentions of a client. Client intentions are only understood when a relationship of trust, engagement, integrity, and passion are secured.

Recently, one of our consultants shared a story of a manufacturing plant he recently visited. It had 28 workstations all on the critical path for the production process. The processes designed for these workstations were clearly laminated at each station. The consultant was asked to come in and make some recommendations for performance improvement. The engineers were very proud of their process flow and written instructions and proudly stated all workstation processes were followed. The consultant decided to observe the hardworking plant operators. He noticed that on 15 of the 28 stations, the process flows were either not followed or significantly modified. He noted this and began asking the operators why they did not follow the instructions. For some it was that the process could be done more quickly, changing it around, while others had ideas on how to make the process even safer and for a couple the designed process was not followed due to a lack of knowledge. An application of many of the ‘core processes’ had missed the dynamic of engaging the operators, listening to their stories and making adjustments for better outcomes. The answers to our improvement often lie within.

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The good news part of this story was that the new engineers who came on board got involved and changed the design flows. Engagement levels went up accordingly.

We are not advocating against many of these valuable systems as they bring the needed disciplines for their business, but they can never bring or sustain the performance for a business.

In addressing the 'Human Element' in sustaining performance we need to understand what:

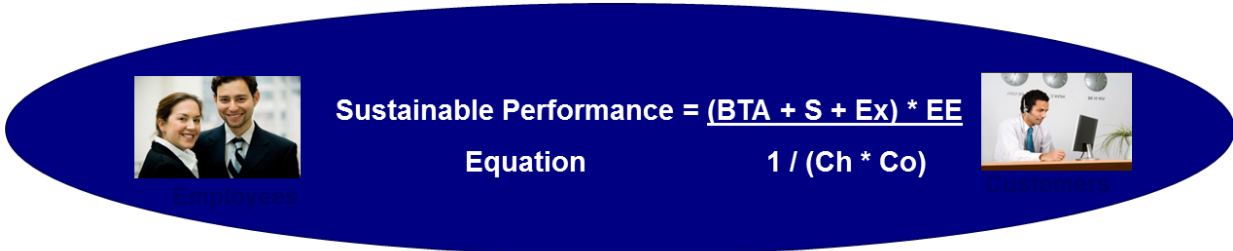
- Talents lie within each of us.
- We are bringing to the table in terms of skills.
- We bring in terms of experiences.
- Levels of Emotional Engagement we are experiencing.
- Confidence levels we possess in performing the roles we are given.
- Basic character are we displaying.

At DNA Behavior we have been working with understanding this notion of sustainable performance for over 20 years. As a business we look at the four pillars of performance as:

1. Knowing yourself,
2. Leaders knowing employees,
3. Employees knowing clients,
4. The business knowing its external stakeholders, including suppliers, partners, shareholders, and other stakeholders.

Sustainable Performance Measurement

To help us understand Sustainable Performance we have developed the following equation which provides relative measurement on a population weighted basis:


$$\text{Sustainable Performance} = \frac{(\text{BTA} + \text{S} + \text{Ex}) * \text{EE}}{1 / (\text{Ch} * \text{Co})}$$

Equation

Sustainable Performance is derived from the following elements:

BTA – Behavioral Talent Alignment

This element identifies the alignment between a person's natural behavioral talents and strengths and the requirements of a role. The closer the alignment the more natural it will be for an individual to

perform in the role and the less time they will spend undertaking activities outside their talent base which over time causes stress and disengagement. In addition, it reflects alignment of the following elements which drive performance:

- Passion
- X-Factor
- Vision
- Mission
- Values
- Purpose
- Identity

S – Skills

The skills an individual brings to a role will either increase or diminish the performance of the role and the broader company performance. Skills are honed and learned over time. For every role there is a level of skills required that enables the effective performance of the role.

Ex – Experience

An individual's experience in a similar or related field brings capacity to a role. Related experiences of an individual allow them to settle in quickly, make decisions in a timely manner, bring their wisdom to bear and operate within a zone of past knowledge.

These first three elements relate to the personal inventory or 'personal toolkit' someone brings to a role. However, they alone do not determine how sustainable an individual will be.

EE- Emotional Engagement

Emotional engagement is the factor that liberates or diminishes what an individual brings to a role and in turn the performance of a company. Emotional engagement is an 'X' factor in sustainable performance and is derived from the following elements:

- Do I know what is expected of me, have I been provided with what I need?
- Am I recognised and respected and cared for in this team or company?
- Do I feel listened to, trusted and empowered?
- Do I have a strong sense of purpose in what I am doing?
- Do I feel I belong in this team or company?
- Does the company's values align with mine?
- Are there opportunities for me to grow and contribute in the role?
- Is my job healthy for me?

