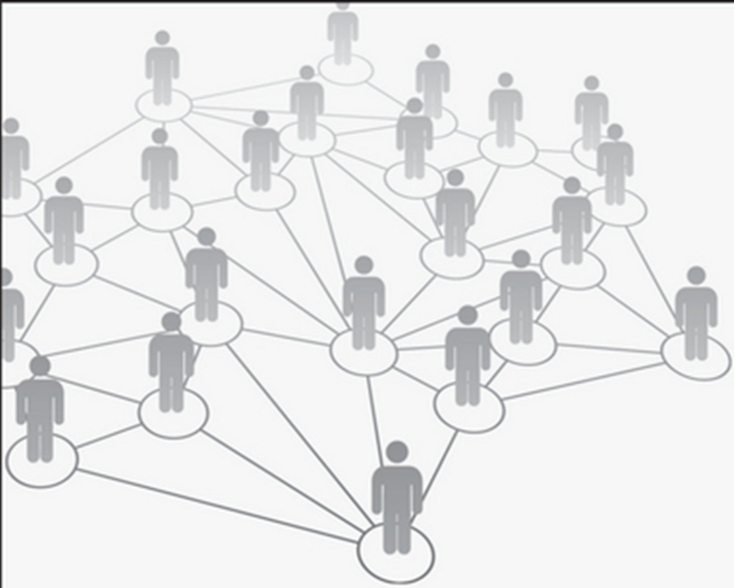

ACCELERATING PERFORMANCE

How Organizations Can **M**obilize, **E**xecute, and **T**ransform with **A**gility

COLIN PRICE & SHARON TOYE

WILEY

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For Cameron and Jodie and the love of knowledge

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Foreword

One of the great pleasures of writing this book is that we had the opportunity to spend time with the CEO or other senior executives at so many of the 23 companies around the world that our research identified as the most successful in recent years. These 23 "superaccelerators" have cracked the code. They have managed to be both big and agile, pulling away from the pack through the sort of disciplined approach to acceleration that we lay out in this book.

The stories these executives told us give life to many of the concepts in the pages to follow. For example:

HDFC Bank can provide customers with a "10-second loan." Paresh Sukthankar, the bank's deputy managing director, told us that a profile can be developed in the background based on the information a customer provides online, and the subsequent loan can be processed and granted for a modest sum within seconds. We talk in the book about the need for "digital dexterity," and the Indian financial services company provides a shining example.

While we talk about the need to "speak truth to power," MasterCard has a pithy saying that addresses that need: "Good news takes the stairs, and bad news takes the elevator." President and CEO Ajay Banga told us that he gets tired of all the self-congratulatory e-mails that are common in business: "So I've told everybody I don't need good news." Instead, he asks to hear first about the problems that need to be resolved.

Cigna, the huge health insurer, provides examples of two key points. First is the need to generate a strong sense of purpose, because it can make sure that everyone is pointed in the same direction and can get employees to provide their "discretionary effort"—the effort that they don't have to provide to get by but one that turbocharges performance when employees can be motivated to provide it. Cigna president and CEO David Cordani said he stresses that employees aren't just processing insurance policies. Instead, he says: "We exist to improve the health, well-being, and sense of security of the individuals we serve."

Second, Cordani provided a vivid description of the benefit that comes from having a real dialogue with employees, viewing change as something you do *with* people, not *to* them (the traditional approach). Cordani said that his frequent meetings with employees allow him to connect face-to-face: "For example, are [employees] thinking and acting like owners—or renters? Are they looking forward and setting the bar higher, or looking backward and trying to justify what happened in the past? Seldom do you come away with a singular 'aha' moment. But you can get a lot of pearls, and when you string them together, you have a lot of value."

Starbucks provided a great illustration of the value of reducing priorities to a handful, to avoid the kind of complexity that strangles so many businesses. Scott Pitasky, executive vice president and chief partner resources officer, notes that Starbucks' focus "is on our partners [what the company calls its employees], on our coffee, and on the experience that we create in the store for our customers."

Explaining the power of working outside the hierarchy (while not ditching it entirely) and of the need to create space for innovation, Matt Brittin, president of EMEA business and operations at Google, described how the company lets innovation bubble up from the bottom. Engineers can start to work on projects or ideas and try to rally support. If others join the effort, demonstrating potential, then Google starts to provide a little structure, partly by arranging for groups with similar ideas to work together. Brittin says Google has become big enough that it can no longer really go on letting "a thousand flowers bloom." Instead, the company aspires to more "coherent bouquets" of innovation efforts.

