

The Advantage

Why Organizational Health Trumps Everything Else In Business

By Patrick Lencioni

The Case for Organizational Health

- 1 The single greatest advantage any company can achieve is organizational health. Yet it is ignored by most leaders even though it is simple, free, and available to anyone who wants it.
- 2 "Why in the world don't your competitors do any of this?"
- "You know, I honestly believe they think it is beneath them."
- 3 The health of an organization provides the context for strategy, finance, marketing, technology, and everything else that happens within it, which is why it is the single greatest factor determining an organization's success.
- Before leaders can tap into the power of organizational health, they must humble themselves enough to overcome the 3 biases that prevent from embracing it.
 1. The Sophistication Bias
 2. The Adrenaline Bias
 - You have to slow down in order to go fast.
 3. The Quantification Bias
- 4 Once organizational health is properly understood and placed into the right context, it will surpass all other disciplines in business as the greatest opportunity for improvement and competitive advantage.
- 5 Understanding Organizational Health
- Organizational health is about integrity.
- An organization is healthy when it is whole, consistent, and complete. When its management, operations, strategy, and culture fit together and make sense.
- Smart Versus Healthy
- Smart Organizations – good at the classic fundamentals of business (strategy, marketing, finance, and technology)
- Being smart is only half of the equation but it somehow occupies almost all our time.
- The other half is about being healthy.
- To recognize health, look for signs that indicate that an organization has it.
 - Minimal politics and confusion, high degrees of morale and productivity, and very low turnover among good employees.
- 6 **Two Requirements for Success**
 1. Smart
 - Strategy
 - Marketing
 - Finance
 - Technology
 2. Healthy
 - Minimal Politics
 - Minimal Confusion
 - High Morale
 - High Productivity

- Low Turnover

- 7 A great example comes from an old episode of *I Love Lucy*.
- Ricky comes home from work and finds his wife crawling around the living room. He asks what she is doing. "I'm looking for my earrings," Lucy responds. Ricky asks her, "You lost your earrings in the living room?" She shakes her head. "No, I lost them in the bedroom. But the light out here is much better."
- The advantages to be found in classic areas of business – finance, marketing, strategy – in spite of all the attention they receive, are incremental and fleeting.
- 8 I've become absolutely convinced that the seminal difference between successful companies and mediocre or unsuccessful ones has little, if anything, to do with what they know or how smart they are; it has everything to do with how healthy they are.
- The vast majority of organizations today have more than enough intelligence, expertise, and knowledge to be successful. They lack organizational health.
- 9 I've not yet met a group of leaders whom I thought lacked the knowledge, expertise, or intelligence to succeed; I've met plenty who made me think, *Uh-oh. The culture within this team and this organization is way too unhealthy to sustain a successful business.*
- If someone was to ask which of the two characteristics of an organization, intelligence or health, should be the first priority, the answer, without hesitation, would be health.
- Health begets, and trumps, intelligence
- An organization that is healthy will inevitably get smarter over time.
- People in a healthy organization, beginning with the leaders, learn from one another, identify critical issues, and recover quickly from mistakes.
- Without politics and confusion getting their way, they cycle through problems and rally around solutions much faster than their dysfunctional and political rivals do.
- They create environments in which employees do the same.
- Smart organizations don't seem to have any greater chance of getting healthier by virtue of their intelligence.
- 10 Healthy families – where parents give their children discipline, affection, and time – almost always improve over the years, even when they lack many of the advantages and resources that money can buy.
- Unhealthy families, even if they have all the money, tutors, coaches, and technology they could want, will always struggle.
- The Key Ingredient: health of the environment
- If you had to bet on the future of one of two kids, one raised by loving parents in a solid home and the other a product of apathy and dysfunction, you'd always take the former regardless of the resources surrounding them. The same is true in organizations.
- The Multiplier Effect
- I have worked with many great companies that were led by people who attended relatively modest colleges – people who would admit to being just a little above average in intellectual capacity.
- The truth of the matter was that those companies weren't smarter than their competitors; they just tapped into the adequate intelligence they had and didn't allow dysfunction, ego, and politics to get in the way.
- On the other side, I've seen too many companies whose leaders earned the best grades at the top universities, who possessed tremendous intellectual capacity and had extraordinary experience and industry knowledge, yet still failed because they couldn't tap into much of it.

- 11 In almost every situation, it was politics, behavioral misalignment, and inconsistency that did them in, leading them to make what seemed in retrospect like obvious tactful and strategic mistakes.
- They fail to see that the real deficiency is lack of organizational health.
 - A good way to look at organizational health is to see it as the multiplier of intelligence.
 - The healthier an organization is, the more of its intelligence it is able to tap into and use.
 - Most organizations exploit only a fraction of the knowledge, experience, and intellectual capital that is available to them.
 - The healthy ones tap into almost all of it.
 - Why haven't more business scholars and journalists embraced it?
 - Organizational health isn't very sexy, so journalists are terribly excited to talk or write about it.
 - It is difficult to measure the impact of organizational health.
 - The elements that make up organizational health don't seem to be anything new.
- 12 The basic components – leadership, teamwork, culture, strategy, meetings – have been subject of discussion within academia for a long time.
- The problem is that we've been looking at those elements in isolated, discreet, and theological ways instead of as an integrated, practical discipline.
 - Anyone who has ever worked in an unhealthy organization knows the misery of dealing with politics, dysfunction, confusion, and bureaucracy.
- 13 The financial cost of having an unhealthy organization is undeniable: wasted resources and time, decreased productivity, increased employee turnover, and customer attrition.
- When leaders of an organization are less than honest with one another, when they put needs of their departments or their careers ahead of the needs of the greater organization, when they are misaligned, confused, and inconsistent about what is important, they create real anguish for real human beings.
 - There is a larger social cost.
 - People who work in unhealthy organizations eventually come to see work as drudgery.
 - They view success as being unlikely or out of their control.
 - This leads to a diminished sense of hope and lower self-esteem, which leaks beyond the walls of the companies to their families where it often contributes to deep personal problems.
 - What does an organization have to do to become healthy?
 - There are four disciplines:

The Four Disciplines Model

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15 The Four Disciplines

1. Discipline 1: Build a Cohesive Leadership Team
2. Discipline 2: Create Clarity
3. Discipline 3: Overcommunicate Clarity
4. Discipline 4: Reinforce Clarity

16 People in healthy organizations rarely make catastrophic mistakes because cohesive leadership teams prevent groupthink, learn from mistakes, and call each other on potential problems before they get out of hand.