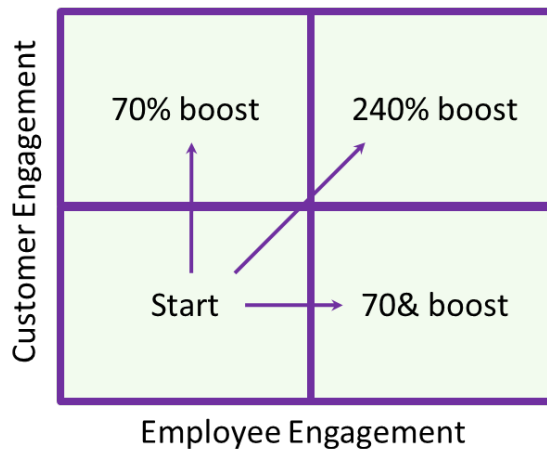
The Gallup research in 2009 outlined the performance improvement in revenue and profit of 240% when an organization engages both its employees and its clients at the same time. Successfully engaging either employees and clients can produce a 70% uplift, however engaging both at the same time can produce an uplift of 240%.

Research by Gallup shows employee engagement having a direct and measurable relationship to - and impact on - customer engagement.

It is important to note that this relationship however is not linear. A Company's financial performance can be driven exponentially by the **simultaneous engagement** of employees and customers together at the same time.

Source Gallup 2009

Performance Optimisation Quadrant



Therefore, in measuring sustainable performance we apply a 2.4x uplift factor to the Emotional Engagement (EE) score to reflect its relative performance.

There are two further components of creating sustainable performance. These components underpin and support the other elements.

Ch – Character

Character in essence is the experience someone leaves you with each day in dealing with them. It is then the outflow of their values, beliefs, ethics and moral attributes they possess.

Character is truly a sustainable performance element. It is foundational and yet rarely spoken about until an issue arises. When a character issue arises an individual's careers and at times the longevity of the companies can be put at serious risk. Recent examples include Enron, Lehman Brothers, and many others.

Co- Confidence

The confidence an individual has in performing a role carries the performance. It is a reflection of the appropriate level of trust in themselves. Good levels of confidence inspire other people both internally and externally to a company. Over confidence detracts from performance. However, poor confidence often raises significant questions in co-workers and clients' minds that affects performance over time.

Why is Confidence separated out from Emotional Engagement?

As an individual someone can be emotionally engaged with the company, feel appreciated and respected but not necessarily feel they are able to carry out a role especially if they are new to it.

Financial Behavior

An aspect not specifically measured in the formula explained above is Financial Behavior. However, a person's financial behavior and their relationship to money will be a strong influencing factor in every

decision they make and the way they operate, interact and live. Money also impacts character and confidence. So, our view is that the energy of money is an omni-present force impacting sustainable performance. Positive financial behaviors and attitudes can fuel performance and negative financial behaviors and attitudes will create stresses and fears which detract from performance.

Unpacking the Formula Measuring Sustainable Performance

In searching for ways to capture the essence of sustainable performance and make it more visible we have formulated a rational equation to enable it to be measured appropriately! We have had as our context the old proverb, “what gets measured gets done”. We firmly believe the Sustainable Performance Equation is a leading indicator for all businesses.

The beauty of this approach is that one can measure it for an individual, a team, a division, or an entire company.

How does this work?

Let’s take each element in turn.

To measure **Behavioral Talent Alignment (BTA)** you need to understand the natural talents required for the role an individual requires to perform well in the role. To do this we utilize the DNA Natural Behavior Discovery Process (Work Talents – Business DNA®) to benchmark a role to ascertain the appropriate range of talents and behaviors required for each role.

