1 Cracking the High-Performance Code

The Great, the Bad, and the Consequences

Even to sharp-eyed sports commentator John Feinstein, the golfers who compete in the National Qualifying Tournament, or Q School, are indistinguishable from those who make it to the pro tour. They have picture-perfect swings, and they can drive a golf ball 300 yards.

What distinguishes the Tiger Woods and Phil Michelsons from those who never graduate from the Q School? According to Feinstein, it is the ability to perform supremely well under the pressure of a high-stakes tournament and, most tellingly, within the five feet of space separating the golf ball from the cup.

The ability to consistently excel under pressure is not just the hallmark of great golfers; it also separates great business teams from the merely good ones. Great teams rise time and again to overcome great challenges. It is a remarkable achievement—in some ways more impressive than what the pros in tournament golf accomplish, considering that it takes not just one star performer, but a team of stars, to pull it off.

> **At 5 AM on November 26, 2006, a thousand people stood in line in Chicago, waiting for Best Buy to open its doors—and they were the latecomers.** In Philadelphia, despite wind, rain, and 40-degree temperatures, lines at the King of Prussia Mall began forming at 3 AM. In Murray, Utah, 15,000 shoppers poured into the Fashion Place Mall just after midnight. According to newspaper accounts, entire shelves of merchandise were cleared in minutes, and retail stores were as packed as nightclubs.

It is called "Black Friday" for a reason. Each year, retailers count on this day to move their balance sheets from red to black. On Black Friday 2006, over $622 million was spent every minute. Every second that a retail cash register stayed silent on that day was a major loss. At Chico's, a women's clothing chain with more than 500 stores, traffic was slow. The company had planned a nationwide marketing event for Black Friday, with easels in front of each store advertising "40% off already marked-down merchandise." But the customers just were not buying. Store managers were calling the company's Florida headquarters looking for direction—and fast.

On Black Friday speed and the ability to turn on a dime are next to godliness.

At 11 AM, the company's head of marketing picked up the phone and called his store leadership team, asking, "Is our current marketing approach working? Is that easel out front getting shoppers into our stores instead of Talbot's or Ann Taylor?" "No," he was told by the team leader, "most of the store managers report that it's not working." After a quick huddle to appraise the situation, Marketing swung into action, calling the stores with a new strategy: bring in the easels and the markdowns, and replace them with front-of-the store tables displaying accessories. New signs would read, "Buy one accessory, get the second one 50% off." "Great!" came the response, and the 500 outlets and their teams moved swiftly to execution.

"We changed our nationwide marketing approach before noon," says Chico's CEO, Scott Edmonds. "That change delivered strong same-store sales. It saved Black Friday for Chico's, and it happened in the snap of a finger."

In a second organization, Novartis Oncology, a number of key teams were about to take on a major challenge that would test their ability to win under pressure.

> **In 2003, executives at Novartis Oncology awoke to a potentially disastrous development.** The company's marquee product, Glivec—until then the only drug available to treat a very rare and deadly form of leukemia—was being threatened by the introduction of a new product from a rival pharmaceutical company. The new product was projected by analysts to grab 20 to 30% of the market once it gained approval.

With Glivec representing nearly half of Novartis Oncology's revenue, implications were grim. The outlook was not much better for the company's critically ill customers, who might be switched to the new drug prematurely, before doctors knew its long-term survival rates and side effects. Nothing less than the lives of its customers and Novartis Oncology's number-one revenue driver were at stake.

CEO David Epstein swiftly called on his division vice presidents to put together action teams capable of "gaming" business scenarios. Each team represented a different aspect of the market: Glivec team; competitor team; and a team representing Tasigna, a potential second-generation leukemia drug that was in Novartis's R&D pipeline.

They ran no-holds-barred simulations that played out how the competition might position itself, how Novartis might respond, and what the market might look like in five years. No option or potential outcome was left unexplored. "The teams had the chance to beat each other up under different scenarios," Epstein says. "Then they developed strategies to help them win in those scenarios."

And they did win.

As a result of the games, the teams realized that Tasigna would have to be brought to market much more quickly than scheduled and that personnel shifts were needed. Tasigna development was accelerated, becoming one of the fastest developments of a pharmaceutical product—from discovery to filing—in history.