Discipline 1: Build a Cohesive Leadership Team

19 The first step a leadership team has to take if it wants the organization to be healthy – and achieve the advantages that go with it – is to make itself cohesive.

20 Few organizations invest nearly enough time and energy in making their leadership teams cohesive and certainly not with the level of rigor that it requires and deserves.
- Few groups of leaders actually work like a team, at least not the kind that is required to lead a healthy organization.

21 Most of them resemble what the book *The Wisdom of Teams* refers to as a “working group.”

- A working group is like a golf team where players go off and play on their own and then get together and add up their scores at the end of the day.

- A real team is more like a basketball team, one that plays together simultaneously, in an interactive, mutually dependent, and often interchangeable way.

- Teamwork is not a virtue. It is a choice – and a strategic one.

- Leadership Team: a small group of people who are collectively responsible for achieving a common objective for their organization.

- A leadership team should be made up of around 3-12 people.

22 Anything over 8-9 is usually problematic.

- When it comes to discussions and decision making, there are two critical ways that members of effective teams must communicate: advocacy and inquiry.

- A professional at Harvard, Chris Argyris introduced this idea.

- Advocacy: the kind of communication that most people are accustomed to. It is all about stating your case or making your point.

- “I think we should change our advertising approach.”

- Inquiry: rare and more important. It happens when people ask questions to seek clarity about another person’s statement of advocacy.

- "Why do you think the advertising approach is wrong? And which aspects of it are you referring to?"

- What does this have to do with the size of a team?
- When more than 8 or 9 people are on a team, members tend to advocate a lot more than they inquire.

23 This inevitably leads to misunderstanding and poor decision making.

- Why do so many organizations still have too many people on their leadership teams?
- Often it's because they want to be "inclusive," a politically correct way of saying they want to portray themselves as welcoming input from as many people as possible.

24 The only reason a person should be on a team is that they represent a key part of the organization or brings truly critical talent or insight to the table.

25 Collective Responsibility: implies selflessness and shared sacrifices from team members

- Making these kinds of sacrifices is much easier to commit to in theory than in practice because no leader likes to go back to their department and announce that bonuses are going to be smaller or head count is going to be reduced in order to help out another department that needs it more. But that's what members of real teams do.

- Most of the leadership team's objectives should be collective ones.

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5 Behavioral Principles

1. Trust
2. Conflict
3. Commitment
4. Accountability
5. Results

27 **Behavior 1: Building Trust**

- The kind of trust necessary to build a great team is called *vulnerability-based trust*.

- This is what happens when members get to a point where they are completely comfortable being transparent, honest, and naked with one another, where they say and genuinely mean things like "I screwed up," "I need help," "Your idea is better than mine," "I wish I could learn to do that as well as you do," and even "I'm sorry."

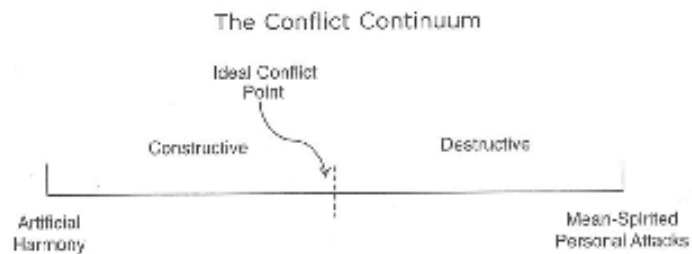
- When everyone on a team knows that everyone else is vulnerable enough to say and mean those things, and that no one is going to hide his or her weaknesses or mistakes, they develop a deep and uncommon sense of trust.

- Over time, this creates a bond that exceeds what many people ever experience in their lives and, sometimes, unfortunately, even in their families.

28 At the heart of vulnerability lies the willingness of people to abandon their pride and their fear, to sacrifice their egos for the collective good of the team.

- 30 Myers-Briggs Type Indicator
- 32 Fundamental attribution error
- The tendency of human beings to attribute the negative or frustrating behaviors of their colleagues to their intentions and personalities, while attributing their own negative or frustrating behaviors to environmental factors.
- 33 This kind of misattribution, where we give ourselves the benefit of the doubt but assume the worst about others, breaks down trust on a team.
- 35 The only way for teams to build real trust is for team members to come clean about who they are, warts and all.
- 37 Trust is one of five behaviors that cohesive teams must establish to build a healthy organization; however, it is by far the most important because it is the foundation for the others.
- Only when teams build vulnerability-based trust do they put themselves in a position to embrace the other four behaviors.
- 38 **Behavior 2: Mastering Conflict**
- When there is trust, conflict becomes nothing but the pursuit of truth, an attempt to find the best possible answer.
- 40 When leadership team members avoid discomfort among themselves, they only transfer it in far greater quantities to larger groups of people throughout the organization they're supposed to be serving.
- 41 Why would team members who don't engage in conflict start to resent one another?
- When people fail to be honest with one another about an issue they disagree on, their disagreement around that issue festers and ferments over time until it transforms into frustration around that person.