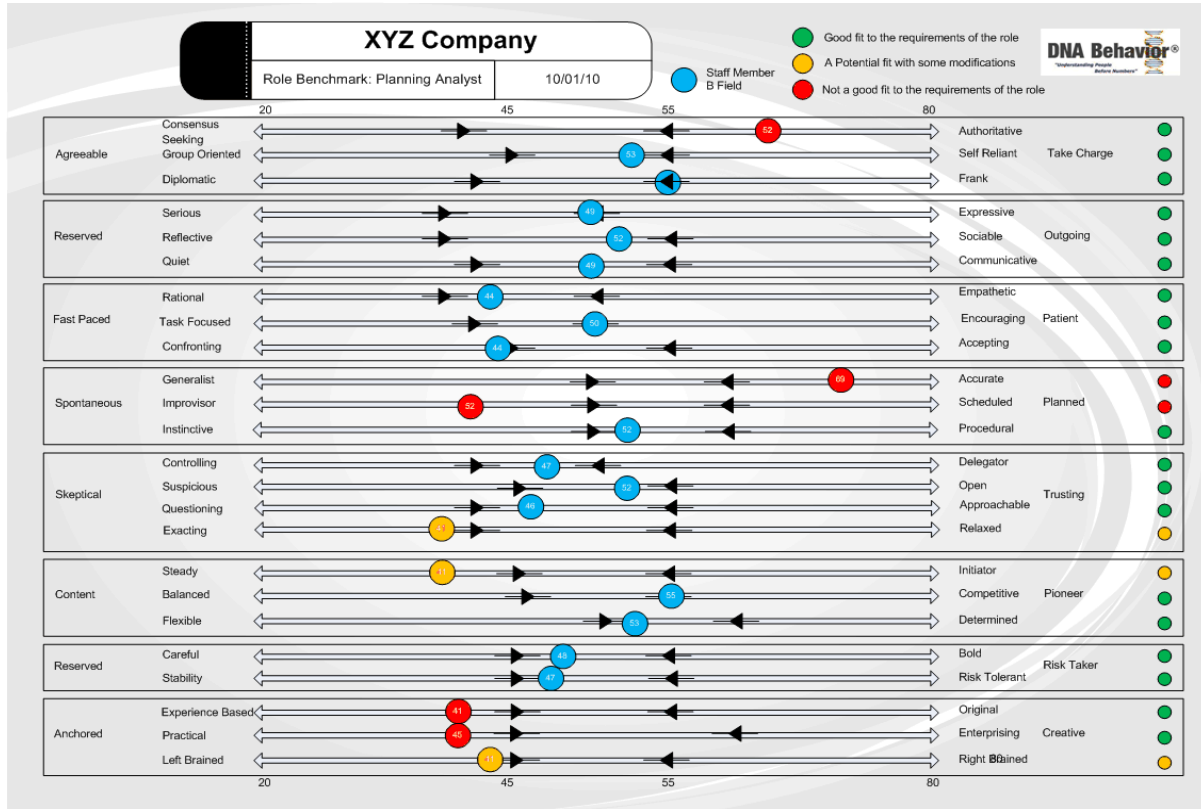
For example, let’s use an analyst as an example in a developing industry or market.

We look at the job description of a role and then using this as a framework we develop a set of benchmarks appropriate for the role and then test it with the line manager. It will look like the graphic below.

The talents required for a planning analyst role are typically to analyze supporting components of the company’s strategy. They are required to be able to work independently and communicate effectively across broader stakeholders. By the nature of the role, it is logical, task focused and with significant periods of focus. In analyzing situations, they are required to be objective, accountable, and challenging to establish facts. They are also required to be accurate with numbers, typically scheduled and persistent in their duties. Given the nature of the role you would expect them to have a stronger skeptical base for their role and be no higher than mid-range on natural levels of trust. A level of determination would be highly valued and a balanced approach to risk would be beneficial for a company’s operations. Given the nature of this analytical role, an ability to think in a stronger enterprising manner would be of significant benefit.

Each of these elements can be benchmarked on the continuum of the scale in the above graph between 20-80. The area between the arrows reflects a benchmark range for each sub factor of an individual’s talent base.

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Within these broad requirements there are three more critical areas; the levels of Commanding traits they display; their ability to process in an objective and fast paced manner; and their ability to display strong planning skills.

The other factors in the DNA Natural Behavior Discovery would be considered secondary in terms of priority talents.

In this example Barry Fields currently holds this position. In reviewing his scores versus the benchmark, we see his BTA is not strongly aligned across several primary talent areas. There are 3 individual sub factors within the three primary factors outside the benchmark for the role. In addition, Barry Field's ability to think in an abstract manner is more limited than the role requires.

In scoring Barry Fields BTA, any sub factor that scores outside the benchmark for the primary factors results in a 3 point reduction in his BTA score. Any other factors outside the remaining benchmarks in the secondary trait elements will further reduce his BTA by 2 points for each sub factor.

This calculation results in Barry Fields BTA being 14 points (Subtract 3 * 3 plus 5 * 2) out of a possible score of 33, resulting in a factor score of 0.14.

Resultant behaviors likely to be evidenced by Barry Fields would include a natural propensity to take charge, debate outcome to the point of becoming pedantic while at the same time not delivering things in an organized manner. He is also likely to display a resistance to ideas that he has not personally experienced or seen in operations, particularly if they are not his own.