Since Glivec was effective in about 90% of patients, and trying to displace Glivec could create an opening for the new competition, Novartis Oncology needed a unique strategy. It boldly positioned the newer drug as a "more selective" second-line therapy to be prescribed for patients whose illness has progressed. It further identified that the competitor's product might make a good third-line therapy, due to its multiple mechanisms of action.

This team-built strategy allowed Novartis Oncology to integrate two of its products while sidelining the competition. When the competitor's drug came on line it took a meager 6% of the market in its first 18 months, leaving Novartis Oncology's bottom line—and its patients—healthy.

In yet another case, a team in Latin America was forced to reinvent itself—or suffer the consequences.

> **When Brian Camastral took over Mars Inc.'s Latin American division in 2005, the 3,000-associate operation had been consistently underperforming.** Many millions of dollars had been invested in the region, with no return.

The division's yearly financials were a constant surprise. Smaller units would consistently report healthy numbers 10 months in a row, then—with 60 days left on the calendar—reveal $10 to 20 million shortfalls.

Leadership was practically nonexistent. In two years, the division had gone through four presidents. Camastral was the fifth. The entire executive level of the organization was rife with churn, as star associates fled faster than they could be promoted. Not surprisingly, any notion of team cohesion had long since evaporated.

As a result, Mars Inc. Latin America was starving in a land of plenty. The organization's growth was stagnant amidst a population of over 560 million potential customers. Brian Camastral knew the stakes and took charge. It was time to win.

Camastral's top agenda: make his organization flat, fast, and team driven. To do so, Camastral divided the organization's three lumbering operational segments—South America, Mexico, and the Caribbean—into a sleeker, more manageable geography. Brazil, for instance, became an independent unit, as did the Southern Cone, comprised of Argentina, Chile, Uruguay, and Paraguay. Out of the original three units, Camastral and his team created seven focused and nimble teams.

Accountability became the go word. Camastral engaged team members one on one, making them keenly aware of where responsibilities began, ended, and overlapped.

Results were measurable and incentives were rich. It was not long before each unit wanted to be a winning team and a division wide *esprit de corps* prevailed.

Turnover became a nonissue, and more than 70% of management-level openings have been filled from within the company.

In just 12 months, the division began experiencing double-digit growth. The annual budget surprises became nothing but a memory as the agile teams met all earnings targets and blew away bottom-line expectations.

"We have created so many business opportunities in the last two years that we don't have the capacity to take advantage of them all," says Camastral. It is the kind of dilemma that every organization longs to face, and one that Camastral and his team will be dealing with for some time to come.

Meanwhile, at Applied Biosystems, a life sciences company, senior executives struggled to regain the health and vitality of their organization.

> **When Catherine Burzik became president of Applied Biosystems (AB), she knew she faced stiff challenges.** The company she was about to lead had been stagnant for several years, with little revenue growth and falling stock prices. Worse yet, it seemed that the company's R&D glory days were behind it. Despite significant R&D expense, there were few new products in the pipeline. Those that had been brought to market were not making the expected ROI. Both Wall Street and AB employees had lost confidence in the company.

What the company lacked in commercial performance, it made up for in a noble mission. AB aimed at nothing short of improving the human condition. And it backed up its mission with impressive past scientific accomplishment. AB created every instrument used in the sequencing of the human genome. AB's systems enable researchers around the globe to uncover the basic laws of nature and to further their understanding of human disease. AB's forensic DNA kits enable police to catch criminals and exonerate the innocent.

But in 2004, when Burzik assumed the top position, she saw that AB—which had enabled unparalleled scientific research for nearly 25 years—was about to flat line. Past glory would not be enough to secure the company's future.

Burzik's mission: work with her executive team of 15 vice presidents to craft and execute a strategy to get the company moving again. She quickly moved to push decision making down from her office to the team—a significant shift, given the command-and-control style of leadership in the company. A Division Presidents' Council, made up of the presidents of AB's four global business divisions, became the forum in which to raise and resolve tactical issues common to all. An Executive Strategy Team was created to identify and evaluate possible mergers and acquisitions. A third subteam, run by the vice president of finance, was charged with keeping a close watch on the numbers. A fourth focused strictly on R&D.