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The Conflict Continuum

- The optimal place to be on this continuum is just to the left of the demarcation line (the Ideal Conflict Point).
- 43 That would be the point where a team is engaged in all the constructive conflict they could possibly have, but never stepping over the line into destructive territory.
- Of course, this is impossible.
 - In any team, and for that matter, in any family or marriage, someone at some point is going to step over the line and say or do something that isn't constructive.
 - Rather than fearing this, teams need to accept that it will happen and learn to manage it.
- 44 Nowhere does the tendency toward artificial harmony show itself more than in mission-driven nonprofit organizations, most notably churches.
- People who work in those organizations tend to have a misguided idea that they cannot be frustrated or disagreeable with one another.
 - What they're doing is confusing nice with being kind.

- Two people who trust and care about one another and are engaged in something important should feel compelled to disagree, and sometimes passionately, when they see things differently.
- 45 One of the best ways for leaders to raise the level of healthy conflict on a team is by mining for conflict during meetings.
- Another tool is *real time permission*.
 - When a leader sees people engaging in disagreement during a meeting, they should interrupt and remind them what they are doing is good.
- 47 It is important that the reluctance to engage in conflict is not always a problem of conflict per se.
- In many cases the real problem goes back to a lack of trust.
 - When team members aren't comfortable being vulnerable they aren't going to feel comfortable or safe engaging in conflict.
- 48 **Behavior 3: Achieving Commitment**
- The reason that conflict is so important is that a team cannot achieve commitment without it.
 - People will not actively commit to a decision if they have not had the opportunity to provide input, ask questions, and understand the rationale behind it.
 - Another way to say this is, "If people don't weigh in, they can't buy in."
 - When leadership teams wait for consensus before taking action, they usually end up with decisions that are made too late and are mildly disagreeable to everyone.
 - This is a recipe for mediocrity and frustration.
- 49 Most people are generally reasonable and can rally around an idea that wasn't their own as long as they know they've had a chance to weigh in.
- Most leaders have learned the art of passive agreement: going to a meeting, smiling and nodding their heads when a decision is made that they don't agree with.
 - They then go back to their offices and do as little as possible to support the idea.
 - They don't promote it on their own team, and they certainly aren't willing to run out onto the tracks waving their arms to prevent a train wreck.
 - They sit back and watch problems develop, quietly looking forward to the day when things go badly and they can say, "Well, I never really liked the idea in the first place."
 - The impact of this is often embarrassing and costly for the organization.
- 51 The only way to prevent passive sabotage is for leaders to demand conflict from their team members and to let them know that they are going to be held accountable for doing whatever the team ultimately decided.
- Even teams that embrace conflict can struggle with commitment because they fall short of arriving at specific agreements at the end of their discussions.
 - At the end of every meeting, cohesive teams must take a few minutes to ensure that everyone sitting at the table is walking away with the same understanding about what has been agreed to and what they are committed to do.
- 54 **Behavior 4: Embracing Accountability**
- Peer-to peer accountability is the primary and most effective source of accountability on a leadership team.
- 55 When team members know that their colleagues are truly committed to something they can confront one another about issues without fearing defensiveness or backlash.
- They're merely helping someone get back on track or seeking clarity about something that doesn't seem right.
 - The person being questioned about their behavior or performance will be willing to admit that they have inadvertently lost their way – after all they are vulnerable - and adjust their behavior accordingly.

- 56 The irony is that the only way for a team to develop a true culture of peer-to-peer accountability is for the leader to demonstrate that they are willing to confront difficult situations and hold people accountable to themselves.
- 57 The more comfortable a leader is holding people on a team accountable, the less likely they are to confront people, the more likely they'll be called on to do so.
- The less likely they are to confront people, the more they'll be called on to do it by subordinates who aren't willing to do the dirty work for them.
 - I am fully aware that the reluctance of my staff to hold each other accountable is a simple function of my behavior.
 - To hold someone accountable is to care about them enough to risk having them blame you for pointing out their deficiencies.
 - Unfortunately, it is far more natural, and common, for leaders to avoid holding people accountable.
 - It is one of the biggest obstacles in preventing teams and the companies they lead from reaching their full potential.
 - It's no surprise that among teams that complete the Five Dysfunctions of a Team Assessment, the lowest scores are usually found in the area of accountability.
- 59 Behavioral problems almost always precede – and cause – a downturn in performance and results.
- 60 Whether we're talking about a football team, a sales department, or an elementary school, meaningful drop in measurable performance can almost always be traced back to behavioral issues.
- Lack of attention to details at practice, decreased discipline about cold-calling, poor preparation of lesson plans: all of these are behavioral problems that occur long before any decrease in measurable results is apparent.
- 65 **Behavior 5: Focusing on Results**
- The ultimate point of building greater trust, conflict, commitment, and accountability is one thing: the achievement of results.
 - No matter how good a leadership team feels about itself, and how noble its mission might be, if the organization it leads rarely achieves its goals, then, by definition, it's simply not a good team.
- 67 After a recent loss, a 13 year old boy on my son's soccer team said to me, "Well, I don't feel like I lost." "Really?" I asked him. "How do you figure?" He proudly announced, "Well, I'm a forward, and we forwards did our part by scoring three goals. It's really the defense that lost the game because they gave up too many goals. They're the losers." I kindly pointed out how absurd his reasoning was, not only because there is only one score for the team, but because every player on the field plays defense, though perhaps on different parts of the field. Even a forward plays a role in preventing the other team from scoring by making it difficult for the opponent's defense to organize an attack. To be fair, the kid smiled and acknowledged the ridiculousness of his original remark.
- I wish I could say that it was that easy to convince leadership team members.
 - Too many of them don't see a connection between the decisions they make and the impact they have on other parts of the business.
- 68 They don't seem to understand that the way you spend your time, energy, and resources can influence the overall performance of the organization.
- All too often they embrace the attitude embodied by the fisherman who looks at the guy sitting at the other end of the boat and announces, "Hey, your side of the boat is sinking."

