ORGANIZATIONAL EFFECTIVENESS

BAILING WIRE AND BRACES

Lessons on Organizational Effectiveness

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Introduction

"Efficiency is doing the thing right. Effectiveness is doing the right thing."
—Peter Drucker

I'm a fan of the word "optimize." We too often try to maximize (at what cost?) or minimize (how low can you go?) when we should be looking for what is—to quote Goldilocks--just right. You never get there, of course, but its worth the effort to get close.

Organizations are complex things. Getting them to a state of "effectiveness" and executing your strategy to achieve your financial objectives requires constant tinkering. The BMW in your driveway may run reliably for many miles, but even a small organization has many more "moving parts" than your car and requires frequent tune ups.

A question follows each story in this book. Take some time to really think about each one. Perhaps kick them around with your senior team or your advisors. Then decide where you will tinker to get optimal performance.

—Todd Ordal, 2014

Bailing Wire and Braces

Driving across Wyoming on a recent vacation we saw a house held together with more bailing wire and braces than joists and concrete. You could almost see how it happened. The porch started to sag, so they built some temporary stairs a few feet away. It was a slight inconvenience but worked until the porch sagged further. The fence started to list, so they added temporary braces. They didn't look good but held the fence together for the short term. The roof shingles were torn off, so they put up a piece of sheet metal to cover the bad spot. It was noisy and looked odd, but it worked temporarily.

I suspect that the people living there didn't even notice the work-arounds or the inconvenience it caused. It's like gaining a couple pounds per year. You're OK for a few years, but one day you're extremely overweight!

Many organizations have the same wire and braces the Wyoming house did. Rather than correct problems or prevent them, they use contingency measures or adaptive techniques. Although often good short-term solutions, when you don't correct or prevent problems, you end up with an organization full of ineffective and expensive processes and structures,

such as:

- Reporting relationships developed for personality reasons that make no sense.
- Compensation plans that reward the wrong behavior—often conflicting with the company's vision or strategy.
- Technology solutions, often developed in-house, that punish users and only make sense to the developer (now guaranteed employment so he can "fix" issues).
- Physical space that is inefficient but rented from a brother-in-law (put the new guy in the closet).
- Human resource practices that made sense in a start-up but not when more adult like behavior is required.

You can usually uncover these when a new person is hired or an outside resource looks at the organization and asks, "Why?" The response usually starts with something like, "You need to understand our history." Sometimes you just wake up and think, "How did we get this way?"

Occasionally you need to do a spring-cleaning on the structure, systems and processes you're employing to catch up with reality. Bailing wire and braces aren't intended to be permanent construction materials!

What are the work-arounds in your company that became permanent fixtures?

Family or Team

An article about the rapid growth of two multi-unit restaurant companies caught my attention the other day. Not just because one has great breakfast with a cool atmosphere and not because I'm envious of the other for locating in ski areas. It's because of their methods of expansion — not franchising and promoting a family feel.

I was extremely fortunate early in my career to help Kinko's expand from a small group of stores to a company with 1,200 locations and 25,000 employees (we didn't call them that; we were all co-workers). We eschewed franchising, instead adopting a bizarre but exceptionally effective growth model with "partners" rather than franchisees. The owners were literally partners with the founder, which eliminated much of the franchisor-franchisee strife.

In addition, we had a family atmosphere. The tight-knit, cult like culture at Kinko's cultivated much socializing, paired numerous couples and created many lifelong friendships. Further, profits were shared throughout the company. This fostered tremendous loyalty and was a key component in our growth.

We grew to a multibillion dollar company in this fashion. However, the story doesn't end there. Our structure and family-like culture were not only tremendous advantages in the early years but also enormous impediments in the later years.

When the time came for us to roll up all the different partnerships (S-corporations) to ready the company for sale (yes, virtually every business has to transition ownership at some point), it took us years to pull it together.

However, from my perspective, the transition from family to team was the most difficult. Tight-knit families put up with dysfunctional behavior. Teams don't. Families place bloodline ahead of performance. Teams don't. Family members are often rewarded uniformly. Teams reward their stars more than their average or poor performers. Families often overlook faults and, in fact, foster them by avoiding conflict. Effective teams don't.

It's unlikely that you're going to look for a better brother or sister. "Hey bro, now that we're older, you're not quite the brother I need to get to the next level" would be a pretty difficult conversation. Yet that discussion must take place for a team (that is, a company) to continue growing.

My experience is that family-oriented companies can often make great progress in the start-up or early growth phases. However, family behavior eventually becomes a significant impediment.

I've seen family businesses flourish, but I've also witnessed families ripped apart partially because they're in business together. I've also observed many family businesses compromise on the service they provide, the rate they grow and the ultimate value (such as sale price) of the business.

What if you are happy in your family business structure? Do

what makes your heart sing, but realize that if you choose family over team, you'll eventually limit your results. Make it a rational decision, not a default problem.

One day at lunch, years after we left Kinko's, I asked founder Paul Orfalea if he would do it the same way if he had to do it over again. He struggled with the answer and reversed course several times.

Plan for success, in whatever way you define it, and build a culture and business model that will take you to the finish line. However, if you're going to grow "big," be prepared for some family squabbles.

Are you a family or a team?
Which do you want to be?

Being There

Sometimes you just need to be in the room.

Perhaps you saw Peter Sellers' last movie "Being There" (out in 1979, just this side of the Jurassic period). In it, a simple-minded gardener named Chance ends up being seen as a guru of sorts. By merely "being there," he influences the rich and powerful with his simple observations.

I thought of this movie the other day when I had lunch with a friend who's an executive in a rapidly growing business in the United Kingdom. The company received private equity money and, as you might imagine, is under much pressure to grow. As such, there are many moving parts.

My friend is naturally torn between family in the U.S. and the company in the U.K. He experimented with dialing into board meetings from the U.S. whilst (that's U.K. speak for "while") his mates are in a conference room in the U.K. Unfortunately, not "being there" is a problem. Out of sight, out of mind. A small decrease in effectiveness at the executive level can have deleterious effects on the individual and the business.

I experienced something similar years ago. I had a weekly executive meeting in California that became quite a burden

to get to, so I started using video conferencing. It was inadequate even though I had some of the best technology available. While showing up for a weekly meeting 1,000 miles away sounds extreme, it was far more effective.

I now appreciate the many benefits of a home office. I save on rent money, I enjoy the food and I have an extremely quick commute, although I can hit traffic early in the morning, mostly cats. (Yes, as I write this, I've brushed my teeth and am not in my pajamas.) However, when I coach executives, I show up in person or they visit me, regardless of where they have an office. Many of my clients are out of town.

