Prosper and Thrive in Today's Economy:
Create a Breakthrough in Your Organizational Performance

It is during tough times when you'll see an organization's real performance capabilities. The pressure today to generate results, satisfy shareholders and keep customers happy is intense and shines a spotlight on many organizational weaknesses.

During these tough times, top line revenue growth is just not possible in many industries. While most organizations find ways to cut costs, these are usually just short term cost avoidance efforts that don't really change organizational performance. In fact, savings realized in one part of the business often just add costs somewhere else. In any case, the research in this area indicates that before long, cost savings are quickly passed on to customers in the form of lower prices. The net result is that many businesses find themselves treading water, waiting for the economy to rebound.

So the question we are being asked is "How can my organization thrive and prosper in these tough times?" Behind this question is a sense that we cannot get there by making incremental change; we need to make a step change in organizational effectiveness.

Our focus in this white paper is twofold. First, we will outline our prosperity recipe focusing on the best opportunities for significant improvement. We will talk frankly about why it is tough to make significant change to the practices that have become engrained in your business. Second, we will outline the leadership circumstance required to make a successful step change. But, be warned, these are not easy to do. If they were, every organization would be doing them!

Where is the sweet spot for creating dramatic changes in performance?

Our team uses the axiom that "conflict and opportunity always exist in the white space of the organization chart". Inside the white space is where the hand-offs between individuals, work groups and departments occur. These hand-offs, and the rules that guide them, are built up over time, often independently and sometimes not well connected to the business of delivering value to customers, shareholders or employees. It is in rethinking the hand-offs where:

- Work cycle times can be significantly improved
- Work complexity can be reduced
- Significant cost savings can be realized

Included in our definition of 'white space opportunities' is the edge of the organization chart, where your organization interacts with its suppliers and customers. There can be significant opportunities to streamline these interactions.

Many senior leaders know, from experience, that the white space is where the sweet spots lie and where they can make significant improvements to organizational performance. They also know that it takes hard work to create change in these spaces and many of the efforts fail.

Are there examples of this kind of change?

A great example of rethinking the white space inside the organization chart was what Lou Gerstner did after taking the helm of IBM in 1992. He re-invented the white space and changed the internal hand-offs.

At the time, IBM, a business with a tremendous array of technical skills, was on the verge of bankruptcy.

After retiring from IBM in 2002, Gerstner wrote a book about his experiences there, *Who Says Elephants Can't Dance*. In 2003, IBM employee Dennis Elenburg wrote a review of the book. His review is on the IBM website http://www.ibm.com/developerworks/rational/library/2071.html.

Here are a couple of excerpts from Elenburg's review.

> *When Gerstner came on board, the conventional wisdom, from both industry pundits as well as many IBM insiders, was that the only way to save IBM from eventual disaster was to break it apart. But Gerstner looked beyond this advice and opted to preserve the real strength he believed IBM brought to customers. His decision to keep the company together and "teach the elephant to dance" was "the first strategic decision, and, I believe, the most important decision I ever made — not just at IBM, but in my entire business career," Gerstner writes.*
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> *In Gerstner's own words, "fixing IBM was all about execution" and required "an enormous sense of urgency." His whole approach was to drive the company from the customer's view and "turn IBM into a market-driven rather than an internally focused, process-driven enterprise." And it worked. It was all about execution — and honest ways to measure its effectiveness. Before Gerstner arrived, IBM had a tendency to fool itself with bogus indices and data (e.g., customer satisfaction numbers generated from hand-picked samples; subjective product milestones, etc.), but he changed all that. "People do what you inspect, not what you expect," he explains.*

By driving IBM from the "customer's view", Gerstner forced the way internal hand-offs got done to change and he broke up time honored internal processes. Behind the scenes, many long time organizational boundaries disappeared and new metrics for measuring success were put in place. In the end, IBM became a service company driven by customer expectations. Did it work for the long term?

2008 was a tumultuous year for most firms, particularly technology ones, yet IBM posted both record sales and pre-tax profits for 2008. In first quarter 2009, with decreased sales, earnings per share increased from the previous year.