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Looking at his BTA provides the organization with a view on his talents for the role and the first step in measuring his individual capacity to deliver sustainable performance outputs.

In terms of measuring **Experience** and **Skills** a more subjective approach is required.

Each factor is assessed for a role in the following manner. It is assumed that an individual in a role is competent in terms of experience or skill base to perform the role as that is why the organization has appointed them in the first place. To measure these two elements, we assume a factor of 0.333 unless either an individual's skill base or experience is discovered to be less than required for the role. For core skills or basic experiences that are missing, subtract 3 points from a starting point of 33 points.

In reviewing Barry Fields Skills and Experience we discover he has done two previous analytical roles previously and has attained the requisite database and excel skill level for this type of analytical role, hence he scores 0.333 for both Skills and Experience.

In measuring Emotional Engagement for Barry Fields, we utilize the feedback from his Leadership (or Employee or Sales or Advisor) Performance Discovery results. It measures how he engages other stakeholders which will reflect his own levels of emotional engagement. These scores are measure against a base level of 4 out of 7 for average levels of Engagement. Factors significantly above and below 4 are scored as multipliers. For engagement with clients an average score of 7 would generate an 'x' factor of 1.7. Where a similar score of 7 occurs from fellow employees the 'x' factor is multiplied to deliver up to 2.4 times the performance.

This clearly ties in with the Gallup research that when organizations engage both employees and clients at the same time, they can generate a 240% improvement in their performance.

The measurement of **Character** is treated similarly to Experience and skills. It is assumed to be one which is a 'given' in terms of living up to a company's values. The difference in Character however is that if a character flaw is experienced the reduction in performance measure can be dramatic. You discount the character factor for performance by 50% for each perceived occurrence for anyone in management levels and 25% for staff not in management levels. The reason for this is the dramatic impact character has on the sustainability of an individual's performance and in some cases a company's performance. Recent examples currently in the headlines for David Jones would support this assertion.

In terms of **Confidence** however, the impact on performance ebbs and flows without the same dynamic impact. A person with slightly lower performance can still deliver a performance outcome in the short term. However, over time the overall performance will be impacted. Hence in measuring this aspect we look at scoring it in terms of a given score being 1 for a level of baseline confidence and a reduction or addition of ten basis points for assessments above or below. (1.1 or 0.9).

This Sustainable Performance results in a score for an individual, which can in turn be aggregated for a team, a division, and a company. Once a benchmark is set, the trend analysis is critical and managing this on a six-monthly basis is important to be able to respond accordingly to the specific issues at hand.

We believe this measurement approach will provide Executives, Managers, Employees and Clients with some tangible insights to transform their businesses on an ongoing basis.

Specific DNA Sustainable Performance Processes:

DNA Behavior believes sustainable performance is relevant to every aspect of life. Therefore, we have developed specific sustainable performance discovery processes based on the principles explained above, as follows:

1. DNA Leadership Performance
2. DNA Employee Performance
3. DNA Sales Performance
4. DNA Advisor Performance
5. DNA Organizational Energy
6. DNA Entrepreneurship Performance

From a general life development perspective, we have the following discovery processes:

1. DNA Quality Life Performance
2. DNA Quality Life Goals Discovery
3. DNA Quality Life Planning Discovery
4. DNA Money Energy Discovery
5. DNA Family Continuity Discovery
6. DNA Quantum Leap Capacity Discovery

You can access and complete these sustainable performance discovery processes at:

<https://kb.dnabehavior.com/gene/facilitation#additional-discovery-processes>

Additional Resources

Explore the following “People Centric” Topics In Depth: The following articles, white papers, and videos that expound on key behavior, money energy, and the DNA Behavior App are available for download from the DNA Behavior Website at <https://dnabehavior.com/articles-and-white-papers>

- Behavior Drives Performance
- Organizational Culture
- Building a Client-Centered Business
- Chief Behavioral Officer
- Leadership Financial Impact
- Behavioral Marketing
- Behavioral Variability
- Hiring Performance
- Mastering Entrepreneurial Talents
- Mastering Your Money Energy
- Mastering Your Personal Life Energy

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- Blind-Spots in Financial Advice
- Navigating Family Dynamics
- Scientific Validation

In addition, we have an extensive range of additional knowledge articles, such as Behavior Drives Performance, in the DNA Knowledge Center at: <https://kb.dnabehavior.com/gene>

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To learn more about DNA Behavior International and the solutions we offer, please visit the following website:

www.dnabehavior.com

If you have any questions or matters in relation to Sustainable Performance that you would like to discuss with an executive on our team, please email us at: dnacare@dnabehavior.com