People have chastised Yahoo CEO Marissa Mayer for bringing back the Stone Age because she wants her people in a common work environment (they called them "offices" back in the time of the Flintstones). I have news for all of you writing apps in your mother's kitchen: When your company gets big, you'll be much better served by having your executives in the kitchen with you. Perhaps even an office!

There's a big difference between routine, well-defined work (for example, call center operations) and executive conversation. Fostering collaboration and teamwork with bits and bites isn't as effective as with eyeballs and handshakes. Much like Notre Dame linebacker Manti Te'o couldn't fully develop a relationship with the love of his life on the web, relationships in the executive suite are much better in person.

My friend is soon back on an airplane to the U.K., and I'm off to L.A., San Francisco and Miami in the next two week. Not because we love United Airlines; it's just more effective.

Are you spending enough time with your team?

Flu-Like Symptoms

Doing the Right Thing Is Sometimes Painful

To prepare for a trip to Peru and the Amazon, my wife and I headed over to a local clinic for shots and pills to avoid as many ailments as possible.

My wife was recently in Indonesia, so she got off relatively easy. I was turned into a human pincushion. I'm not sure whether it was the yellow fever, hepatitis or tetanus vaccine, but the nurse said one of them was "live." I don't recall seeing critters swimming in the vial before she plunged the needle into my shoulder, but as I jumped on an airplane that night for a business trip, I experienced flu-like symptoms (a pleasant way of saying that I felt like roadkill).

Live vaccines put just enough bad stuff into your system to make you stronger, not enough to kill you. Sort of like the green pork chili at my favorite Mexican restaurant.

I find that as organizations mature, they often refuse to introduce live vaccines into their culture. The quest for a "good fit" goes beyond values and starts to look like sameness. Sometimes you need an active change agent on board to shake things up — even if it induces flu-like symptoms.

A client of mine made a dramatic strategic shift in part of his business. His industry has a long history of only hiring from within. However, my client wanted to shake things up, so he hired someone from an adjacent industry that had more in common with where they want to go rather than where they've been. Just like my vaccine, this caused some pain. In fact, in the short-term, it sometimes looked like a bad decision when using yesterday's lens. Many people in the organization were extremely critical of the new hire, saying, "He doesn't know our industry!" Exactly … In the long run, it paid off.

New ideas and directions aren't always easy to come by. You often need to introduce a live vaccine into an organization to get the change to occur. It's great to hire those who share your values. But if you need to change, you need a change agent — and you should expect some flu-like symptoms!

Where is the line between "cultural fit" and an overly homogeneous team?

Get Onboard

Taking the Right Step Onto the Train

Years ago, I worked with a large company in which the CEO hired a new senior executive right before a large annual meeting, which was to be his first real introduction to the company. Apparently, little thought was given to how this executive would integrate into the company, so this guy showed up, made a fool out of himself by misreading the culture and destroyed his reputation before he even started the job. (Showing some lower-level people the picture of his new mansion didn't exactly endear himself to the troops…) He didn't last long.

The Center for Creative Leadership, recruiting firm Heidrick and Struggles and others studying executive turnover say that more than a third of new executives fail at jobs within 18 months; some say it's closer to half. The direct costs to the company are large (for example, recruiting fees, salary, moving expenses), but the indirect costs are much larger (changing strategy, stalled growth, damaged relationships, the holding pattern that everyone goes into waiting for Round Two, not to mention the turnover at levels below the new executive). Studies show that the range of this expense is from two to 10 times the executive's annual salary. One recent book says up to 24 times the salary. Pick a number that you think is roughly right, but it'll absolutely be more than the

national debt of Dilbert's Republic of Elbonia.

There's a natural tendency for the hiring party and the executive to want to add value as quickly as possible. However, if you don't slow down the game long enough to have a better shot at success, hurry-up-offense will just accelerate failure.

All firms are different; if they weren't, you wouldn't need an on-boarding exercise. But there are four common elements to an on-boarding process (I actually prefer the words "align and focus") that can increase the odds for success, whether the new hire is a CEO, VP or front-line manager. (The ROI is obviously much higher for a more senior person.)

1. Align with the culture. Culture is defined by the actions that are rewarded and appreciated as well as by those that aren't (such as showing off a picture of your mansion). Company employees tend to internalize the culture and cannot always describe it well, but when someone violates that culture, they certainly know it.

2. Build key relationships. New executives need to buddy up to the people they must work with (that is, influence, report to, collaborate with and manage), but they have to identify which of those are real influencers and align with them quickly. Don't get fooled; sometimes the influential people are lower on the org chart than you would think!

3. Prioritize correctly. New executives must quickly separate the wheat from the chaff and focus on the right priorities. This requires understanding the organization's vision and strategy and quickly comprehending the board's, CEO's or boss's expectations. This problem is more prevalent at senior levels because strategy is sometimes nebulous, and there's this limiting thought about new executives: "They were successful before and I'm paying them a lot of money, so they should be able to figure it out!" To make the most headway, the new executive often needs to take the lead in this process (hopefully supported by a coach).

4. Brush up on skills. Even at senior levels, a change in companies or jobs often requires a brush up on certain skills. It could be planning, board presentations, performance coaching or financial literacy, but contrary to common wisdom, plug-and-play doesn't work much better with executives than it does with many computer products. There's always "hidden code"!

If you watched Star Trek, you might remember The Borg, a humanoid species that abducted and assimilated others into the collective in a quest for perfection. (Resistance is futile!) Luckily, enlightened organizations understand that assimilation is on the far end of the spectrum and there are more effective techniques to develop alignment and focus. In order to optimize your return on investment this process must start in the recruiting stage, so don't delay!

1 Align with the culture

2 Build key relationships

What process do you have in place to turn your new people into value-adding assets as quickly as possible?

Group Intelligence

Should Not Be an Oxymoron!

"One man alone can be pretty dumb sometimes, but for real bona fide stupidity, there ain't nothing can beat teamwork."
— Edward Abbey, "The Monkey Wrench Gang"

Abbey was an anarchist, so you might expect his assertion. But I recently spoke with an executive who served on several nonprofit boards, as I have. We agreed that a group of otherwise successful people with good business skills becomes very foolish in the wrong setting. Why is that?

Another executive once told me his definition of a committee: "A dark alley that great ideas go down to get strangled!" I bet some of you have been on a committee like that. Why was it dysfunctional when it was likely full of good people?

An article in the October 2010 edition of Science details an experiment showing that group intelligence, in fact, does exceed individual intelligence and has no correlation with the intelligence level of the individuals! (I'm sure that members' severe cognitive impairment would have an impact.)