- 69 Teams that lead healthy organizations come to terms with the difficult but critical requirements that its members must put the needs of the higher team ahead of the needs of their department.
- 71 **Checklist for Discipline 1: Build a Cohesive Leadership Team**
- Members of a leadership team can be confident that they've mastered this discipline when they can affirm the following statements:
 - The leadership team is small enough (3-10 people) to be effective.
 - Members of the team trust one another and can be genuinely vulnerable with each other.
 - Team members regularly engage in productive, unfiltered conflict around important issues.
 - The team leaves meetings with clear-cut, active, and specific agreements around decisions.
 - Team members hold one another accountable to commitments and behaviors.
 - Members of the leadership team are focused on team number one. They put the collective priorities and needs of the larger organization ahead of their own departments.

Discipline 2: Create Clarity

- 73 Creating clarity is all about achieving alignment.
- This is a word used incessantly by leaders, consultants, and organizational theorists, and yet for all the attention it gets, real alignment remains frustratingly rare.
- 74 All too often leaders underestimate the impact of even subtle misalignment at the top and the damage caused by small gaps among members of the executive team.
- No matter how many times executives preach about the "e" word (empowerment) in their speeches there is no way that their employees can be empowered to fully execute their responsibilities if they don't receive clear and consistent messages about what is important from their leaders across the organization.
- 75 Since the 1980s, many organizations have centered their clarity and alignment efforts around a singular tool that has been a major disappointment.
- Mission statement
- 76 Alignment and clarity cannot be achieved in one fell swoop with a series of buzzwords and aspirational phrases crammed together. It requires a much more rigorous and unpretentious approach.
- 77 Six Critical Questions
- What leaders must do to give employees the clarity they need is agree on the answers to six simple but critical questions and thereby eliminate even smaller discrepancies in their thinking.
 1. Why do we exist?
 2. How do we behave?
 3. What do we do?
 4. How will we succeed?
 5. What is most important, right now?
 6. Who must do what?
 - If members of a leadership team can rally around clear answers to these questions they will drastically increase the likelihood of creating a healthy organization.
 - This may well be the most important step of all in achieving the advantage of organizational health.
- 78 This can be very difficult
- It requires cohesion at the top.

- It is often tempting for leaders to slip into a marketing or sloganizing mind-set when answering these questions, trying to come up with catchy phrases or impressive-sounding statements.
 - Answering the questions requires time.
 - More than getting the right answer, it's often more important to simply have an answer – one that is directionally correct and around which all team members can commit.
- 79 "A plan is better than no plan."
- "A good plan violently executed today is better than a perfect plan executed next week." - General Patton
- Those adages attest to something that is seen in many leadership teams: a simple failure to achieve clarity because executives are waiting for perfection.
- In the meantime, confusion reigns, leaders lose credibility, and the organization suffers.
- 80 Waiting for clear confirmation that a decision is exactly right is a recipe for mediocrity and almost a guarantee of eventual failure because organizations learn by making decisions, even bad ones.
- 82 **Question 1: Why Do We Exist?**
- Built to Last
- Jim Collins and Jerry Porras
- Successful, enduring organizations understand the fundamental reason they were founded and why they exist, and they stay true to that reason.
- Employees in every organization, and at every level, need to know that at the heart of what they do lies something grand and aspirational.
- An organization's core purpose – why it exists – has to be completely idealistic.
- 85 The process of determining an organization's purpose can't be confused with marketing, external or internal.
- It must be all about clarity and alignment.
- 86 As Porras and Collins say, the question that needs to be asked until it leads to the highest purpose or reason for existence, is why? Why do we do what we do?
- A tricky part of this is understanding that there are a number of very different categories of purpose, any of which can be valid.
- Customer: This purpose is directly related to serving the needs of an organization's customer or primary constituent.
- 87 Industry: This purpose is all about being immersed in a given industry.
- Greater Cause: This kind of purpose is not necessarily about what the organization does, but about something connected to it.
- 88 Community: This purpose is about doing something that makes a specific geographical place better.
- Employees: This purpose is not about serving the customer, the industry, or the region, but rather about the employees.
- 89 Wealth: This purpose is about wealth for the owners.
- 91 **Question 2: How Do We Behave?**
- If an organization is tolerant of everything, it will stand for nothing.
- The answer to the question is embodied in an organization's core values, which should provide the ultimate guide for employee behavior at all levels.
- This too is an area that Collins and Porras address. They found that enduring, successful companies adhered strictly to a fundamental set of principles that guided their behaviors and decisions over time, preserving the essence of the organization.

- The importance of values in creating clarity and enabling a company to become healthy cannot be overstated.
- Values are more critical than anything else because they provide employees with clarity about how to behave, which reduces the need for inefficient and demoralizing micromanagement.

92 **Values Stampede**

- The mistake leaders can make is trying to be all things to all people, which leads them to make their values statements as broad and inclusive as possible.
- Often this comes about because leaders conduct a survey asking employees to vote on which values they want and then they try to accommodate everybody.
- This is a terrible process for identifying core values.
- When an organization announces that it has 9 core values, including customer service, innovation, quality, honesty, integrity, environmental responsibility, work-life balance, financial responsibility, and respect for the individual, it makes it impossible to use those values to make decisions, hire employees, or enact policies.
- Leaders adopt too many values.

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- They resign themselves to operating their companies in a pragmatic, valueless way, leaving employees and customers unsure of what the organization really stands for.
- Core values lie at the heart of the organization's identity, do not change over time, and must already exist.

94 They can't be contrived.

95 **Aspirational Values**

- The characteristics that an organization wants to have, wishes it already had, and believes it must develop in order to maximize its success in its current market environment.
- The qualities that an organization aspires to adopt and will do its best to manage intentionally into the organization.
- They are neither natural nor inherent, which is why they must be purposefully inserted into the culture.

96 Confusing core and aspirational values is a frequent mistake that companies make.

97 **Permission-to-Play Values**

- The minimum behavioral standards that are required in an organization.
- They don't serve to clearly define or differentiate an organization from others.