For its part, BlackRock, the global investment firm, exemplifies a dedication to good old-fashioned execution—a quality that our research found to be a competitive differentiator in organizations more broadly. Speaking of the connection between talent management and success, Jeffrey Smith, BlackRock's global head of human resources, told us: "I don't think the magic for us is tied up in seeking out the most innovative, new talent thing that somebody can think of. Instead, the key is executing. We would rather support, drive, reinforce, and actually *do* the things that companies all know they're supposed to do but frequently overlook."

BlackRock's pragmatism also extends to how it supports collaboration. "We spend a lot of time talking about what it means to 'be a good peer,'" noted Smith. "That really matters around here."

Jeff Sprecher, founder and CEO of Intercontinental Exchange, told us that he encourages collaboration outside hierarchy, even to the point of designing his headquarters to make chance meetings likely. Among other things, he puts only certain soda flavors on each floor, so someone wanting a certain type might have to go to a different floor—and bump into someone interesting along the way.

He also provided great examples both of how crucial it is for leaders to be aware of how they're thinking and acting and of the importance of leaders' role-modeling behaviors (including humility) for the rest of the organization. Sprecher told us: "I'm a terrible manager. I am just a terrible manager. And so you say, 'Okay, how does a terrible manager manage an organization?' The only thing I could come up with is to lead by example, to run my own behavior the way I would want my employees to run their behavior, and do it in a way that is quite obvious and transparent and hope that people will try to emulate the leader."

We talked with our interviewees about the need to see the world through customers' eyes—we believe, like Peter Drucker, that solving a customer problem should be the core aim of any business. Connie Ma, vice president of human resources at TSMC, takes this attitude to heart when she maintains: "[Customers'] success is our success, and we value their ability to compete as we value our own."

Natarajan Chandrasekaran, CEO of Tata Consultancy Services, epitomizes this customer-focused outlook: "Whether you are in the front office, the back office, or the CEO of the company, every employee should know how what they do affects the customer." Thyagi Thyagarajan, an independent director at TCS, echoed this view, telling us that employees there "have no fear of being fired by the company" but that they do fear "being fired or rejected by the *customer*. If the customer is unhappy, that's what employees fear."

There's more, actually much more, but those quotes should give you a taste of what is to come. We hope you appreciate the insights from these leaders as much as we do.

Acknowledgments

A book is a team effort. The players on this team were a delight to work with. Ruben Hillar, our chief researcher, applied boundless curiosity matched only by his inexhaustible energy. Becky Hogan mined the data with a ferocious intensity. David Turnbull was the bass player of our little band; his cool logic and unflappable calm kept us on track. Toomas Truumees and Camelia Ram led the charge on Chapter 6. Krishnan Rajagopalan, Jeff Sanders, and Samantha Smith brought decades of executive search experience to Chapter 12. Carolyn Vavrek and Bonnie Gwin took the lead role on Chapter 13 and brought us invaluable insights. Susan Moore was tireless and painstaking in her editorial efforts, and Heloisa Nogueira, with the assistance of Thomas Fleming, Rachel Swift, and Melissa Haniff, managed the publishing process with aplomb. Paul Carroll took our words and made them readable.

Thank you.

About the Authors

Colin Price is an executive vice president and the global managing partner of the Leadership Consulting Practice at Heidrick & Struggles. He has advised many of the world's largest corporations, several national governments, and a number of charitable institutions. His books include *Mergers* (with David Fubini of McKinsey & Company and Maurizio Zollo of INSEAD), *Vertical Take-Off* (with Sir Richard Evans, former chair of British Aerospace), and *Beyond Performance* (with Scott Keller of McKinsey & Company). He holds degrees in economics, industrial relations and psychology, and organizational behavior. He has presented at many prestigious conferences, including the World Economic Forum and the Harvard Roundtable series. He is an associate fellow of Saïd Business School at Oxford University and a visiting professor at Imperial College London.