Why, then, do we have anecdotal stories of dumb groups?

I worked with a CEO who said intelligence was the most important thing he looked for when hiring. It turns out that he's roughly right, but it's more about emotional intelligence than IQ. The above-mentioned study of intelligence in groups illustrates this.

I've worked with senior management teams that get "dumb" when they get together. Here are my top four reasons:

1. They don't know how to have healthy conflict. You can't make good decisions unless all issues are on the table. Healthy conflict should be optimized, not minimized! Political agendas need to be set aside or debated openly. Transparency is important.

2. A controlling, domineering leader guides the group. These folks end up surrounded by "yes, boss" people, because good folks won't work for them.

3. The leader doesn't know how to facilitate effective conversations. Examples of this are allowing everyone to participate, shutting down loudmouths, staying focused on the objectives and identifying faulty thinking.

4. The objectives (or goals or agendas — use your language) aren't clear. What exactly are we trying to discuss? What decision are we attempting to make? What's the purpose of the meeting? Most leaders would be well-served by taking more time to identify clear objectives before having meetings and discussions.

When your senior team gets together, does the collective intelligence soar as it ought to, or does it plummet? A group of intelligent people can be as dumb as a rock if the group dynamics are wrong.

Does it feel like the collective intelligence in your team meetings is far greater than the sum of the individuals?

If You're Going To Move the World...

You'll Need Some Levers!

I recently spoke to a CEO who had a limiting mindset around defining his company's vision, strategy and direction. A little voice in his head said something like, "You're the CEO! You're supposed to be the smartest guy in the room! If you can't figure out where this company is going and how to get there, you shouldn't be in the job!"

This guy had what I call the "Stalinist Centralized Planning One Big Brain" view of the CEO's office. Centralized planning — whether for a country or a company — doesn't work. Eventually you must resort to Gulags and terror to control, oops … "help," the poor bastards whose lives you're trying to improve!

We need only look to famous economist Friedrich Hayek to illustrate the folly of bureaucratic leadership trying to run welfare states. It's a darn good argument for avoiding the ills of some of the EU countries, but there's also a central tenant of the argument that works nicely in business: One person cannot possibly know enough to effectively plan and run a complex enterprise. The skills and actions to pilot a canoe don't work so well in a battleship.

As an organization grows, it becomes increasingly important

to listen more than you talk and use collaborative management techniques. The solo entrepreneur mindset doesn't scale well. Archimedes said, "Give me a place to stand and a lever, and I can move the world." As you grow, you need different levers.

The levers of solo entrepreneurs are often their ideas and capital. The levers of midsize or large company CEOs include ideas and capital, but the ideas don't (and shouldn't!) always come from them. In addition, without understanding and using the levers of communication, collaboration, systems and motivation, their world won't budge!

If you're trying to move the world, channel Ronald Reagan, not Joseph Stalin!

Are you optimizing decision making with your team?

Let's Reorganize

The Illusion of Progress

Do something! This is the feeling that all of us have had in leadership roles — at some point, you're tempted to reorganize to get better results. Unfortunately, restructuring the company is often seen as a panacea that will solve all current problems. It plays into our desire to control and fix without the heavy lifting (e.g., strategic thinking, identifying expectations, performance management, coaching, etc.). Oh sure, restructuring is painful, but it's relatively quick and allows us a sense of control.

Restructuring is often a shortcut for leadership and a very poor proxy for developing sound strategy. Frequent casting about for a structure that will allow you to finally catch your competition, pump up revenue or stop losses is most often a signal of failed strategy and a leader who is action-oriented but perhaps a bit misguided. The question "How should we be organized to execute our strategy?" is preferable to the statement "We're failing; let's reorganize." Strategy, not failed results, should drive structure.

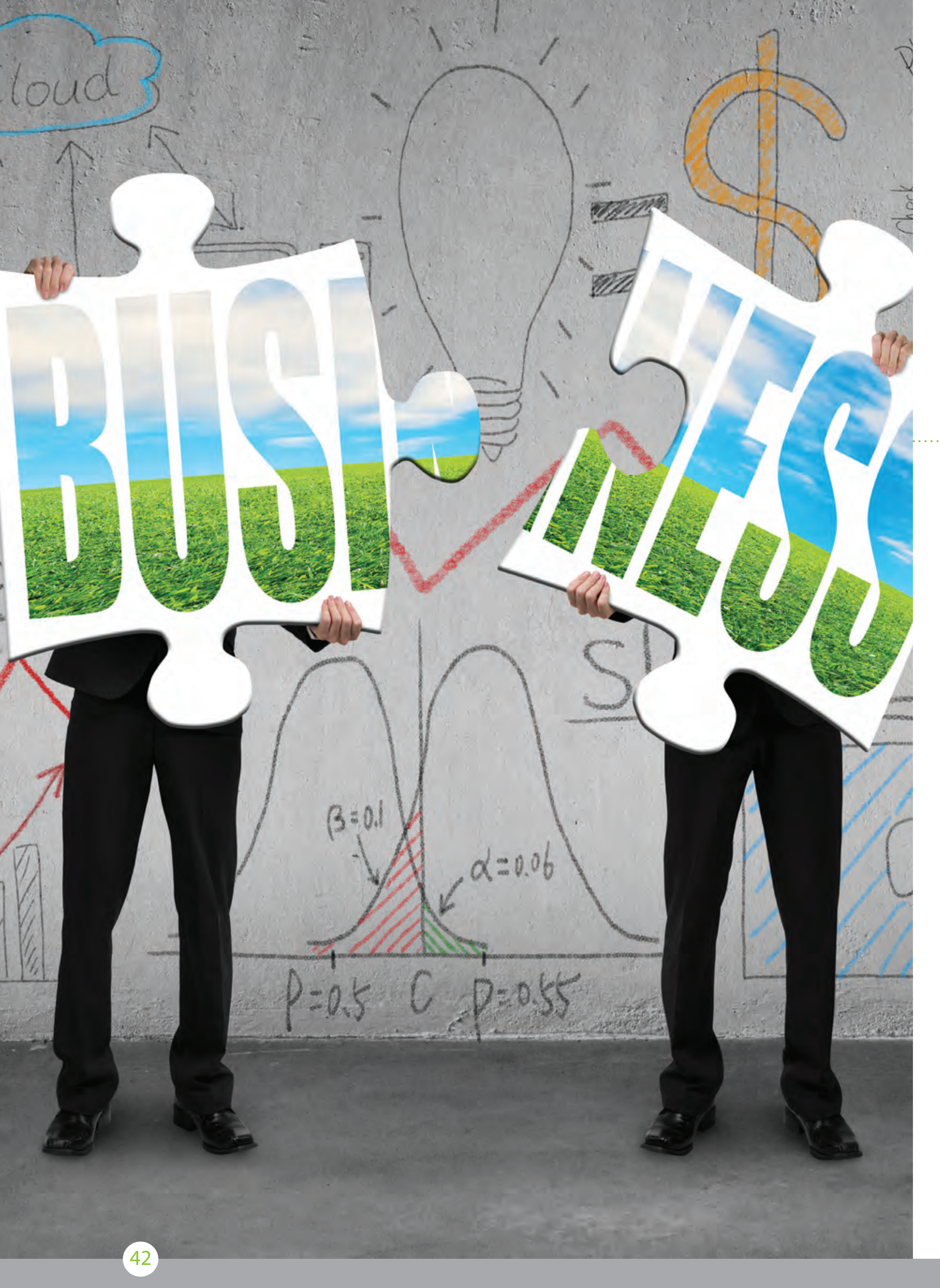
This quote is often attributed to Petronius (210 B.C.), an arbiter in the court of Nero: "We trained hard … but it seemed