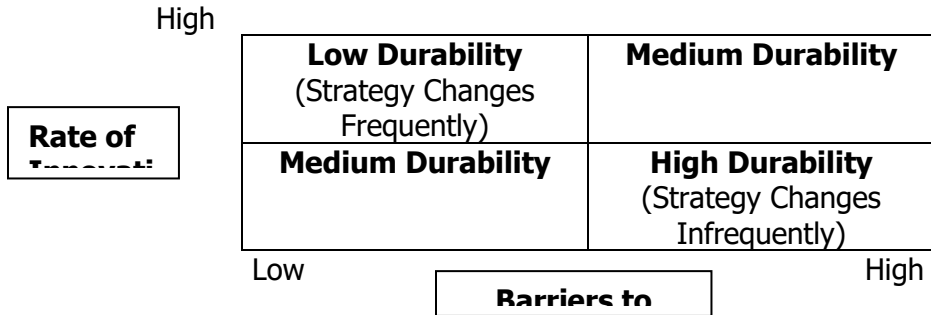
98 **Accidental Values**

- Traits that are evident in an organization but have come about unintentionally and don't necessarily serve the good of the organization.

- 100 Organizations need to understand the various kinds of values to prevent them from getting confused with and diluting the core.
- Core values are what matters most.
 - Decide what to call a core value once you've identified it.
 - The key is to avoid excessive wordsmithing while at the same time finding the most descriptive and effective phrase.
- 101 The problem for organizations that choose common words like innovation or quality is that everyone has their own understanding of those terms.
- This makes it a little more difficult for leaders to establish their own definition.
 - None of that matters if the values that an organization adopts are not real ones.
 - When leaders choose elaborate and unique phrases for their values but don't adhere to them, they generate more cynicism and distrust than if they said nothing at all.
- 102 One of the best ways to go about identifying an organization's core values is to undertake a three step process as an executive team.
- The first step is to identify the employees in the organization who already embody what is best about the company and dissect them, answering what is true about those people that makes them so admired by the leadership team.
 - Leaders must identify employees who were or are no longer a good fit for the organization.
 - These are people who, in spite of their abilities, drive others around them crazy and would add value to the organization by being absent.
 - Leaders need to be honest about themselves and whether or not they embody the values in that pool.
- 104 Having answered the first two questions, a leadership team can then come down the mountain, so to speak, and begin answering the next four, which are a bit more concrete and tangible.
- 105 **Question 3: What do we do?**
- Coming up with a good business definition is usually not terribly difficult and often doesn't take much more than 10-20 minutes.
 - Unlike the core purpose, most leaders have a good idea of the basic activities of the organization they lead.
- 106 An organization's business definition can change over time, but only when the market changes and calls for a meaningful shift in the fundamental activity of the organization.
- In the course of my consulting firm's 15 years as a company, we've changed our business definition three times.
 - Our core values and reason for existing have never changed.
- 107 **Question 4: How will we succeed?**
- When team leaders answer this question, essentially they are determining their strategy.
 - Unfortunately, more than any word in the business lexicon, strategy is one of the most employed and poorly defined.
 - An organization's strategy is nothing more than the collection of intentional decisions a company makes to give itself the best chance to thrive and differentiate from competitors.
- 108 The best way for an organization to make strategy practical is to boil it down to three strategic anchors that will be used to inform every decision the organization makes and provide the filter or lens through which decisions must be evaluated to ensure consistency.
- 114 Team success would be dependent on:

1. Continuing to make better-tasting and higher-quality products than their competitors
2. Being great at in-store merchandising and placement
3. Delivering consistent and conservative financial results to their parent company

115 **Strategic Durability**



116 Another outcome of establishing strategic anchors is making it easier to agree on what an organization should *not* be doing.

117 Many leadership teams struggle with not wanting to walk away from opportunities. Strategic anchors give them the clarity and courage to overcome these distractions and stay on course.

119 **Question 5: What is most important, right now?**

- More than any of the other questions, this one will have the most tangible impact on an organization, because it addresses two of the most maddening day-to-day challenges companies face: organizational A.D.D. and silos.
- Most organizations have too many top priorities to achieve the level of focus they need to succeed.
- The result is almost always a lot of initiatives being done in a mediocre way and a failure to accomplish what matters most.

120 To say that there are too many priorities is something of an oxymoron. For something to be the top priority it has to be more important than everything else.

- Every organization, if it wants to create a sense of alignment and focus, must have a single top priority within a given period of time.
- What a crisis provides for an organization, whether that organization is an emergency responder accustomed to dealing with crisis or a more traditional organization that finds itself temporarily in the midst of one, is a rallying cry, a single area of focus around which there is no confusion or disagreement.

121 There is no reason that every organization couldn't have a rallying cry, even when it is not in crisis.

- "A thematic goal" - It needs to be understood within the context of the organization's other goals, at the top of the list.
- A thematic goal is the answer to our question, "What is most important, right now?"
- A thematic goal is...
 - Singular. One thing has to be most important, even if there are other worthy goals under consideration.
 - Qualitative. The thematic goal should almost never be established with specific numbers attached to it. The opportunity for putting quantitative measures around a thematic goal comes later, and it should not be done too early because

it can too narrowly prescribe what needs to be achieved and limit people's ability to rally around it.

- Temporary. A thematic goal must be achievable within a clear time boundary, almost always between three and twelve months. Anything shorter than three months feels like a fire drill, and anything longer than twelve invites procrastination and skepticism about whether the goal will endure.
- Shared across the leadership team. When executives agree on their top priority, they must take collective responsibility for achieving it, even if it seems that the nature of the goal falls within one or two of the executives' regular areas of ownership.

122 The best way to identify a thematic goal is to answer the question, "If we accomplish only one thing during the next x months, what would it be?"