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INTRODUCTION

Why We Wrote This Book

The Data Sets You Free

When companies talk about "big data," they're talking about how to better understand the great, big world out there, beyond their corporate walls. What happens inside those walls has historically been seen as too fuzzy, too qualitative, to lend itself to rigorous research and management of big data. The internal workings, especially where people are involved, have been seen as "the soft stuff" and shielded from hard science. Certainly, there have been employee morale surveys and the tracking of retention rates, but organizations haven't done the kind of work that would allow them to understand what really works and what's folklore when it comes to managing organizations in ways that will win in the marketplace. People bring a lot of intellect and common sense to management, but common sense isn't always enough—witness what behavioral economists are teaching us about the quirks of customer behavior versus the old approach to economics that assumed that all actors were perfectly rational.

It's time to recognize that "the soft stuff" is really the hard stuff and to bring hard science to management.

Moving organizational behavior into the realm of science is the core mission of this book. We prefer facts over fiction. We think HR, for instance, needs less PowerPoint and more Excel. We're not saying all the facts are easy. Markets and businesses are ecosystems, not machines, so interactions can be hard to discern. But we have to get beyond generalities and form "rebuttable presumptions," clear hypotheses that can be tested and potentially disproved. To quote Lord Kelvin, the physicist known for determining the value of absolute zero: "When you can measure what you are speaking about and express it in numbers, you know something about it, but when you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind." It's time that our understanding of organizational behavior moves beyond the "meager and unsatisfactory."

We do that by building on the work that led up to Colin's 2011 book with Scott Keller, *Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage*. That book also took a strong research focus, drawing on 600,000 survey responses, including from 6,800 CEOs and other senior executives, at more than 500 organizations. The book largely focused on how to improve organizational health. For this book, we have broadened the scope of the analysis to look at all organizational behavior issues that drive performance at all relevant levels—strategy, teams, and leaders, in addition to the organization level. We have done so through many thousands of additional surveys and interviews, including in-depth interviews at many of the 23 companies that we identified (based on methodology described in detail in Chapter 4) as the world's most successful over the past seven years.

As Alan Mulally said when he took over at Ford as CEO in 2006 and began an epic turnaround of the company, "The data sets you free."[1]

The research for this book pulls together numerous strands of work, notably those represented by our decades as consultants and advisers. Colin comes at the problem from a background in economics—he taught at Oxford—and in management consulting. He was the fourth consultant hired at Price Waterhouse, right before *In Search of Excellence* was published in 1982 and sent interest in management consulting through the roof. As the practice grew at Price Waterhouse, he ran the organization in England, then in Europe, and then worldwide. He then spent 15 years at McKinsey, where he became a director (senior partner) and led the Organization Practice globally; he drove the development and use of McKinsey's Organizational Health Index, the tool that was used as the empirical basis of *Beyond Performance*.

Sharon began in organization development at National Power and further developed her experience in organizational transformation at Accenture. During this time, she collected an MBA from the London Business School, an MSc in organizational psychology from Birkbeck College at the University of London, and an MSc in integrative psychotherapy. She is also a licensed psychotherapist and a master certified coach (ICF MCC). She founded Co Company to apply her expertise in organizational change and leadership development to performance enhancement in companies. When Colin left McKinsey in 2014, he joined Co Company, which Heidrick & Struggles acquired in 2015. Colin is now the managing partner of the Leadership Consulting Practice for Heidrick & Struggles; Sharon is a partner in the Leadership Consulting Practice in the London office, where as the developer and author of the team accelerator methodology she leads the firm's work in this area. She has published on the topic in a number of books and journals, including *Managerial Forensics*, *Business Strategy Review*, and *strategy+business*.

We think of our work as a living combination of the hard stuff and the soft stuff—economics, management consulting, psychology, and therapy.

We have, of course, also greatly benefited from the decades of experience of our colleagues at Heidrick & Struggles, who have seen what works and what doesn't at the senior-most levels of corporations.

In many ways, the argument we make should be easier for people to accept now than it would have been in the "pre-Lehman" era. Lehman Brothers was the fourth-largest investment bank in the United States before going under in 2008, essentially signaling that the dam had burst and that the U.S. federal government was no longer going to stand in the way of a financial collapse that wiped out $14.5 trillion of the value of companies on the world's stock markets, or a third of the total. Lehman Brothers employees were earning gobs of money by engaging in incredibly risky behaviors, but, in the pre-collapse days, warning signs weren't spotted because those overpaid employees were as happy as could be.