that every time we were beginning to form up into teams, we would be reorganized. I was to learn later in life that we tend to meet any new situation by reorganizing, and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization."

Reorganizing your team structure and job responsibilities can be very effective in some situations. It is, unfortunately, a blunt tool often only pulled out when the wheels fall off. Three questions to ask yourself before you contemplate shaking up the team: 1) Am I reorganizing to better execute on our strategy or because I really don't have a strategy? 2) Will my customers be better or worse off as a result of this change? 3) What other hard decisions might I be avoiding by reorganizing? (Several years ago, I watched a CEO enact a painful companywide reorganization because he had one bad apple in a senior role that he didn't want to deal with.)

In tough times, it's natural to want to do something quickly, but restructuring often drags down the organization, torments our employees, kills culture and confuses our customers. The next time results are below expectations; think hard about where the problem lies before pulling out the organizational chart and an eraser!

Before you reorganize, are you asking yourself the right questions?



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When Brilliance Isn't Enough

Sometimes It Takes a Partner

I recently spent a couple of months reading two enjoyable biographies by an outstanding writer, Ron Chernow. I first read "Washington: A Life" about George Washington. While reading that tome, I became very interested in Alexander Hamilton. So I'm finishing "Alexander Hamilton." (And the subject of that one is ….)

You might ask, "Why two months to read two books?" Two reasons. They're my enjoyment books, so they're relegated to airplanes and post-dinner reading. They're also on my iPad®, so I don't know the page count. But I can often read numerous pages without the percentage counter moving, so I'm guessing they weigh as much as a box of bricks!

I slept through high school history — as a matter of fact, I don't recall taking it but must have — so I knew little of Hamilton. He was brilliant! In fact, Washington may have been the father of the country, but Hamilton was the father of our government and economic system.

Like many other brilliant forward thinkers, Hamilton was mercurial, bombastic, headstrong and a very poor loser. (In fact, he was the "ultimate loser" after he had a tiff with Aaron

Burr that resulted in a gun duel and Hamilton's death!) Washington, on the other hand, was extremely even-tempered, methodical and in control of his emotions. Together, the duo created our democratic government. However, without Washington's even-handed approach, Hamilton was a bit of a disaster.

Partnerships in business, whether formal or informal, are difficult to create and maintain. However, they can often accomplish great things, as long as:

1. There's agreement on the vision (where), strategy (what) and, to some degree, the tactics (how).

2. The partners agree on what success looks like and what they'll do when they get there.

3. Their values are complementary.

4. Trust is high.

5. The partners communicate effectively and honestly and can have healthy conflict over issues but not attack each other.

6. There's an understanding of the commitment that each will bring to the success of the enterprise and the roles they'll play.

7. There's a clear practice of governance. The partners must have a solid concept of who's leading and who's following. The roles can change, but two, three, four or 12 people "in charge" at the same time is a recipe for disaster.

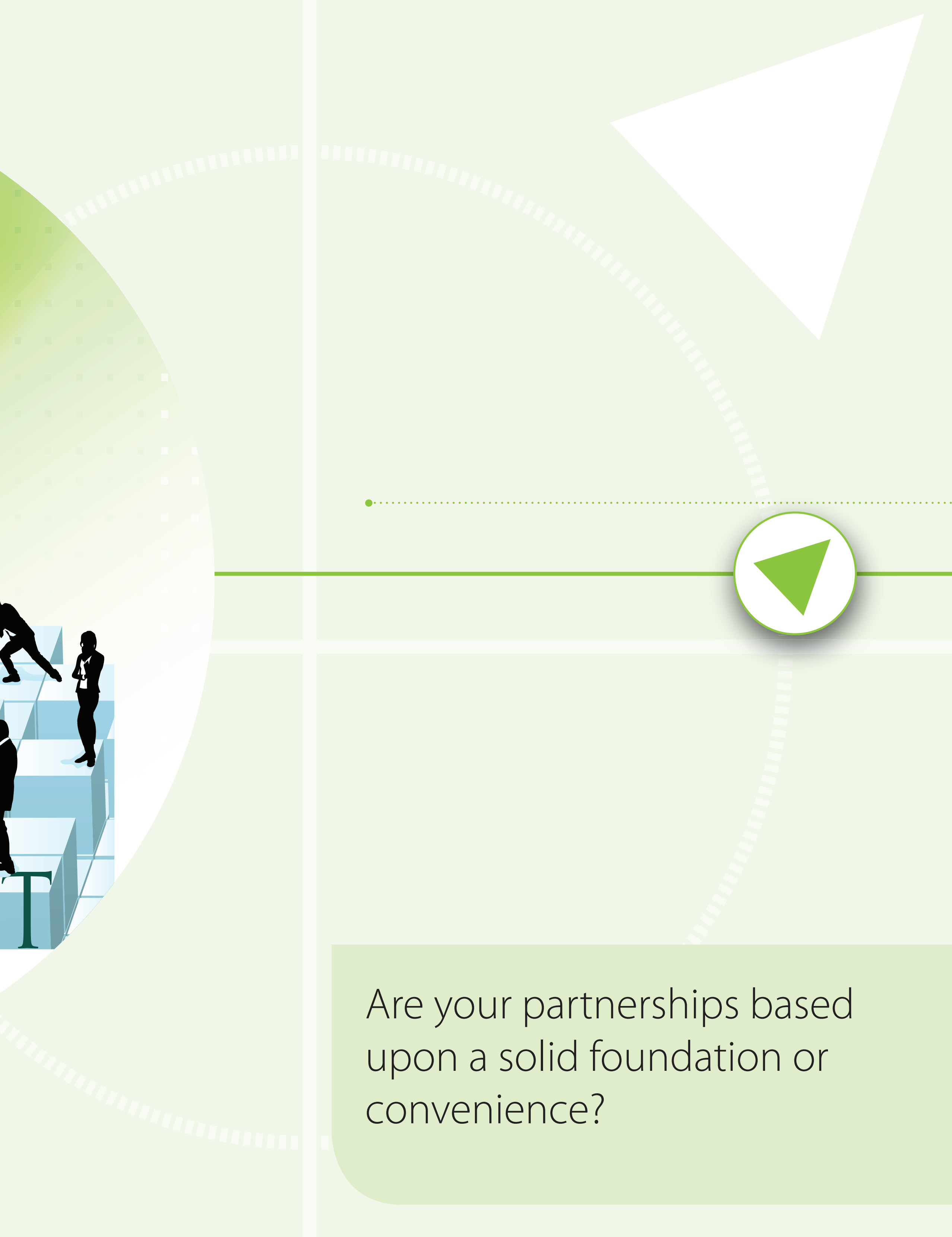
In addition, in the most productive partnerships I've seen, both parties bring different but complementary skills to the business, and they recognize and appreciate this!

