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L O O P I N S I G H T S

People or the System

Before you hire, fire or restructure, ask one question: is this a people problem, or is it a system problem pretending to be one?

O R G A N I S A T I O N D E S I G N · 6 M I N R E A D

LOOP CONSULTING GROUP

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People or the System

Before you hire, fire or restructure, ask one question: is this a people problem, or is it a system problem pretending to be one?

A CEO called us recently with a familiar frustration. “Our sales team is underperforming. We need new leadership. Can you help us find a new commercial director?”

We asked a few questions before answering. What did the commercial director inherit? How were the KPIs set? Who owns pricing decisions? What does the handover from marketing to sales actually look like?

Within twenty minutes, it was clear the sales team was not the problem. The problem was that the sales team had been set up to fail by a structure, a set of incentives and a process that no individual leader could have overcome. Firing the commercial director and bringing in someone new would not have fixed anything. It would have repeated the same mistake with a different name on the door.

This is a very expensive mistake in business, and it is also one of the most common. Leaders see a performance issue and immediately reach for a people solution when the real issue is the system the people are operating in.

The Diagnostic Question

Before making any significant people decision, whether it is hiring, firing, restructuring or reshuffling, we ask one powerful diagnostic question.

Would a capable replacement, with the same structure and incentives, produce a meaningfully different outcome?

If the answer is yes, it is a people issue. The person in the role genuinely is not the right fit and replacing them will change the result.

If the answer is no, it is a system issue. The structure, the processes, the incentives or the accountability design is broken, and no one is going to overcome it effectively. Replacing the

person will cost you time, money, momentum and morale, and the problem will reappear within six months.

Most of the time, when we run this test honestly, the answer is no. The system is the problem, not the person.

How to Tell the Difference

There are a few signals that help distinguish a genuine people issue from a system issue pretending to be one.

It is probably a system issue if:

- The same role has had multiple capable people in it who all failed to deliver.
- The person is technically competent but consistently blocked by things outside their control.
- The role has unclear accountability, overlapping authority with other roles, or measures that do not reflect what the person actually controls.
- The team around the person is not set up to support the outcomes the role is meant to deliver.
- The incentive structure rewards behaviours that conflict with the stated goals.

It is probably a people issue if:

- Everyone else in a similar role is performing, but this person is not.
- The person lacks a specific, identifiable capability that is essential to the role, and cannot or will not develop it.
- The person's behaviour is actively undermining others, regardless of structure.
- The role has clear accountability, clear authority and clear measures, and the person still is not delivering.
- The same person has been given multiple fair opportunities to succeed and has not.

When it is genuinely a people issue, act decisively. When it is a system issue, fix the system first. The order matters.

The Cost of Getting It Wrong

Confusing a system issue for a people issue is expensive in ways that do not show up immediately.

Performance or termination processes are costly, and so is hiring a replacement. You lose the institutional knowledge of the person leaving. You lose the confidence of the wider team, who watch the decision and draw their own conclusions. You lose the months it takes a new hire

to get productive. And at the end of all of it, the problem is still there, because you never actually fixed what was causing it.

Then you do it again. And a year later, the business has burned through three people in the same role and still has the same problem.

Fix the System First

The next time you are tempted to make a people decision in response to a performance issue, pause and ask the diagnostic question.

If you are not confident the answer is a genuine people issue, do the harder work first. Look at the structure. Look at the accountability. Look at the incentives. Look at the processes. Look at the system the person is operating inside.

Fix the system first. The people decisions will become clearer, and they will stick.

KEY TAKEAWAYS

- 01** The diagnostic question: would a capable replacement in the same role, structure, authority, incentives and processes produce a meaningfully different outcome?
- 02** System issues show up as repeated failure in the same role, capable people blocked by things outside their control, or structures that make the outcome impossible.
- 03** People issues show up when everyone else in the role is performing, the person lacks a critical capability, or their behaviour undermines others regardless of structure.
- 04** Confusing a system issue for a people issue is one of the most expensive mistakes in business. Fix the system first. The people decisions will become clearer, and they will stick.

READY TO CLOSE THE GAP?

Loop helps leadership teams run structured diagnostics to distinguish people issues from system issues before making costly mistakes.

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