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ORGANIZATION



Decision Insights:

Create a decision-focused culture

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The year was 2002. ABB, the Zurich-based power technology and automation company, had barely escaped bankruptcy, and new CEO Jürgen Dormann needed to make big changes. He raised cash and negotiated a new credit facility. He restructured the organization, consolidating its businesses into two divisions and just 28 business areas, down from 65. He centralized profit-and-loss accountability. These measures and others eliminated many of the organizational roadblocks that had been stifling ABB.

But the real test of Dormann's moves was still ahead: Would the changes lead to a new culture of decisiveness and action? In the past, it seemed, decisions bogged down in negotiations. People watched out for their own local interests. They played organizational politics to get things done. Now, lines of authority and responsibility were clearer, and so were the company's objectives. But for ABB to thrive, executives and managers would have to rise to the cultural challenge every day. They would need to make good, speedy decisions that furthered the company's goals and then make sure that those decisions were carried out. Could Dormann and his team create an environment where that could actually happen?

The leaders at making and executing decisions nearly always turn in better financial results than their competitors. This link between decision effectiveness and performance makes intuitive sense, and it is well supported by our research and experience.¹ But as ABB's story suggests, a critical attribute of a decision-focused company, the hardest to develop yet most essential for lasting success, is a culture that fosters great decision making and execution throughout the organization.

Culture defines how people act day in and day out. It's what they do when no one is looking. In a high-performance culture, everyone takes it for granted that quick, effective decisions and execution are a critical part of their everyday responsibilities. They make choices and take action. They don't let organizational obstacles get in the way. Bain & Company research suggests that companies with a high-performance culture grow about 20 percent faster than average companies and are roughly 50 percent better than others on a comprehensive measure of decision effectiveness.

Building that kind of decision-focused culture can seem daunting. But a committed leadership team can do it, and in this article we'll show

how. We'll look first at the traits that make up a high-performance culture and at the connection between those traits and decisions. Then we'll examine how ABB and other companies have created a cultural environment that supports and reinforces good decisions and execution.

Defining high-performance culture

It's tempting to imagine that all high-performance cultures look alike. They don't, and that's part of their strength. Each one has a unique personality, a distinctive heart and soul that reflect the company's heritage and match its business strategy. Such a culture creates a powerful emotional bond between employees and the organization. Think of SC Johnson, the big household-products company. More than 80 years ago its CEO made the famous declaration, "The goodwill of people is the only enduring thing in any business. It is the sole substance. The rest is shadow." The company has drawn on that heritage to create a set of enduring values known internally as "This We Believe," including commitments to employees, customers and the community. SC Johnson's implementation of the values earned it a place in the Harris 2010 list of the 10 most respected companies in America.

Create a decision-focused culture

But though the personality and soul of a high-performance culture are unique, virtually all such cultures seem to encourage the same kinds of behaviors. Indeed, Bain research has identified six key attributes that nearly every high-performance culture shares (see Figure 1):

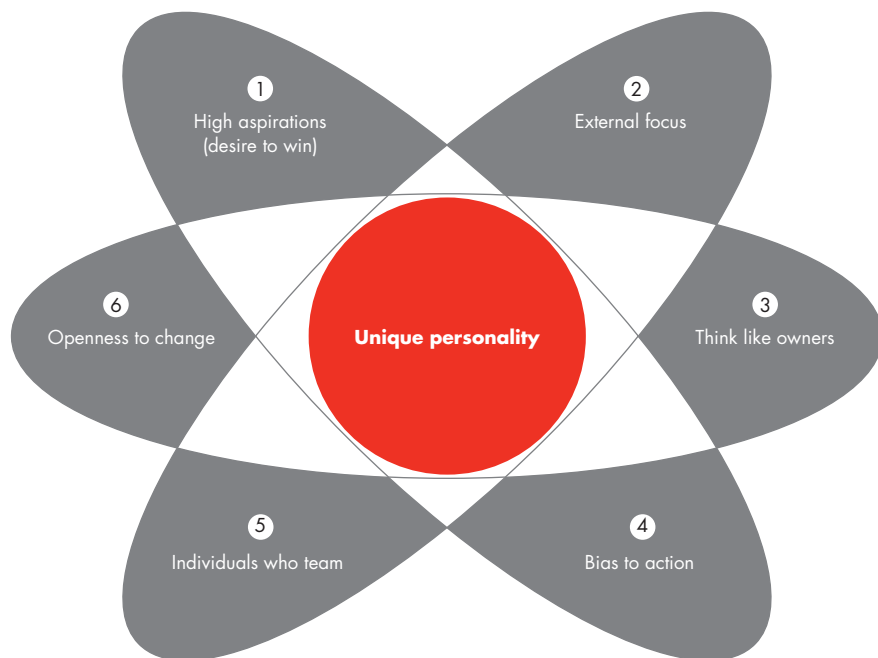
- People aim high. They are fundamentally dissatisfied with the status quo, and they know what *winning* looks like.
- People focus externally, on customers and competitors rather than internal politics or turf.
- People think and act like owners—they take responsibility for overall business performance, not just their slice of it.
- People have a bias toward action and little patience with endless bureaucratic debate.
- People support teams and reward team players, while encouraging individuals to be themselves and bring their personal best to the table.

- People embrace change and innovation. They don't let themselves get bogged down in tradition.

It is these attributes that encourage good, speedy decision making and execution. If you're aiming high, for instance, you have to challenge yourself to make bold decisions and implement them promptly. If you focus on customers and competitors rather than internal politics, you're likely to make better decisions for the business.