If we didn't have Hamilton and Washington together in the

first administration, we might well be singing God Save the Queen or La Marseillaise at our football games, and the players would use a round ball!

Partnerships can be very difficult, but if they are created in a thoughtful fashion for the right reasons, they can also produce great results!

VALUES
VISION
PARTNERSHIPS
SUCCESS
STRATEGY
COMMITMENT



Are your partnerships based upon a solid foundation or convenience?

Performance Reviews

Are Like Dating

Do you remember your first date? I can almost guarantee it went poorly. But I suspect you kept trying and got better. Maybe you even bought a book or went to a seminar. More likely, you stumbled through a few more, and trial and error turned you into a real charmer.

How well did you do when giving your first performance review? I bet it was about as awkward as your first date. I recently heard a management professor on the radio adamantly argue that performance reviews were a waste of time. “Why don’t people just talk honestly?” he asked. He talked about bosses and employees like they were different species. He spat out the word “boss” like it was sour milk. The station then took phone calls from angry people who had bad reviews — the show was during the day so I suspect some were out of work — as the professor piled on more negative statements about how bad “bosses” were and how stupid performance reviews were. He quickly dismissed those who called to support reviews or complain about never getting one. I guess, by his logic, we should eliminate stop signs because so many people cruise through them, and we should give up trying to be good because we occasionally want to murder someone. (Back me

up here … you have those thoughts, don't you?) However, I know that the school where the professor teaches gives out grades.

I don't believe performance reviews are bad. I believe bad performance reviews are bad. This professor/management guru recently published a book, so I appreciate that he was trying to market his wares and that contrarian thoughts make headlines. I pity, however, the young manager who used this show as an argument to scrap performance reviews.

In a previous life as a line manager, I delivered hundreds of performance reviews and also received many of them — some bad and some good, but most of some value. I don't care what data this professor conjured up; I strongly urge you to review performance in your organization. If you feel it works better, split up reviews and development conversations.

From an old P&L guy's perspective, here are seven things that worked well for me and for organizations I now work with:

1. Give honest feedback. You can't avoid hard discussions, and you must be assertive. If you have managers in your organization who don't do this, train them, support them and maybe even put a gun to their head. If they still can't do it, they're not really managers.

2. Start at the top. As the CEO, you must model the correct behavior. Trickle-down economics may be suspect, but trust me, management practices do trickle down.

3. Employ a 360 feedback tool. This is about development more than performance — though contrary to many, I believe it plays a role in both. This isn't easy to implement, especially if you have a screwed-up culture. In that case, you must first fix the culture. If you're the CEO and you have a screwed-up culture, you have work to do — and you might be the cause.

4. Don't have any surprises. People shouldn't be surprised in their performance review. I recently worked with an executive who had a boss thousands of miles away who had no clue what my client was all about. A week before his performance review, I asked him how he thought it would go. "Not a clue," was his answer. Not good. By the way, having no surprises means you have clear objectives, which requires planning.

5. Look for strengths. Though you should address weaknesses, it's more important to identify strengths and how to leverage them. You'll get a lot further than beating someone up.

6. Talk frequently and honestly. This strongly correlates with No. 4. I poked fun at the "professor" — deservedly, I believe — but one of his strong messages was to develop open communication. You need to have one-on-ones frequently with your team members.

7. Practice before you shoot live rounds. If you're new to this, get some coaching and practice giving both positive and negative feedback.

The fact that many performance reviews are poorly done doesn't mean they shouldn't be done, rather that they should be fixed.

Performance Reviews

Are your performance reviews moving your company forward or are they just wasting time?

REWARDS

NEWSFLASH:

People Do What They are rewarded for

Home healthcare companies were recently chided for altering their treatment programs to align with new Medicare payment programs…and that was a surprise to the government!

A new product introduction fails to get off the launch pad. Poor features? Weak market? No! The incentive for the sales team was misaligned. Recurring revenue streams from existing products produced a better commission than the new product.

Years ago when I was an executive at Kinko's, Xerox was frustrated with us because we wouldn't respond to new products, deals and incentive programs they offered throughout the year. Why? We knew that at the end of the quarter they'd offer screaming deals if they were off their sales plan. They'd trained us well.

Some recent news indicates that medical doctors perform surgery when other, less-expensive options are just as effective. Surprised? How about when car salesmen steer you toward the sexier, more expensive model ("Man do you look good be-

hind the wheel of that one!") when the vanilla model meets your needs?

I recently shopped for a new mountain bike at my favorite bike store. The sales guy spent a long time with me and asked a lot of questions about what type of trails I like to ride, what bike I'd been riding, etc. Rather than have me test ride the several expensive bikes I'd been looking at, he said something shocking: "I don't have what you need, but here are two models you should consider." He then pointed me to a competitor's shop.

As an executive, you get what you reward. Oh yes, some people have internal reward systems that are impervious to what you may offer, but that's the exception, not the rule. Rewards come in many flavors. Money, praise and advancement are a few. So are continued employment and lack of punishment, but those usually get compliance, not commitment. I don't know what reward practice they had in place at the bike shop I mentioned, but it wasn't straight commission.

I've worked with talented executives who are surprised when someone's behavior (or everyone's!) does not match expectations. Oftentimes, it's as simple as asking, "What's in it for them?" and you'll have a better idea why.