Speedy decision making and implementation began to replace bottlenecks and impasses. The new decentralized team structure, the minimalist approach to decision making—fewer decision makers per issue and more decision making per capita—and greater individual accountability freed up Burzik to pursue the next round of competitive advantage.

As a result of these changes, business accelerated. AB's stock price nearly doubled, as did its market cap. Revenue began to grow and the bottom line has seen double-digit performance. After several years of no acquisitions, two significant ones were successfully completed.

"Now AB's teams confront and deconstruct business challenges with confidence," says Burzik. "They know they have the tools to win."

Contrast the responses of these four great teams with those at a number of high-profile private and public organizations that have made the news in recent years. For example:

- **K-Mart's inability to fend off competition from Wal-Mart.** Ignoring the handwriting on the wall for over a decade, Big K was always a step or two behind. Now, the once-number-one discount retailer in the world ranks a distant third, behind both Wal-Mart and Target.
- **Merck's attempts to squelch reports of safety concerns about Vioxx**, which were revealed by the *Wall Street Journal*. Amid a storm of criticism and ill-will, the company was forced to withdraw the drug, got hit with dozens of lawsuits, and saw its stock price plunge 27%.
- **Mitsubishi executives' cover-up of defects in 580,000 vehicles.** The revelation of the attempt to avoid recalls knocked \$200 million off the price DaimlerChrysler paid for a stake in the Japanese automaker,

destroyed consumer confidence in the brand, and cost hundreds of thousands of yen in government fines.

- **FEMA's botched response to Hurricane Katrina:** lucrative, no-bid contracts handed out to politically connected firms; families housed in high-priced hotels while rows of government trailers sat empty; $1 billion squandered on fraudulent assistance. And, several years later, a large portion of the U. S. Gulf Coast still uninhabitable.
- **The failed DaimlerChrysler merger.** German management refused to fully integrate the two companies for fear of tarnishing the Mercedes brand, and CEO Jurgen Schrempp admitted publicly that he had never intended the deal to be a "merger of equals."[1] Employees and investors who felt betrayed left the company and dumped their stock, and the ailing and emasculated Chrysler Corporation ended up on the auction block.
- **Airbus's delivery of only one new behemoth plane,** the A380, in 2007, down from the 25 originally promised. Once expected to revolutionize air travel and leave top rival Boeing in the dust, the aircraft was two years behind schedule and $2 billion over budget. And, while Airbus still has only half the A380 orders it needs to break even, Boeing is churning out its new, souped-up 747—which has almost the same capacity as the A380.

There are no Q Schools in the world of hypercompetitive global business. Losing teams, especially those at the top of an organization, do not often get to play another round.

What Makes the Standouts Stand Apart?

Whether a CEO and top-management team charged with setting strategy; a plant manager and shop-floor personnel committed to getting a defect-free product out the door; or a cross-functional, global project team dedicated to a worldwide product launch, teams are today's locus of power, responsibility, and action.

Great teams make great organizations. Period. Good and mediocre teams make good and mediocre organizations. They meet deadlines; they stay within budget; they maintain the *status quo*. But they do not push the envelope. They do not typically reach for performance breakthroughs. It is unlikely they will set the world on fire. And, over the long haul, they will take you out of the game.

Inept teams, especially at senior levels, can do irreparable damage to a company's brand, product line, customer relationships, and share value. Even those organizations with deep pockets in these areas can teeter and crash. Just ask former employees of Arthur Andersen, PanAm, Texas Instruments, Westinghouse, Zenith, and many of the other companies that have fallen off the radar screen.

For over 25 years, we have been helping clients create great business teams and great business organizations. Great business teams are not necessarily top management teams. They can be found in the boardroom or on the plant floor. But, when a top executive team is great, it has the authority and positional charisma to set in motion a chain reaction that can transform the performance of teams throughout the organization.