- What must be true x months from now for us to be able to look back and say with any credibility that we had a good period?
- These questions provide a critical level of focus for leaders who are being pulled in numerous directions.
- The thematic goal is not necessarily to rally all the troops within the organization. It is to provide the leadership team with clarity around how to spend its time, energy and resources.

- Even if the leadership team never announces the thematic goal to anyone and uses it only to guide its own actions, it will have served its purpose.

123 Every thematic goal must become the collective responsibility of the leadership team.

124 Defining objectives are the general categories of activity required to achieve the thematic goal.

- Like the thematic goal, defining objectives must be qualitative, temporary, and shared by the leadership team.

- In most cases, there are between 4 and 6 defining objectives, depending on the nature of the goal itself.

126 Once teams identify their defining objectives, they have to take on the next, and last, step in the thematic goal process: identifying their standard operating objectives.

- These are ongoing and relatively straightforward metrics and areas of responsibility that any leadership team must maintain in order to keep the organization afloat.

127 Different kinds of organizations have different thematic goals, defining objectives, and standard operating objectives for a variety of reasons.

- What they all have in common is that their goals fit on a single sheet of paper.

132 **Question 6: Who must do what?**

134 The best alternative to these extremes and the most effective tool for keeping key decisions alive is the creation of something we refer to as a playbook.

- A simple document summarizing the answers to the 6 critical questions.

138 **Checklist for discipline 2: Create Clarity**

- Members of a leadership team can be confident that they've mastered this discipline when they can affirm the following statements:

- Members of the leadership team know, agree on, and are passionate about the reason that the organization exists.
- The leadership team has clarified and embraced a small, specific set of behavioral values.
- Leaders are clear and aligned around a strategy that helps them define success and differentiate from competitors.
- The leadership team has a clear, current goal around which they rally. They feel a collective sense of ownership for that goal.

- Members of the leadership team understand one another's roles and responsibilities. They are comfortable asking questions about one another's work.
- The elements of the organization's clarity are concisely summarized and regularly referenced and reviewed by the leadership team.

Discipline 3: Overcommunicate Clarity

- 141 I've heard claims that employees won't believe what leaders are communicating to them until they've heard it several times.
- That need for repetition is not a testament to undue cynicism on the part of employees; it is the result of the generic, almost spoof-like communication that takes place within so many organizations.
- 143 Great leaders see themselves as Chief Reminding Officers as much as anything else.
- Many don't enjoy the reminding role because it seems wasteful and inefficient to them.
 - What those leaders fail to realize is that employees understand the need for repetition.
 - They know that messaging is not so much an intellectual process as an emotional one.
 - Employees are not analyzing what leaders are saying based solely on whether it is intellectually novel or compelling, but more than anything else on whether they believe the leaders are serious, authentic, and committed to what they are saying.
 - Repetition is a must.
 - Many leaders fail to overcommunicate because they get bored saying the same things over and over again.
 - The point of leadership is not to keep the leader entertained, but to mobilize people around what is most important.
 - Repetition is more than just a matter of communicating something again and again in the same way.
- 144 Effective communication requires that key messages come from different sources and through various channels, using a variety of tools.
- If the best way to ensure that a message gets communicated throughout an organization is to spread rumors about it, then leaders simply ought to go out and tell "true rumors."
 - The most reliable and effective way to get an organization moving in the same direction is for members of a leadership team to come out of their meetings with a clear message about what was decided, promptly communicate that message to their direct reports, and have those direct reports do that same for their own direct reports.
 - We call this "cascading communication" because it begins the structured but interpersonal process of rolling key messages down through the organization directly from the leadership team.
- 146 There are three keys to cascading communication
1. Message consistency from one leader to another
 2. Timeliness of delivery
 3. And live, real-time communication
- 148 Beyond the simple discipline of doing cascading communication after every leadership team meeting, leaders can ensure that key messages are effectively disseminated throughout an organization in a few other ways.
- The first and most important is to incorporate the answers to the 6 critical questions in any situation that calls for leaders to be communicating with employees – everything from recruiting, interviewing, orienting, managing, rewarding, training, to even dismissing people from the organization.
 - Top-Down Communication

149 The world is full of organizations where employees feel uninformed and in the dark even though they have access to more glossy newsletters, interactive Web sites, and overly produced employee meetings than they need or want.

150 Upward and Lateral Communication

151 **Checklist for Discipline 3: Overcommunicate Clarity**

- Members of a leadership team can be confident that they've mastered this discipline when they can affirm the following statements:

- The leadership team has clearly communicated the 6 aspects of clarity to all employees.
- Team members regularly remind the people in their departments about those aspects of clarity.
- The team leaves meetings with clear and specific agreements about what to communicate to their employees, and then cascade those messages quickly after meetings.
- Employees are able to accurately articulate the organization's reason for existence, values, strategic anchors, and goals.

Discipline 4: Reinforce Clarity

153 As important as overcommunication is, leaders of a healthy organization cannot always be around to remind employees about the company's reason for existing, its values, and so on.

- In order to ensure that the answers to the 6 critical questions become embedded in the fabric of the organization, leaders must make sure that every human system – every process that involves people – from hiring and people management to training and compensation, is designed to reinforce the answers to those questions.

- The challenge is to do this without adding too much structure.

- Or as someone once said, "An organization has to institutionalize its culture without bureaucratizing it."

154 HR and legal professionals play important roles in the creation and administration of human systems.

- The initial design of those systems must be driven by the people who set the direction for the organization in the first place and have the authority to guard against the bureaucracy that turns a useful human system into an administrative distraction.

155 Human systems give an organization a structure for its operations, culture, and management together, even when leaders aren't around to remind people.

156 The most important human systems that organizations need:

- Recruiting and Hiring

- Bringing the right people into an organization, and keeping the wrong ones out, is as important as any activity that a leadership team must oversee.