Do your rewards align with your objectives and company strategy?

Saddle Sores in the C-Suite

Longevity Builds Accountability

A client of mine had one of those "blinding flashes of the obvious" that he shared with me the other day.

He made an ill-advised acquisition several years ago based on advice from an overconfident vice president. After several years of poorly executed integration (by the same vice president), synergies that didn't materialize, and sexy new products that failed, he was forced to write off a good portion of the purchase price. Acquisitions are tricky, and the majority of them (at least in the public sector where they are measurable) turn out poorly.

This extremely talented and successful CEO has had a great 10-year run, so he's not in trouble with his board members, though they aren't overjoyed at the write-off. After a recent frustrating event at this acquired division, he called me and pointed out something that we laughed about. He said, "If I had the tenure of the average CEO, I would've been gone long ago and the next guy would've looked like a fool, not me. I guess longevity brings more accountability!" Meanwhile, he continues to bang out great results for his company year after year.

A recent Wall Street Journal article highlighted a very successful investment portfolio (ING Corporate Leader Trust) that has outperformed its peers for the past 15 years! The funny thing is, there are 22 stocks in this portfolio, and they were chosen in 1935 and have not been traded since! (There were a handful of exceptions.) In other words, no "management" trying to goose the return by churning the holdings. I think Warren Buffet would agree that finding a good company, buying a piece of it and holding on through the inevitable speed bumps is the best way to get a great return. The same holds true for good leaders.

Hyperactive management doesn't work well for stocks, nor does it work well for executives. My client's reasonable and seasoned board of directors is extremely appreciative of the returns he has generated. He is not, however, perfect. Thank goodness they understand that a good CEO in the saddle for a long ride is still accountable (perhaps even more so!) and has a much better chance of producing good long-term gains than constantly switching leadership for short-term glory.

My client was happy to take a ding for the poor acquisition, and his board is pleased to have a seasoned leader at the helm.

Are you looking at performance over the long term or do you have a one-and-done culture?

Theory vs. Practice

Careful who you Listen to

"In theory, there is no difference between theory and practice. In practice, there is!"
—Yogi Berra

I took a surfing lesson years ago in Hawaii with two of my kids. The instructor got out in the water with us to demonstrate how to get up on the board and catch a wave. What if he'd stayed under the thatched roof of the beach bar, sipping on a Corona and just telling us how to surf?! "Imagine you're a wave!" and "Be the surfboard!" sound cool but provide little guidance.

How about a flight instructor handing you airplane keys and saying, "I've never flown one of these things, but I've read the manual from cover to cover. Keep the shiny side up, and I'll give you some feedback after you land."

Are you listening to advisors who only know how to surf or fly in theory?

Before the economic meltdown of 2008, I went to a rubber chicken dinner. The keynote speaker was a "successful" entre-

preneur who'd sold his company for a large pile of money. I was extremely surprised by how young he was, but he started speaking and seemed very bright and quick on his feet.

After some dubious answers to questions where he held court on everything from building an organization to motivating employees to investing, someone asked him some specifics about his company. It turns out that he had a revenue stream that wouldn't pay for a typical trip to Costco and had never been profitable. I stood up and left. This guy was teaching surfing from the beach!

In theory, you should be able to fly an airplane by just reading a book. In practice, you'll be a twisted pile of smoking rubble.

Are you confident that you have the right advisors?

What the Heck Are You Talking About?

The Importance of Language

I recently read that only 6 percent of teenagers check email daily. For those of us who are middle age and in business, it's still a primary communication tool. I always wondered why my kids (in their 20s and 30s) respond to texts immediately but rarely reply to email. It's like I'm speaking Italian and they only understand German!

Have you ever run into someone with a different language who points at a map, trying to ask you directions? You likely talk slowly and gesture. It doesn't work. What do you do? You probably talk louder and slower, as if they'll somehow understand. They don't.

We do the same things to our teams at work unless we develop good housekeeping around language. Here are the language barriers I most frequently see:

- Financial terms. Too often there's lack of uniformity in the language of budgeting and financial results. "Gross margin" has a definition, with some slight variances depending on your business model, and should be understood. "Profit" is too often used without good definition. Is it EBITDA? Operating profit? Profit before nonrecurring events?

- The accounting profession determines much of this. There are standards, and those businesses that use nonconventional (or just wrong) financial terms and definitions are at a disadvantage when they try to discuss their business with their people, other business leaders, bankers, consultants, their accountants or the potential acquirer of their business.

- The language of strategy. "Our new strategy is to cut costs." Wrong! That's not strategy. Strategy is the "what" that'll bring you to your vision. It identifies where you play and how you win. It's not the budget. When I help teams recraft their strategy, we first agree on consistent language. Vision, mission, values, culture, strategy and tactics should all be defined.