What makes great business teams stand apart? And how can they be replicated throughout an organization? We have thought long and hard about these questions. We searched for the answers not in theory but in practice—in the experiences of our clients. The organizations we have worked with were under the gun to produce results. Not unreasonably, they pressed us to do the same, and to do so rapidly. Hunch, trial-and-error testing, and retesting trumped conceptual finesse. We looked for distinctions between what worked and what did not. This process led us to a set of core attributes that have helped unlock the performance code of great teams. *Great business teams are high-performing, horizontal teams that operate as fully aligned entities to achieve increasingly higher levels of results.*

No matter where in the organization they are housed, how many or what level employees they include, what task they have been charged with, or how long their tenure, ***great business teams share five characteristics:***

1. Great Business Teams are Led by High-Performance Leaders Who . . .

. . . create a "burning platform" for fundamental change. High-performance leaders are in a hurry. They are impatient with the *status quo*. Their sense of urgency is driven by a compelling business challenge—a threat or an opportunity—that must be met or exploited. In a skilled leader's hands, that challenge becomes a "burning platform"—an energizing principle—

for enrolling others to overcome the presenting challenge and, in so doing, to address deeper issues related to how employees view themselves, their roles, and their relationships; how work gets done; and what it means to be a contributor. In other words, high-performance leaders convert the challenge into a business case for radically and permanently changing an organization and the behavior of those who work for it.

In Burzik's case, the challenge was to jack up revenue growth and share-value. Camastral's challenge was to jump-start a stagnant organization. At Novartis Oncology, Epstein faced a significant competitive threat to his organization's most important growth driver. And Edmonds' ambitious plans to grow Chico's would have amounted to little more than pipe dreams, without the vim and vigor exhibited by high-performing teams such as the one that saved the day on Black Friday.

. . . are visionaries and architects. Many business leaders are visionaries. But a high-performance leader holds out a unique vision. To overcome the immediate challenge and those that lie ahead, high-performance leaders like Burzik, Camastral, Edmonds, Epstein, and the other senior executives you will meet in the pages that follow have scuttled the traditional hierarchical organizational model and replaced it with a "flat," horizontal one. As Burzik puts it, "Most organizations function on a hub-and-spoke model, with decisions radiating from a central base of power. They're not built for high performance and speed."

But a leader needs to be more than a visionary. The question is: Can you lead your team and organization down from the mountaintop? Given the demands placed on today's organizations, visions need to be operationalized, which is a unique strength of high-performance leaders. They have an architect's flair: able to see the whole game—the blueprint, not just the vision—for creating a great business organization. And they know how to inspire in others the desire to make that blueprint a reality.

. . . know they cannot do it alone. High-performance leaders are not necessarily charismatic or heroic, though, as we shall see later on, it takes guts and grit to be one. They are team players. Their notion of teamwork is not driven by ideological notions of "shared decision making" or "engagement," but by strictly utilitarian considerations. High-performance leaders believe they are more powerful and effective—and their organizations create greater value—in the presence of high-performing teams that function horizontally.

Over the last 10 years, Cathy Burzik, like other high-performance leaders, has learned that the only way to accelerate performance is by going horizontal: empowering teams throughout the organization to make the decisions formerly made at the top. In her words, "It enables you to multiply yourself."

Like great architects, high-performance leaders surround themselves with people who can bring their blueprints to life. They do not put the hammer to the wood, but they need people who can. They remain riveted on answering such questions as: Who are the players, and what competencies must we develop or acquire to create a high-performance organization? What role do I play in bringing this about?

As Epstein puts it, "I ask senior executives, 'Do you want to live in a world where you are constantly putting out fires and solving problems? Or would you rather live in a world where the rest of the organization is working to solve its own problems, where most issues are solved at levels below yours, and where you spend your time focusing on where you want to drive the business?'"

In Scott Edmonds' case, he knew that for Chico's to survive and succeed in the dog-eat-dog world of women's retailing, where styles and taste can change on a whim, the company had to change the way it operated. Moving to a horizontal structure, based on great business teams, would allow Chico's to act quickly and decisively. As Edmonds sees it, a horizontal organization is "ruled by high-performance teams with real decision-making clout and accountability for results, rather than by committees that pass decisions up to the next level or toss them over the wall to the nearest silo."