- Gut feel vs. structure

157 It is truly stupefying to think that the most important decision a leader can make – who to invite to become a part of the organization – is often handled in such a cavalier way.

158 When it comes to the continuum of hiring, ironically, I find that it is better to be somewhere closer to having a little less structure than more.

- This is because too much structure almost always interferes with a person's ability to use their common sense, and because it is far easier to add a little structure later to a fairly bare system than it is to deconstruct an already overcomplicated process.

- What might this more balanced approach look like?

- It should take no more than one page, front and back, to describe and apply.

159 All of this should be consistent across departments within an organization.

- The key is to do something that provides evaluators with a real sense of whether the person is going to thrive in the culture of the organization and whether other people are going to enjoy working with him or her.
- 161 Without clear understanding of what a cultural fit or misfit looks like, and without active involvement of the leadership team, even the most sophisticated hiring process will fail.
- Orientation
 - Orientation shouldn't revolve around lengthy explanations of benefits and administration but rather around reinforcing the answers to the 6 critical questions.
 - When employees get the opportunity to hear their leaders talk about why the organization exists, what behavioral values were used to select them during the hiring process, how the organization plans to succeed, what its top priority is, and who does what at the executive level, they can immediately see how they will contribute to the greater good of that organization.
- 162 Performance Management
- 163 The best performance management programs are simple.
- They are designed to stimulate the right kinds of conversations around the right topics.
- 164 It is critical that an organization separate corrective action processes from the regular performance management system, because the last thing an organization wants is for its good employees to feel as if they're being interrogated and prepared for dismissal.
- Compensation and Rewards
- 166 Recognition
- 167 Direct, personal feedback really is the simplest and most effective form of motivation.
- Many leaders convince themselves that employees are motivated by money. As a result, they discount the impact of authentic and specific expressions of appreciation.
- 169 The lesson for leaders is not that they should be cheap, but rather that they understand that the healthiest organizations in the world are not necessarily the highest-paying ones and that throwing money at a problem that would be better solved through improved management is a true waste of resources.
- Firing
 - When it comes to building a healthy organization, the most important part of the firing process is the very decision to let someone go.
 - That decision needs to be driven, more than anything else, by an organization's values.
- 170 Keeping a relatively strong performer who is not a cultural fit sends a loud and clear message to employees that the organization isn't all that serious about what it says it believes.
- Addition by subtraction
- 171 Keeping someone who clearly doesn't fit culturally is almost always a disservice to that person, who knows that he doesn't belong and is usually as frustrated as his colleagues are.
- Letting him go is putting him in a position to find an organization where he does belong and where he'll be able to thrive.
- 172 **Checklist for Discipline 4:**
- Members of a leadership team can be confident that they've mastered this discipline when they can affirm the following statements:
 - The organization has a simple way to ensure that news hires are carefully selected based on the company's values.
 - New people are brought into the organization by thoroughly teaching them about the 6 elements of clarity.

- Managers throughout the organization have a simple, consistent, and nonbureaucratic system for setting goals and reviewing progress with employees. That system is customized around the elements of clarity.
- Employees who don't fit the values are managed out of the organization. Poor performers who do fit the values are given the coaching and assistance they need to succeed.
- Compensation and reward systems are built around the values and goals of the organization.

The Centrality of Great Meetings

- 173 An organization that has embraced each of the four disciplines will become healthy, making success highly likely.
- No action, activity, or process is more central to a healthy organization than the meeting.
 - As dreaded as the "m" word is, as maligned as it has become, there is no better way to have a fundamental impact on an organization than by changing the way it does meetings.
 - If someone were to offer me one single piece of evidence to evaluate the health of an organization, I would not ask to see its financial statements, review its product line, or even talk to its employees or customers; I would want to observe the leadership team during a meeting.
 - This is where values are established, discussed, and lived and where decisions around strategy and tactics are vetted, made, and reviewed.
- 175 The fact is that the human brain isn't meant to process so many disparate topics in one sitting.
- There needs to be greater clarity and focus, which means that there needs to be different kinds of meetings for different kinds of issues.
 - And it means there will be more meetings, not fewer.
 - Leaders who want healthy organizations cannot try to eliminate or reduce time spent in meetings by combining them or cutting them short.
 - They have to make sure that they are having the right kinds of meetings, and then they must make those meetings effective.
 - What kinds of meetings does the leadership team of a healthy organization have?
 - Administrative
 - Tactical
 - Strategic
 - Developmental
- 176 **Administrative**
- Daily Check-Ins
- 178 **Tactical Staff Meetings**
- There is no more valuable activity in any organization than the regular staff meeting of a leadership team.
- 179 **Real-time agenda**
- Instead of putting together an agenda ahead of time, team members need to come together and spend their first ten minutes of a meeting creating a real-time agenda.
 1. The leader needs to go around the room and ask every member of the team to take 30 seconds to report on the key activities that they believe are the top priorities for the week.