Another example of rethinking the white space, this time looking to the edge of the organization chart, is the story of Walmart and its founder Sam Walton. Setting up his first retail store in the late 1940s, Walton, like other retailers, was looking for deals from his suppliers. At the time, if retailers got a deal, they usually left their store prices unchanged and pocketed the savings. When he founded Walmart in 1962, Walton wondered what would happen if he could take the savings from his suppliers and use them to lower prices.

Many books and articles have been written about Walmart's success and much attention paid to: the culture that Sam Walton created; the way Walmart uses information technology; and the virtues of keeping it simple. Indeed, these are all part of the Walmart success story. But Sam Walton understood that his organization chart had to be extended to include suppliers. He focused attention on the white space at the edge of the traditional organization chart. This change in the retailer/supplier relationship re-invented the retail business.

Are you ready for this kind of change?

Are you ready to make a dramatic change to improve your organizational performance? Here are some questions to challenge you to get to your white space opportunity:

- What will enable us to win in the way we want?
- How will we know when we are winning this way?
  - e.g. what evidence or trend exists that allows us to make this claim?
- How can we influence our desired outcomes in a way that adds value, is rare and is very hard for our competitors to imitate?
  - e.g. what noticeable "levers" can we pull?
- What do our customers have to believe about us that is different from how they see our competitors?
- What are we willing to do that our competitors are not doing in order to win?
  - e.g. what is our 'good pain'?

Both the IBM and Walmart examples illustrate how to significantly improve organizational performance. In both cases, critical re-examination of the status quo of the organization chart and then moving into the white space opportunities became the catalyst for significant change.

Could your business reinvent your industry?

So, why doesn't every business make this kind of market leading change? While we believe that every business is capable, most just continue to 'get by', tread water and wait for the next up-swing while shareholder value continues to erode.

Why? Because that's precisely how most of us organize, lead and manage businesses. Almost all organizations are purposely organized to produce predictable, repeatable results. This requires the development of policy, well defined processes and a myriad of other things to make our business outcomes predictable. To ensure predictability, we hire managers and supervisors whose job it is to ensure that things don't change much from one day to the next. The chief artifact of this desire for predictability is your organization chart, with its groups, departments and business units. This chart is often used to explain just how the Company works.

We build our businesses to become predictable and you hire people to make sure things stay the same. The result is that it's difficult to generate momentum for significant change and change driven from the middle of the organization will always be slow and incremental. So many well intentioned change initiatives collapse as they try to cross the white space of the organization chart. We talk about this as watching the 'corporate antibodies' kick in. Ask yourself, "What visible behaviors do you see daily at your company that you would not see at the company you desire to become?"

If you don't have the luxury of treading water, with the hope of things getting better on their own, there is only one place to look for the answer - 'the team at the top'. This group, involving the top two or three levels of the organization chart, is the only one with the power to effectively reach across organizational boundaries. To make a step change their role becomes about:

- Charting the course for success.
- Removing barriers by reinventing the organization chart.
- Streamlining the white space interactions in the new organization.

Fundamental to success, the "team at the top" needs to work together as a team and this is much easier said than done.

Many senior leaders know, from experience, if their Executive Team is not on the same page, working together with regard to priorities or any other matter, their differences will show up as fracture lines running throughout the entire organization chart. Their differing priorities are the root cause of many inefficient organizational practices. In our consulting business, we often see poor executive level teamwork and hear many complaints from the middle of the organization that the team at the top is the worst "team" in the organization.

"First who, then what"

How do you move from simply being an executive team working at the same company to a high performing Executive Team? First, take a hard look at the players.

In *Good to Great*, Jim Collins concluded that in market leading organizations, it is "first who, then what". His observation that "it is about who is on the bus" is now a common phrase in business jargon.[1] When Lou Gerstner decided to "teach the elephant to dance", he began by choosing the team players he wanted to work with. This included changes at the board level as well as other key executive positions.

Are you ready to make a dramatic change to improve your organizational performance? Here are some tough questions to see if you have the right people on the bus:

- Do you have an executive team willing to take on the challenge of becoming a high performing Executive Team?
- What does our executive team care about more than our competitors do and will this enable us to win in the way we want?
- Do we have executive team members willing to take on the challenge of confronting the status-quo inside our organization?