The hard stuff hadn't yet come to the soft stuff, so it was hard to see the effects that a toxic culture would have on Lehman Brothers and then the whole global financial system. In the "post-Lehman" era, by contrast, the need to go well beyond traditional measures of financial performance should be evident.

The answers won't all be in this book. That's not what science does. Besides, there's so much uncertainty in the environment these days that a certain amount of good fortune will always be required.

But we believe the saying that "luck is the residue of design," and we intend to equip you so well on the design piece that you will be in a great position to capitalize on opportunities for luck.

We, and many others, will continue to build on what's here by constantly testing what's working and what isn't and quantifying how to proceed.

Let the science begin!

Note

1. Bryce G. Hoffman, *American Icon: Alan Mulally and the Fight to Save Ford Motor Company*, New York: Crown, 2012.

SECTION I

Move Fast or Die Faster

As promised in the Introduction, this section follows the data and fleshes out the core argument of this book: that organizations can generate enormous benefit by taking an empirical approach to management.

In Chapter 1, we set the stage by showing why the current approach to managing institutions isn't working—and can't work. At fabled institution after fabled institution—BP, the British Army, Parliament, HSBC, and on and on—major failures have occurred because of dysfunctional cultures. But current approaches to management don't adequately address the issues that would have prevented those disasters. We're doomed to repeat them unless we greatly update our thinking, recognizing that the soft stuff really is the hard stuff and taking the series of actions that the data shows will help today's institutions achieve breakthrough success.

Chapter 2 covers the basics of our META approach, which stands for Mobilize, Execute, and Transform with Agility. We start by showing how two of the mantras among executives today—the need to go faster and the need to look for disruptive business models—can take organizations into blind alleys. Businesses can land in an "acceleration trap," where they aren't discriminating enough about their search for speed and actually go more slowly. Our research also found that there is more opportunity for improvement by being more effective in the markets where you already operate rather than by taking the more disruptive approach and moving into different industries or new geographies. That's a key point that many businesses miss. They may spend so much time looking for the next big thing that they miss the even bigger opportunities that are right in front of them.

Chapter 3 shows in living color how important META can be, by detailing how Bain Capital Private Equity has become a catalyst for acceleration. We walk through three case studies of companies in the Bain Capital portfolio to see how principles from META have unlocked enormous potential. For instance, Nets Holding, a payments processor in Scandinavia, has gone from declining revenue to organic growth of 6 percent in recent quarters. It has seen profit margins increase by 14 percentage points since Bain Capital, Advent International, and ATP bought the company from a consortium of

180 banks in 2014. Nets has explicitly followed many of the META principles we lay out in this book. It developed a detailed plan anchored in a thorough understanding of its markets, customers, competitors, and profitability. It quickly got alignment among its top team, partly by hiring new talent and capabilities for the 60 percent to 70 percent of roles where moving fast was especially important. Nets Holding also generated quick wins that produced momentum and freed up cash and identified 10 operational issues that had to be fixed immediately.

In Chapter 4, we describe the research journey that took us to META. We dove into the details of the management at half of the FT 500 companies, interviewed senior executives at many of the top-performing companies we identified in our research, surveyed 20,000 global leaders, conducted in-depth interviews with 150 of them, analyzed data from 3,000 teams, drew from our library of more than 10,000 executive assessments using our latest tool and from our experience of placing more than 4,000 executives a year—and more. Research rarely makes for great reading, but we felt the need to demonstrate the extraordinary amount of work that went into META, as long as we're arguing for a data-driven approach to management—and we certainly hope that you find our journey interesting.

Chapter 5 provides a baseline for you as you approach the rest of this book. It gives you two quick ways to see where you fall on our acceleration scale, one based simply on the compound annual growth rate of your organization and your industry, and the other based on answers to 16 questions. Armed with the answers, you can start to see how much work, and what sort of work, you have ahead of you.

CHAPTER 1

The Soft Stuff Really Is the Hard Stuff

It's a pleasant evening in central London, and we just finished our last meeting—a wide-ranging discussion at Chatham House about some of the changes that could occur in the global political climate. We decide to walk to our dinner appointment.