2. Review the one-page scorecard or chart that the team created - the one that includes their thematic goal, their defining objectives, and their standard operating objectives.
- 180 Essentially this part of the meeting is about stepping back and asking, "How are we doing against the things we said are most important?"
- 182 **Adhoc Topical Meetings**
- the purpose of this kind of meeting is to dig into the critical issues that can have a long-term impact on an organization or that require significant time and energy to resolve: a major competitive threat, a disruptive industry change, a substantial shift in revenue, a significant product or service deficiency, or even a troubling drop in morale, among many others.
 - Leadership teams rarely carve out time for this.
 - They try to resolve important issues in 15 minute increments in between more tactical and administrative topics during a staff meeting.
- 183 Then something bizarre happens: executives in the real world find themselves so inundated with daily e-mail and voice mail and administrative requirements that they rarely, if ever, set aside enough time for thorough, challenging, tense, dramatic, and fun conversations.
- The high point of being a leader in an organization is wrestling with difficult decisions and situations. Truncating those high points just doesn't make sense.
- 184 What leadership teams need to do – and this may be the single most important piece of advice for them when it comes to meetings – is separate their tactical conversations from their strategic ones.
- Combining the two just doesn't work and leaves both sets of issues inadequately addressed.
- **Quarterly Off-Site Reviews**
- Activities that should be addressed during these meetings include reviewing the organization's strategic anchors and thematic goals, assessing the performance of key employees, discussing industry changes and competitive threats, and reviewing the behaviors of the team members in regard to cohesiveness.
- 185 Off-site reviews are where the leadership team needs to step back and revisit the four disciplines covered in this book: team, clarity, communication, and human systems.
- The timing of these meetings, unlike the others, is not really negotiable.
 - Off-site review meetings should occur quarterly.
 - The quarterly review is probably the one that might call for the use of an outside consultant.
 - It's often nice for the leader or the executive to participate as a member and leave the organizing and facilitating to a trusted consultant.
- 186 The thesis behind all of this is worth repeating: a great deal of the time that leaders spend every day is a result of having to address issues that come about because they aren't being resolved during meetings in the first place.
- That's why it's really hard for executives to make a credible case for spending less time in meetings, assuming those meetings are good ones.
- 187 Of all the recommendations my firm makes to clients, the one that is most consistently embraced and touted as having an immediate impact on an organization is the adoption of the meetings model outlined here.
- 188 **Checklist for Meetings**
- Members of a leadership team can be confident that they've mastered meetings when they can affirm the following statements:
 - Tactical and strategic discussions are addressed in separate meetings.

- During tactical staff meetings, agendas are set only after the team has reviewed its progress against goals. Noncritical administrative topics are easily discarded.
- During topical meetings, enough time is allocated to major issues to allow for clarification, debate, and resolution.
- The team meets quarterly away from the office to review what is happening in the industry, in the organization and on the team.

Seizing the Advantage

- 189 As more and more leaders come to the realization that the last frontier of competitive advantage will be the transformation of unhealthy organizations into healthy ones, there will be a shift in the mind-set of executives away from more technical pursuits that can be delegated to others and toward the disciplines outlined in this book.
- 190 The person in charge of an organization's leadership team is crucial to the success of any effort to build a healthy organization.
- There is no escaping the fact that the single biggest factor determining whether an organization is going to get healthier – or not – is the genuine commitment and active involvement of the person in charge.
- 191 They must be the first to do the hardest things, like demonstrating vulnerability, provoking conflict, confronting people about their behavior, or calling their direct reports out when they're putting themselves ahead of the team.
- The leader must also be the driving force behind demanding clear answers to the 6 Big Questions, even when everyone else wants to end the discussion and just agree to disagree.
 - If all of this sounds daunting, that's because it is.
 - People who lead healthy organizations sign up for a monumental task - and a very selfless one.
 - That is why they need to relinquish their more technical responsibilities, or even their favorite roles, that others can handle.
- 192 Set aside time to launch the process.

Checklist for Organizational Health

- 195 **Discipline 1: Build a Cohesive Leadership Team**
- _____ The leadership team is small enough (3-10 people) to be effective.
 - _____ Members of the team trust one another and can be genuinely vulnerable with each other.
 - _____ Team members regularly engage in productive, unfiltered conflict around important issues.
 - _____ The team leaves meetings with clear-cut, active, and specific agreements around decisions.
 - _____ Team members hold one another accountable to commitments and behaviors.
 - _____ Members of the leadership team are focused on team number one.
 - _____ They put the collective priorities and needs of the larger organization ahead of their own departments.
- 196 **Discipline 2: Reinforce Clarity**
- _____ Members of the leadership team know, agree on, and are passionate about the reason that the organization exists.
 - _____ The leadership team has clarified and embraced a small, specific set of behavioral values.
 - _____ Leaders are clear and aligned around a strategy that helps them define success and differentiate from competitors.

- _____ The leadership team has a clear, current goal around which they rally. They feel a collective sense of ownership for that goal.
- _____ Members of the leadership understand one another's roles and responsibilities. They are comfortable asking questions about one another's work.
- _____ The elements of the organization's clarity are concisely summarized and regularly referenced and reviewed by the leadership team.

Discipline 3: Overcommunicate Clarity

- _____ The leadership team has clearly communicated the 6 aspects of clarity to all employees.
- _____ Team members regularly remind the people in their departments about those aspects of clarity.
- _____ The team leaves meetings with clear and specific agreements about what to communicate to their employees, and they cascade those messages quickly after meetings.
- _____ Employees are able to accurately articulate the organization's reason for existence, values, strategic anchors, and goals.

197 **Discipline 4: Reinforce Clarity**

- _____ The organization has a simple way to ensure that new hires are carefully selected based on the company's values.
- _____ New people are brought into the organization by thoroughly teaching them about the 6 elements of clarity.
- _____ Managers throughout the organization have a simple, consistent, and nonbureaucratic system for setting goals and reviewing progress with employees. That system is customized around the elements of clarity.
- _____ Employees who don't fit the values are managed out of the organization. Poor performers who do fit the values are given the coaching and assistance they need to succeed.
- _____ Compensation and reward systems are built around the values and goals of the organization.

Meetings

- _____ Tactical and strategic discussions are addressed in separate meetings.
- _____ During tactical staff meetings, agendas are set only after the team has reviewed its progress against goals. Noncritical administrative topics are easily discarded.
- _____ During topical meetings, enough time is allocated to major issues to allow for clarification, debate, and resolution.
- _____ The team meets quarterly away from the office to review what is happening in The industry, in the organization, and on the team.

More Resources

- 199 www.tablegroup.com/theadvantage
- Video clips about organizational health
 - Complimentary organizational health survey
 - Glossary of key terms
 - Downloadable images for reference
 - Road map for implementation
 - Other dynamic tools and resources