. . . build authentic relationships. To great leaders, *authenticity* has a special meaning: holding up a mirror to players to reflect, in real time, how well they measure up to the requirements of a high-performance environment. And being a *relationship builder* also has a special meaning. It does not involve being a "people person," with "natural interpersonal skills." Rather, it is about building trust so that the entire team can openly discuss, assess, and confront one another on actual performance in order to raise the bar. This relationship-building process begins with the leader posing tough questions in *five key areas:*

- What is the business strategy, and how committed are we to achieving it?
- What key operational goals flow from the strategy, and how do we make sure these goals drive day-to-day decision making?
- Are we clear on roles and accountabilities?
- What protocols, or ground rules, will we play by as a team?

- Will our business relationships and interdependencies be built on candor and transparency?

In the process of raising these questions with team members and in the give-and-take search for answers, effective leaders lay the groundwork for a solid, performance-oriented set of relationships. What emerges is a fully aligned and engaged team of players who think and act like a mini board of directors.

. . . model the behaviors they expect from their team. Leaders exercise a kind of gravitational pull on their team. Their behavior sets the performance "should be" for others. It can spawn an army of imitators.

Outside Scott Edmonds' office, a sign is posted that reads, in language that everyone at Chico's understands, "I practice HPTs (high-performing teams)." The sign reminds visitors that they are about to enter a high-performance zone, and it also reminds Edmonds to practice what he preaches: authenticity, transparency, receiving and delivering candid feedback, holding himself and others accountable, and an uncompromising focus on business results.

. . . redefine the fundamentals of leadership. High-performance leaders tend not to focus on restructuring, reorganizing, or reengineering—at least not as a going-in priority for changing how their organizations get results. If you buy into the proposition that Burzik, Camastral, Edmonds, Epstein, and other leaders of great teams have advanced, then the leader's first task is to change mindsets, beginning with his or her own. This type of leader commands without commanding. He or she has the strength to put aside ego and not merely encourage team members to make decisions and produce results—but actually hold them accountable for doing so.

Power—who gets what and how?—is a fundamental principle of social life. Within high-performing organizations, power flows not so much up and down as across the organization, and it is *distributed* to players and teams that have been aligned. It's a major departure from tradition, to say the least.

In redefining their own role, high-performance leaders see the net advantage of letting go, which frees them from many of the more onerous aspects of the traditional leadership model, ranging from playing Solomon to acting as enforcer. "As Chico's grew more complex," recounts Edmonds, "we began to operate in silos within a centralized decision-making structure. It was driving me crazy," he says, thinking back to the days before Chico's began creating teams on every level. "I felt as though, if it didn't change, they wouldn't be able to pay me enough to put up with it. Life is too short to be a referee or a dad trying to keep peace among all the siblings in the family."

2. Members of Great Business Teams are Us-Directed Leaders

On a team that aspires to greatness, the leader is not the only one who must undergo a change in mindset. Team members must also do so, or the model does not work. "When I turn around,' says Epstein, "what I want to see is leaders, not followers"; and, in Camastral's view, "a high-performing team is not a leaderless team, but a team of leaders."

For a team to make this transition, every member must look deeply at him- or herself to answer the basic question: What does it mean to be a player in this organization and on this team? If the answer is anything short of "It's about *us* winning," then the team is not even close to becoming great. While it is unrealistic to expect complete abandonment of functional thinking, high-performance players have learned to subordinate functional self-interest to winning for the team. Their compass points are oriented more toward moving the business forward and more toward "us" than toward "me" and "my function."

The most unique characteristic of a great team involves a mindset change that is difficult to bring about. It centers on one word: *accountability.* When it comes to holding others accountable, we are programmed to think vertically, not horizontally, and downward rather than upward. Members of great business teams have broken free of these constraints. They think of themselves as accountable not only for their own performance, but for that of their colleagues—even those who do not report to them. In this new model, the head of IT would feel perfectly comfortable and, in fact, obligated to question actions by the head of marketing that may be putting a new product launch at risk. The controller would have no qualms about asking the director of Human Resources (HR) to explain the ROI of a new training program.