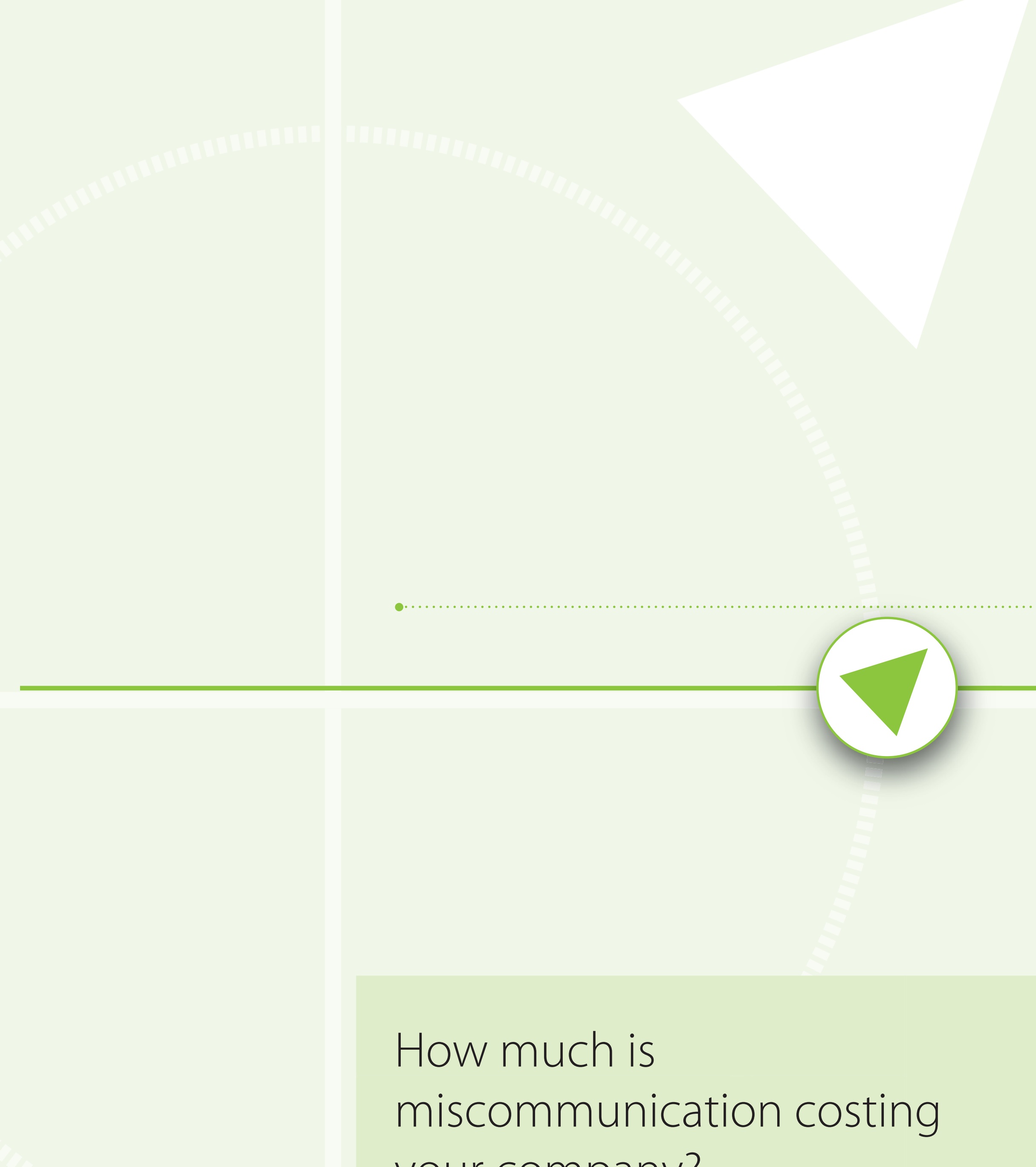
- The language of performance. Budgets, forecasts, re-forecasts, goals, objectives, metrics, and winning and losing too often get jumbled up. Are you on plan or not? Are you winning or not? If team members answer this differently, you have a problem. Performance reviews are frequently fraught with problems. Is "meets standards" good or bad in your company? In my mind, if standards are appropriately set, it's pretty good! In some companies, it means you have one foot out the door. Making sure everyone is singing from the same song sheet is very important!

- Mahogany row language versus shop floor language. If the CEO asks you to "socialize that with your team," is he or she talking about change management or a beer bust? Do you "rationalize our west coast operations to move the needle on the scalability of our ecosystem," or do you "lay off 100 people to increase profits?" Do you "take this initiative offline," or do you "stop doing" something. If you Google "bullshit bingo," you'll find a fun game to play that might actually stop you from talking like this. I'm a fan of direct language. In an attempt to soften the blow, we too often confuse people.

Few leaders put much emphasis on good housekeeping regarding communication because it is difficult to measure the problems that miscommunication causes. If you could optimize communication in your company, what impact would it have on your profit (however you define it)?

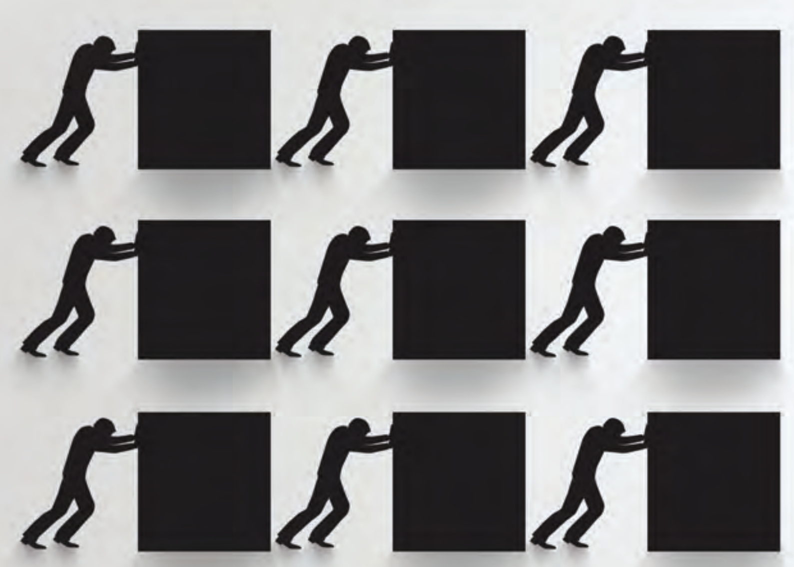
If organizations with critical functions like the military, air traffic control and medical centers value accurate communication so much, is it possible that the rest of us should as well?

THE COST OF MISCOMMUNICATION



How much is miscommunication costing your company?

Leveraging Your Team



Leading and Leveraging Talent

Can collaboration in Decision Making Go Too Far?

Most enlightened leaders understand that talented people won't work in environments where their every move is choreographed and their decisions are second-guessed. They also know that with every pair of hands they hire, a brain usually comes along and they can leverage their team members' intelligence and skills to go further than they could alone. This is, in essence, the definition of leadership. It's rare that I run into old bombastic, command-and-control style leaders who want to make all the decisions themselves and put little trust in their team.

There is, however, a great difference between pure democracy (i.e., everybody votes on everything) and representative democracy. If you read about the founding of our country, you'll see the founders' brilliance in crafting our democratic system. One thing they wanted to avoid was the "tyranny of the majority." Sometimes, in the passion of the moment, people tend to make irrational, knee-jerk decisions that come back to haunt them (i.e., trying to solve a problem but not anticipating the unintended consequences).

Sometimes as a leader, you need to make the hard call on your

own. As Colin Powell said about leadership, "Being responsible sometimes means pissing people off."

It's very difficult to draw a bright line between effective collaboration on one hand (e.g., involving lots of people in the decision) versus making the tough call as an individual leader on the other. Yale business professor Victor Vroom has written on decision-making styles if you're interested. I'm collapsing a few for brevity's sake.

There are basically three options for you as a leader:

1. The leader acts alone. This is the fastest way to make a decision, so it has a significant advantage. To do this effectively, you, as leader, must ask yourself, "Do I have all the information necessary to make the decision?" (You must take care that you're not just breathing your own exhaust here!) The second question you must ask yourself is, "Will people accept this?" If your people won't accept your decisions, you're in trouble!