Walking around St. James's Square takes us past BP's global headquarters, and a bad memory surfaces. BP, founded more than a century ago, has been a revered institution in the United Kingdom and has positioned itself for the future with aggressive moves into renewable energy. But there's that memory of April 20, 2010, when the Macondo oil well erupted below BP's Deepwater Horizon rig, killing 11 workers and injuring 16 others. The explosion caused the massive rig to become engulfed in a fireball and sink into the Gulf of Mexico. A sea-floor oil gusher flowed for 87 days, and more than 200 million gallons of oil and 225,000 tons of methane gas spilled into the ocean and along more than 1,000 miles of coastline of all the Gulf states—the catastrophe is described as the largest accidental marine oil spill in the world and the largest environmental disaster in U.S. history. The toll on local businesses is still being calculated, but it appears that in claims, cleanup efforts, fines, and victim compensation, BP will pay out more than $65 billion.[1]

How could this happen to such a great company? The investigation into what went wrong blamed "a culture of complacency." William Reilly, co-chair of the commission that investigated the disaster, said there was "emphatically not a culture of safety on that rig."[2]

As we continue our walk to dinner, we carry on to Trafalgar Square and then head down Whitehall, sticking to the streets rather than walking through St. James's Park, as we're looking for a cash machine. We pass the Old War Office building on our left and the Household Cavalry Museum on our right. We're reminded that all isn't right with the military, either.

It seems the U.K. Army had become a bloated bureaucracy, especially at the top levels. As reported in *The Times* [of London], the new head of the army, General Sir Nicholas Carter, decided to reduce the number of colonels, brigadiers, and generals to "stop the rise of 'yes men.'" He also wanted to curb the widespread tendency among officers to "put the interests of their 'tribe' before those of the wider force." The article places the blame on "flawed leadership" and "an institutional malaise in which commanders are rarely held to account. . . . [B]ureaucracy takes precedence over common sense and people are not encouraged to take risks."[3]

Hurrying down Whitehall, still not having found a cash machine, we pass a throng of demonstrators—taxi drivers with signs protesting that Uber is unfairly putting them out of business. In reality, their industry is yet another great London institution that didn't keep up with the times. London's black cabs are famous, and its drivers are arguably the best informed in the world. They have to pass "The Knowledge," a test about routes and landmarks first administered in the mid-1800s; it is so exhaustive that drivers need an average of 34 months to succeed. Today The Knowledge has to compete with its lowercase equivalent—the knowledge drawn from satellite navigation systems and embedded in every smartphone—and with the new business model represented by Uber, Lyft, and others. And the taxi industry didn't adequately prepare.

Pushing our way through the protestors, we pass on our left Richmond House, the headquarters of the Department of Health, responsible for one of the treasures of the modern British state, the National Health Service (NHS).

Ahhh, the healers. Arrggh, the healers.

In March 2009, problems were exposed at Stafford Hospital, run by the Mid Staffordshire NHS Foundation Trust. Based on investigations, press reports suggested that between 400 and 1,200 more patients died between 2005 and 2009 than would have if the proper actions had been taken by hospital staff. The public inquiry cast grave doubt on those numbers, saying they were the product of flawed statistical methods and finding against the hospital in only four deaths, two of which occurred in the years at issue. Still, the inquiry uncovered "an insidious negative culture involving a tolerance of poor standards and a disengagement from managerial and leadership responsibilities. . . . There was an atmosphere of fear of adverse repercussions; a high priority was placed on the achievement of targets."[4]

Eventually, we get to Parliament Square, where the BBC is taking advantage of the pleasant weather to interview politicians on the green outside the Houses of Parliament. The BBC is such a symbol of integrity, except that . . .

In January 2014, *The Guardian* reported that "[s]enior BBC figures are facing calls to reform the corporation's 'culture of secrecy,' as an internal inquiry is expected to reveal Jimmy Savile sexually abused up to 1,000 children while working for the corporation."[5] Savile, who died October 29, 2011, at the age of 84, was a media personality best known for hosting a BBC show called *Jim'll Fix It*, which featured letters from children making wishes that the show then granted. The show ran for almost 20 years. In October 2012, 18 years after the show ended (and after Savile's death), allegations of child abuse were made against him, including claims that he devised some episodes to gain access to potential victims. The BBC had previously been warned about problems and spent six weeks investigating but, in December 2011, dropped the probe and, instead, aired programs over the Christmas and New Year's holidays that year that paid tribute to Savile. However, the police opened an investigation ("Operation Yewtree") and, in January 2013, confirmed that there were 450 alleged victims of sex abuse by Savile.[6] An inquiry into the BBC's dropped investigation of Savile found that "crucial information . . . was not shared" inside the BBC and that "no-one seemed to grasp what should be done with the information. . . . Efforts were hampered in part by an apparent adherence to rigid management chains and a reluctance to bypass them."[7]

Turning away from the interviews, our eye falls on the somewhat dilapidated Palace of Westminster, home to Parliament. Still more problems there . . .