On a great business team, no one's—not even the leader's—performance is exempt from scrutiny and feedback. When he set out to create a great business team, Brian Camastral knew this would go along with the territory. "The general managers and staff now call me immediately when they think I am off target," he recounts. "After the team decided that the

Brazilian business should be broken up into more focused pieces, they told me I was moving too slowly on execution. I had to speed up the process."

As *us*-directed leaders, team members are unafraid to go where others fear to tread. If there is an uncomfortable issue—the proverbial dead elephant's head in the room—whether it be an underperforming peer, a strategic issue, an operational glitch, a potential problem, or a missed opportunity, they confront it with a bias toward action.

Burzik points to an incident that illustrates how far her top executive team at Applied Biosystems traveled in its ability to step up and confront an issue:

> I discovered that several members of my team would appear to agree to decisions in team meetings but then go back to their organizations to drive different, nonaligned agendas. Often, this misalignment was apparent to subsets of the team, but not to the entire team—and the subsets failed to bring the issues to everyone's attention. The lack of alignment eventually became obvious to the entire team during a number of strategic business reviews. The situation eventually crescendoed, and I had to take action on several team members. The experience proved to be a major moment of truth in the evolution of the team. They had been hoping that I would recognize the problem, so they waited and didn't take action. They finally came to realize that it wasn't just *my* business to run; it was *theirs* as well.

3. Great Business Teams Play by Protocols

A great business team leaves nothing to chance. The more structured its way of working together, the less likelihood of misunderstandings, conflict, or costly delays and bottlenecks. Counterintuitive as it may seem, the fastest-moving, most innovative teams we know spend a fair amount of time crafting hard-and-fast protocols and living by them. One important set of protocols relates to decision making.

High-performance leaders no longer make all the decisions. They may, in fact, make very few. While that is all to the good in terms of the speed of decision making, it also muddies the once-clear waters. Who will now be responsible for which decisions? Will they be expected to make the decision unilaterally, or will they be required to get input from others? Does the team expect them to actually make the decision or to present a recommendation?

Ambiguity kills effective decision making. It also wastes precious time. Great business teams are crystal clear about what decisions they need to make, who will make them, and how. They tend to follow a carefully laid-out process: identifying the decisions that have to be made, identifying subteams to make them, assigning accountability for getting closure, and selecting a decision-making mode—unilateral, consultative, or by consensus.

One of the first things Burzik and her team at Applied Biosystems did was put in place formal protocols for decision making. "All strategic-level decisions were made by the full team," explains Burzik, "but lower-level decisions were made by subteams. We operated like a board of directors that has committees to which it delegates fact finding and decision making." The results speak for themselves.

Interpersonal conflict can be a greater obstacle to high performance than lack of resources, shifting priorities, or unclear goals. The latter can usually be resolved by creative thinking, but the former are impervious to logic. Some team members may be holding onto "stories" about their colleagues or holding grudges against them. Others may be overly aggressive, abrasive, and generally unpleasant. Or they may be poor team players—undependable, uncommunicative, out for themselves.

The great business team also agrees on protocols for interpersonal behavior, especially in dealing with conflict. Straight-up rules such as "no triangulation or enlistment of third parties," "resolve it or let it go," "don't accuse in absentia," and "no hands from the grave, or seconding-guessing decisions" can eliminate much of the unresolved conflict that paralyzes teams and keeps them from moving to a higher level of performance.

Those who aren't willing to shift their behavior don't last long. Those who are willing but skill deficient are given the training and coaching they need to modify their personal style.

4. Great Business Teams Continually Raise the Performance Bar

No matter how much it achieves, a great business team is never satisfied. The *status quo* is always on trial. As Ken Bloom, CEO of INTTRA, Inc., puts it, "If you think you are done, you are *done.*"

It used to be that organizations enjoyed periods of homeostasis, hit a speed bump, then went through another period of homeostasis before the next round of change. Now, there are only speed bumps. In a world in which pressure never ends, teams must always be looking ahead, anticipating the next bump and being totally prepared when it comes.