Optimizing your executive team by attracting and retaining the best high performing talent is a key factor to leading successfully in tougher times. Having the best talent is not just about great technical skill. It is also about the individual members' ability to think about the success of the Company independent of their roles in the hierarchy, to think as a team and to work together to make a step change. These are fundamental building blocks to improving organizational performance.

At Conroy Ross Partners, our Executive Search team has been tracking and sourcing high performing talent for many years, through many economic ups and downs. They will tell you that today is the best market for talent that they have seen in a long time.

How do I know when I have a real team?

The research of Jon Katzenbach and Douglas Smith, outlined in *The Wisdom of Teams*, demonstrated that high performing teams are a key factor to outperforming the competition. They defined a "true team" as a "small number of people, with complementary skills, who are committed to a common purpose, performance goals and an approach for which they hold themselves mutually accountable".[2]

There are many reasons why the practice of real teamwork begins to evaporate as you rise up the ranks. Here is our list of the top five:

- Organizational functions compete internally for resources thus creating the perception that a leader's role is to fight for his group's share.

[1] Collins, J. (2001) *Good to Great (pp.42,57).* New York: Harper Collins.
[2] Katzenbach, J.R. & Smith, D.R. (1993) *The Wisdom of Teams (pp.14,43-64,91,105).* Boston: Harvard Business School Press.

- Perception that the roles and contributions of team members, including the CEO, are limited to their hierarchical and functional positions.
- Perception that spending extra time together is inefficient.
- Perception that team effectiveness depends only on communication and openness.
- The way organizations assign accountability and then focus on individual rewards

Katzenbach & Smith found that organizations often mistake working groups for true teams. However, clear distinctions exist between the two and, in our experience, too many executive teams are actually working groups.

Working Group	True Team
Strong, clearly focused leader	Shared leadership roles
Individual accountability	Individual and mutual accountability
The group's purpose is the same as the organization's broader mission	Specific team purpose that the team itself delivers
Individual work products	Collective work products
Runs efficient meetings	Encourages open-ended discussion and active problem solving meetings
Measures its effectiveness indirectly by its influence on others (i.e. financial performance on the business)	Measures performance directly by assessing collective work products
Discusses, decides and delegates	Discusses, decides and does real work together

If your Executive is a working group, you will likely find it interacts in one of four ways:

- Team of individualists – Each team member will do his job and generally look out only for himself, his team, and/or his function.
- Factional team – In this corner sits Design and Manufacturing facing off against Marketing and Business Development in the other corner.
- Conflict-avoiding team – Everyone needs to go along, just to get along. If the Design Department doesn't criticize the Operations Department's performance, then it will return the favor.
- Indecisive team – Tough decisions, with few attractive alternatives, surround this team so they send it back for more study, with the hope that new choices will emerge.

Do any of these descriptions sound like your Executive? There is nothing inherently wrong with having an effective working group at the top and it suffices in most organizations. However, it is only when you have a high performing Executive Team, capable of reaching into the organization and reorganizing the boundaries, that your organization will be able to deliver a step change in organizational performance!

Where do I start?

Are you ready to make dramatic changes to your organizational performance? It takes time and lots of effort to build a High Performing Executive Team and some of the steps include:

- Develop a clear mandate for the Executive Team that goes beyond hierarchical and functional roles.
- Develop a shared strategy around making a step change.
- Develop a shared understanding about the kind of culture that will support ongoing change.
- Develop small teams from the executive team who plan for teamwork in creating boundary busting approaches and new metrics for measuring success.
- Develop powerful change management strategies that recognize the critical role the direct reports to the executive team have in making change succeed or fail.
- Find some early wins and celebrate them.
- Anchor changes in the culture.

Final thoughts

We hope this paper stimulates good discussion in your organization. Our intent is to continue to provide perspectives on leading in tougher times and preparing for the future. Remember – it is in the white spaces and on the edge of your organization chart where true performance gains can be found. And, in order to capitalize on these, you need a high performing executive team to get there.

To find out more, or share your thoughts, please reach out to any member of the Conroy Ross Partners team. We look forward to hearing from you!

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