In May 2009, *The Daily Telegraph* published the first in a series of articles that exposed a scandal involving the abuse by many British Members of Parliament (MPs) in claiming their business expenses. It was front-page news for more than a year, and the upshot was that more than half of all 646 MPs (at the time) had been claiming outrageous expenses—so much so that this particular group of MPs were dubbed the "rotten Parliament."[8]

Worrying about MPs' expenses reminds us again that we need to find a cash machine, so we hurry into the Tesco Metro Express next to Westminster Station. Tesco, we now recall, was itself the subject of an accountancy scandal, when it was discovered that it had overstated its profits by hundreds of millions of pounds.[9]

Now in search of light relief, we look among the Sunday papers for the *News of the World* to laugh at the celebrity gossip, before remembering that it folded a few years ago.

In the summer of 2005, complaints arose about probable voice mail hacking, implicating the British tabloid publication *News of the World* (NoW). Over the next 10 years, more and more information was released, with the end result involving more than 1,000 victims—ranging from Prince William to 9/11 victims and including a missing teenager, whose phone messages were allegedly deleted to free up space, causing her parents to believe she was still alive (the teen was later found to have been murdered). The investigation also revealed the hacking of phones belonging to J. K. Rowling (author of the Harry Potter books), actor Hugh Grant, Sarah Ferguson (the Duchess of York), an MP, the U.K.'s former deputy prime minister, and many others. Former *News of the World* journalists claimed that phone hacking was "a common practice at NoW."[10] Though Andy Coulson, editor of NoW, claimed to have no knowledge of the hacking, he resigned from his position in 2007. *News of the World* folded in July 2011, ending 168 years of publication. Several high-level executives of its parent company, Rupert Murdoch's News International, resigned, including the CEO, the head of the Dow Jones division of News Corp and publisher of *The Wall Street Journal*, and James Murdoch (son of Rupert), who was chair of U.K. satellite broadcaster BSkyB. Coulson, amid the fallout of the scandal, also resigned from his subsequent position as British Prime Minister David Cameron's spokesman and spent five months in prison. Millions of pounds in fines were paid to the victims, and several people were arrested and convicted, with jail time, of conspiracy to intercept phone messages. A formal inquiry found "a failure of systems of management and compliance. None of the witnesses were able to identify who was responsible for ensuring compliance with an ethical approach to journalism."[11]

We finally find a cash machine at Barclays Bank, in business for 325 years and the very image of security. But Barclays summons its own bad memory. In 2012, Barclays was fined £290 million (almost $500 million) by U.S. and U.K. regulators for attempted manipulation of the Libor and Euribor rates (i.e., the average interest rates at which banks borrow funds from one another).[12] The bank's stock price declined more than 15 percent, which wiped out about £3.5 billion from the bank's market capitalization, and both the chair and CEO of Barclays resigned their positions. The investigation into the scandal found that "the business practices for which Barclays has rightly been criticised were shaped predominantly by its cultures" (plural, because there were multiple subcultures). The report added: "[A]cross the whole bank, there were no clearly articulated and understood shared values—so there could hardly be much consensus among employees as to . . . what should guide everyday behaviours."[13]

A broader study, by New City Agenda and London's Cass Business School, indicted the whole industry for its "near-death experience" and noted: "The banks have paid out £38.5 billion [over $60 billion] in fines and customer redress relating to their retail operations since 2000. Banks have also received 20.8 million complaints between 2008 and the first half of 2014." The volume of complaints about banks lodged to the Financial Ombudsman Service more than quintupled between 2008–2009 and 2013–2014, going from 75,000 to more than 400,000. The report found that one of the most important causes of this extreme situation was the aggressive sales culture of many banks, which rewarded employees for selling financial products that customers didn't necessarily want or need.[14]

All right then. Moving on.