On a great business team, self-monitoring, self-evaluation, continuous improvement, and raising the performance bar are the norm. Rick Rizzo is a high-performance leader who, like the four others cited at the beginning of this chapter, has helped to create great business teams in a number of major pharmaceutical companies. "At one time," says Rizzo of his current team, "they were like an outfielder trying to never drop a ball. They were always trying to play it safe, talking down targets and low-balling goals. They never tried to make the dramatic catch—where you take the leap and may or may not catch the ball. If you get it, it's a big win; but if you drop it, it's a big failure."

The "play it safe" mindset evaporated completely as, under Rizzo's guidance, his group evolved into a great business team. They began setting stretch goals for themselves and, after attaining them, kept raising the bar. "Now, one of the attributes of the team is constructive dissatisfaction," continues Rizzo. "The team believes that, no matter how well it has done, it could have done better." Rizzo and his team always hold a year-end celebration of their success, and he never misses the chance to remind them of this. "Imagine how much better we could have done if we had not missed that opportunity or done thus and so, I point out. And other members of the team have started doing the same. Winning and exceeding expectations have become contagious."

5. Great Business Teams Have A Supportive Performance Management System

Whether your aim is to create a single great business team or an organization made up of great teams on every level, the shift is not a merely a structural, but a profoundly cultural, one.

A team on which the members have the power and authority of leaders, on which they themselves create and adhere to protocols for decision making and interpersonal behavior, on which goals are upwardly moving targets, and on which everyone acts like an owner of the business is far more than a new concept to most people: It flies in the face of much of what they have experienced.

In order to effect permanent behavior change, a team's performance management system must support the new expectations. Team and individual goals have to be crystal clear; the necessary technical and interpersonal skills have to be provided; performance has to be monitored; and feedback has to be timely and well thought out.

As we have seen, many of the requirements for serving on a great business team—accepting new levels of responsibility, holding one's peers and leaders accountable, acting as a director or owner rather than an employee, changing one's interpersonal style—force individuals far out of their comfort zones. Unless there are positive consequences for staying there—and negative ones for retreating—most people will quickly revert to old, safe ways of behaving. That is why great business teams only flourish when there are positive consequences for embracing team values and negative ones for flouting them.

"Skin in the game is crucial: the compensation system must provide positive consequences—including one of the best motivators—pay for performance," observes Leigh Ann Errico, an experienced executive coach and a seasoned hand at creating great business teams. "Sometimes you have to hit people right in the pocketbook," explains Errico. "In my experience, successful companies use performance management and compensation systems that look at both the hard facts—performance results—and leadership qualities—demonstration of company values or behavioral beliefs. If someone is not partnering well or trying to take all the credit for results, that person is not going to see the same rewards as someone who achieves performance results *and* is a pleasure to work with. And it really makes people change."

End Thought

History, Arnold Toynbee reminds us, is an unfolding process driven by a series of challenges and responses. The fortunes of nation states, business teams—and even golf games—stand or fall on the outcome of this dynamic process. Every organization and every team within it face challenges as they go about the tasks of solving problems and making decisions. Some teams just seem to take those challenges in stride, move quickly to resolution, and triumph over them. They then either move on to the next set of challenges, or, if the team is issue specific and temporary, members disband, justifiably proud of "mission accomplished." These teams enable their organization to endure as great companies, able to ride the crosscurrents in lean times and to reach for the stars in upturns.

To gain a thorough understanding of the "right stuff" of great teams, we will take a serious look into the key elements of great business teams that we have only touched on briefly in this chapter. In the chapters that follow, we will introduce you to a wide variety of teams and their leaders. Some have earned the label "great"; some are in the last stages of their journey to greatness; others have just started on the path. You will hear, in their own words, the stories of leaders and team members who have undergone personal transformations—and challenges—en route to high performance. You will see how ground rules, or protocols, for decision making and interpersonal behavior have kept many teams on track during their journey forward. We will discuss how typical teams continue to raise the bar, deal with the inevitable backsliding, and create a performance management system that helps sustain the new paradigm.

You will also have an opportunity to be a fly on the wall in some actual team-alignment sessions and meetings in which critical business and personal issues surfaced and were dealt with in real time. It will be an opportunity to witness how great teams play under pressure. Join us as we examine the making of great business teams and organizations.

Note

1. "Novel Insights into the Foundering Daimler-Chrysler Merger," *Knowledge@Emory,* June 05, 2002.