   If you run a large organization, you clearly cannot know as much about most issues as some of your content or functional experts, so you'd likely use this style only for critical, time-sensitive, strategic decisions where you have a clear line of sight. One final point on the utility of this style: Sometimes, a decision might inflict so much pain that the group cannot come to a good verdict. As a leader, you might have to reserve this decision for yourself (e.g., layoffs or an unpopular organizational change).

2. The leader works with his followers as a group but retains decision making for himself or herself. Much of what I described in the first style applies here, but the leader requires additional information to make the decision. The quintessential picture of this is the president of the United States meeting with his top advisers about a vexing military issue and then making the tough call. Think JFK and the Cuban missile crisis.

3. The leader works with group members and allows them to make the decision. This has the advantage of potentially building strong commitment and alignment IF facilitated correctly. Additional considerations here are:

    a. The team must have a common goal/objective (not necessarily the "how," but the "what"). Without a common goal, you'll get some NHL type arguments.

    b. As a leader, you don't need to have all the information for the decision to be made.

    c. The team must be knowledgeable about the issue being decided. A decision without knowledge is malpractice. If you want team member input and know they're deficient in details, give them some homework before you meet so you can have a fact-based conversation rather than opinions.

    d. You must make adequate time for interaction and let people engage in a healthy debate.

    e. Once a decision is made, the team must be supportive. Don't allow backroom dissenters to nod their head in the meeting and then blast the decision after the fact.

There's a fourth option, which only a fool uses frequently: You allow group members to make the decision and then overrule them.

As you can see, in the first two styles, the leader makes the decision. Only in the third option does the group make the decision.

It may seem a bit pedantic to break down decision making to this granular level, but my experience is that if you don't think about how you'll make decisions, consciously put in place mechanisms to support this and be very transparent about

how you'll handle different kinds of questions, you'll frustrate people and end up with bad decisions.

There's no "one right way" as to which of the three styles to use for all circumstances. If you read about leadership, you'll find many sources that identify the benefits of inclusion, building commitment (rather than just compliance) and the quality of decision making when involving more voices with different perspectives. My observation is that after working with many companies, most CEOs would be better served by working more diligently on how to leverage the talent of the team, using Option 2 or 3.

Occasionally, however, a very difficult decision must be made. CEOs are ultimately accountable for results. Sometimes this means that you have to make some hard choices that piss people off. Get over it. Leadership comes with obligations.

How do you draw the line between collaboration and executive abdication? Do you have guidelines in place for how you make decisions?

TOP
10

The Top 10 Habits Of Effective Executives

A cynic says time is short. I don't buy that. It is, however, predictable and constant.

Perhaps when you were younger, you worked somewhere where you just "put in your eight hours." You were likely not engaged and frankly not providing much value to the organization. Hopefully that phase of your work life didn't last long. Eight hours of nonengaging work that provides little value can feel like an eternity.

If you found some spark internally or discovered an organization with a vision that fully engaged you, you might have risen through the ranks and became a senior level person. I've yet to meet a senior executive or business owner who just puts in his or her eight hours. At that level, the question should be, "How much value can I add in the shortest amount of time?" (Frankly, in a well-run organization, that's the question people at all levels should ask!) That question means you must become doggedly focused on the right activities and on using time as effectively as possible.

Here's a list of behaviors I've observed in the most successful executives I've encountered in my many years as an executive,

consultant and coach:

1. They have an agenda. Call it a plan, objectives or an operational strategy, if you'd like, but they know what they need to do, and they start their day on offense, not defense. Big picture drives tactical activity. It's far too easy to just head into the office and start checking emails (or worse, Twitter!) and answering the phone. Soon it's 5 o'clock somewhere and you're ready for a martini, having provided no value.

2. They use their calendar effectively. Whether they schedule their activities or have an assistant who does so (keeping in mind their stated objectives), they get the important stuff on the calendar and stick to it as best as possible. Don't tightly schedule every minute (have you ever had an on-time doctor appointment?), but understand that time allocation is your best offensive weapon.

3. They take time to plan. Some do it weekly (i.e., Monday morning) and some do it daily, but they're more proactive than reactive. I plan my week on Monday morning, and on Friday afternoon I review to make sure I haven't missed anything. I usually have and need to either: a) do it on Saturday or b) move it to next week's calendar. Stated objectives, of course, should drive the planning (see rule No. 1).

4. They optimize the organization for effectiveness. Their team members clearly understand their objectives, accountabilities and broad authority limits. This reduces silly, tactical issues getting kicked upstairs.

5. They have effective communication practices. This usually involves a brief update meeting with their direct reports — sometimes done standing up so they don't turn into time suckers — as well as respectful and responsible email and call measures, such as: no CYA emails ("I'll cc the boss to make sure"), timely responses (replying to an email a week from now takes the same amount of time as it does today!), and crisp communication. The objective is to have a communication plan that allows for rapid transfer of re-

quired information while weeding out the peripheral. This takes some thought and behavior management.

6. They don't confuse activity with results. Working all day on a new location is not the same as signing the lease. Spending 80 hours a week at the office doesn't impress me (though I did it early in my career), but accomplishing planned objectives (and putting out a couple of fires, of course) in 40 hours does. More time does not always equate to better results.

7. They don't tolerate poor performance. The senior executives who are most effective are kind, but they're not going to have weak people on their team for long. Ineffective leaders who put up with poor performance spend many hours every week peering over shoulders, correcting mistakes and putting out too many fires!

8. They understand that what's most important to their ideal customer should drive their behavior. They also spend time with those customers rather than getting filtered information. Senior executives must also walk the shop floor. Trust but verify with your own eyes.

9. They're not geeks, but they use technology effectively. Many years ago when I was running a large organization, I had a vice president of technology on my staff whom I scheduled for an hour a week in my office. His charter was to make me as effective and informed as possible with current (not bleeding-edge!) technology.

10. They have defined processes for making decisions, evaluating opportunities and solving problems. If you have to handle every decision, opportunity or problem in a one-off fashion, your workday will be like having to learn to ride a bike … every day!

Your time is the greatest asset you have as an executive. You'd never purchase a large asset in your business and let it run at half capacity, would you? If you employ the practices outlined above, you'll be way ahead of the pack!

2.
Stick
to a
Calendar

3.
Take
Time To
Plan

4.
Optimize
Effectiveness

5.
Effectively
Communicate

6.
Activity
≠
Results

What is your honest assessment on the Top 10 list? Where can you quickly improve?

7.
DON'T TOLERATE POOR PERFORMANCE

8.
FOCUS ON IDEAL CUSTOMERS

9.
USE TECHNOLOGY EFFECTIVELY

10.
DEFINE YOUR PROCESSES

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