This kind of culture is precisely what ABB lacked, and it couldn't make good decisions as a result. Executives responsible for bids on large power projects, for example, often found themselves caught up in disputes with other ABB units, each of which had its own profit targets and set its own transfer prices. Real teamwork was scarce, and the resulting decisions weren't as good as they needed to be. After Dormann became CEO, the culture was wholly different: the unspoken assumption

Figure 1: Winning culture – Unique personality and performance attributes



was that everyone would cooperate in preparing bids that were in the best interests of the company. “The situation we’re in today as a business,” says Gary Steel, a member of the executive committee and head of human resources, “is a direct function of the culture change we embarked on in 2003.”

Leading cultural change

How did Dormann, Steel and the rest of the team bring about that change? How have other companies done it?

Changing a culture involves influencing people’s deepest beliefs and most ingrained behaviors. Little wonder that it is hard. But the secret to culture is that it comprises many different components, and when you change the parts you change the whole. There are three key steps, which we think of as *define*, *align* and *build*.

Define the new culture. The first job is to define what you want—to show that the company values decisions and action, and to describe the goal in terms of specific behaviors. At the Australian telecommunications company Telstra, for instance, one pillar of the push for cultural change in recent years was a sense of urgency, which leaders christened *done.now*. Andrea Grant, Telstra’s HR director, explains the effect: “People would say, ‘If we need 27 approvals, that is not *done.now*.’ They’d question how to change the way we do things.” Kraft Foods is another example. Building on its “rewire” strategy, which restructured the company to facilitate growth, Kraft began to focus on creating a high-performing culture. A key ingredient was a set of explicit values, which CEO Irene Rosenfeld felt would inspire an emotional connection between employees and organization. “Pairing our new purpose with clear values unifies employees and enables a high-performing culture,” she said. Kraft’s seven “values in action” are all tied to performance and decisions: one of them is, “We discuss. We decide. We deliver.”

Align the leadership team around decisions.

Cultural change begins at the top, and it won’t get far if senior leaders aren’t all on board. ABB’s Dormann, for example, selected a group of five executives who he believed could lead the transformation. This new executive team held a planning summit in the Swiss Alps to discuss the decisions that would be necessary for a successful future for ABB. Gary Steel recalls, “We cooked together, we ate together, we drank together, we worked together, forging the sense that this was a single leadership team. We’d argue privately and then stand together publicly. I think that if you talked to some of the other guys, that was probably one of the most significant manifestations of the culture change that they would see. They saw people who were supporting each other, rather than destroying each other.”

Jim Kilts, who was CEO of Gillette before its acquisition by Procter & Gamble, took a different approach to alignment, but the results were the same. Kilts noticed soon after his arrival at Gillette that there was a lot of hallway chatter after meetings, and that some executives were passively resisting decisions made in those meetings. So he asked his team to agree to a specified code of behaviors, including open and honest debate during a discussion and wholehearted support for the decision once made. Eventually, executives received four separate annual ratings on their adherence to the agreed behaviors—one from themselves, one from peers, one from direct reports and one from Kilts himself—and their score on the ratings affected a meaningful portion of their bonus pay. The message was clear to all: we all need to be on the same page. This is our culture. We can’t expect others to debate openly and then support a decision if we ourselves don’t.

Build an organization that reinforces the culture. Companies that are best at decisions align every element of their organization around

Create a decision-focused culture

the cultural objective of decision effectiveness. They ensure that decision roles are clear. They develop human resources procedures that put top performers in the jobs where they have the greatest impact on critical decisions. They create incentive systems that encourage and reward good, speedy decision making and execution. A culture of decisiveness and action emerges from these and other measures, because people throughout the organization see that's what's important. Of course, behavior change doesn't happen automatically. People may know what's expected of them, but they may still need to embark on a personal journey of change before they truly live the new culture.

At ABB, Dormann and his team moved immediately to reshape the culture and help people learn the new behaviors. In consolidating P&L accountability, they sent the message that ABB was one company rather than a collection of autonomous business units. They launched a three-day leadership training program known as Leadership Challenge to teach people the skills they would need to thrive in the new environment. They asked Gary Steel's human resources department to lead a major cost-cutting effort, rather than locating the initiative in finance. The message was, we don't just want one-time cost savings, we want different spending behaviors. "It was a fundamental part of the culture change," says Steel. "If you can teach people to think differently about the money they spend, the chances are they'll make better decisions." Steel's initiative beat its target and saved the company about \$1.2 billion as people began factoring cost considerations into more of

their decisions. Steel also revamped ABB's incentive system, putting most managers on a bonus scheme tied to a group scorecard. That, too, encouraged decisions aligned with the company's interests.

Conclusion

The right culture leads to great decision making and execution, and decision effectiveness leads to results. Companies that follow these three steps—define, align and build—can thus turbocharge their performance. ABB, for example, was back on track by 2007, with a share price that grew more than fivefold in the five years since its near-bankruptcy. But that's not the only benefit. A culture of decisiveness and action energizes people. It enables them to do their best, and to look forward to coming to work each day. Companies with high-performance cultures score far higher than other companies on key measures of employee engagement, and they reap the rewards that engagement brings. ABB, for instance, has been able to retain a high percentage of its key employees and to staff most of its senior positions from internal candidates.

Trevor Gregory, ABB's chief executive for the UK and Ireland, saw the company both before and after its cultural transformation, and he experienced the frustration of not being able to make good decisions on matters such as power-project bids. He thinks the difference is remarkable. "The changes we went through back then gave this business an opportunity to fly," he says. "And it has flown."

¹ See the book *Decide & Deliver: 5 Steps to Breakthrough Performance in Your Organization* (Harvard Business Review Press, 2010), from which parts of this article are adapted.

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