Keep on TOP in a Bottom Market

BY HOWARD M. GUTTMAN

EARLY IN 2009, Patrick Parenty was promoted to the position of president of brands for L'Oréal's Professional Products Division. Like most consumer products companies, L'Oréal experienced a difficult sales environment during 2008. All seven brands in the Professional Products Division suffered, but the one that held up best in a difficult market was Redken Fifth Avenue, which Parenty has led since 1999.

"If you have an organization where strategy, business priorities, and roles and responsibilities are very clear, and people are held accountable, you will have a relatively stronger business," Parenty asserts. "In a downturn, you probably won't be able to avoid losing some business, but you will have smaller losses than the competition."

Parenty is describing the horizontal, high-performance organization model, which Redken has been following for more than a decade. It is a radical departure from the traditional, hierarchical model that continues to dominate the corporate landscape, and it is the best way we know to drive up and sustain results in good times and bad.

In December 2008, the *Wall Street Journal* reported the results of two surveys conducted by The Conference Board: one in July 2008 and, the second, with the same group of executives, in November. In between, the credit crunch had deepened, and the global economy had slowed substantially. How did these changes affect the participants' view of the challenges facing their companies? After the downturn, execution of business strategy remained the top priority, but nearly twice as many respondents said they were concerned about the need for speed, flexibility, and adaptability to change. The horizontal, high-performance model ideally is suited to deal with all of these.

In today's business world, work gets done largely by teams. A horizontal, high-performance organization is made up of high-powered teams, working at peak potential, at every level. Everyone on every team understands the overall company strategy and the operational goals that stem from it. Each team is focused on achieving the highest level of results as quickly as possible.

Think about the benefits of the model, especially in a time of contraction and churn: greater top-to-bottom alignment; elimination of silos; faster, better decisionmaking; more flexibility; greater sense of accountability; and added focus on results, How do you best equip teams to deal with the challenges of a downturn? How do you get the maximum benefit from the model? It begins with the process of "alignment," which is gaining the agreement of everyone on the team in five key areas: business strategy; goals and deliverables coming from the strategy; roles and responsibilities at individual and department levels; protocols for interpersonal behavior and decisionmaking; and business relationships and interdependencies. Let us take a closer look at this alignment:

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Business strategy. This is about the fundamentals. What is our competitive differentiator? What is the direction for new business development? What products or services should we be offering, to which markets? What are our growth and revenue expectations? In today's fast-moving, uncertain times, forget about long-range strategic planning. Top management needs to be able to reformulate strategy on the run.

When a senior team is aligned, every member understands and agrees on the current strategy and the assumptions upon which it is based. There is no need for time-consuming retreats to the fundamentals. If fast-changing conditions warrant reformulation or recalibration of the strategy, it is easier to do so when everyone comes from a common frame of reference.

Leadership teams that operate horizontally enjoy a distinct advantage since the tide turned in 2008. Having transferred a great deal of tactical responsibility to their direct reports, they were free to focus on the unfolding changes in the marketplace, think through the strategic implications, and prepare their organizations to move smartly into "first-responder" mode to deal with the situation.

Goals and deliverables coming from the strategy. In *Execution*, Larry Bossidy and Ram Charan point out that, "Most often today, the difference between a company and its competitor is the ability to execute. If your competitors are executing better than you are, they're beating you in the here and now, and the financial markets won't wait to see if your elaborate strategy plays out."

The best way we know to move strategy from the drawing board to the organization and then to the marketplace is to align teams around the goals and deliverables that come out of the business strategy. Parenty recalls that, when he first joined Redken, there was no follow-through in terms of executing the strategy. The then-general manager would hold a meeting and say, "Our priority for the coming year will be education; we will hold 4,000 shows to educate hairdressers." Explains Parenty, "Everyone would agree, cheer, and leave the meeting, but when I went to the directors afterwards and asked how many shows each would be able to hold, one would say 'five,' another would say 'six.' I'd say, 'That's only 11; we need 4,000. How can we translate that vision into action?' They'd reply that it wasn't possible, and I'd ask, 'Has anyone told that to the general manager?' "

Keeping goals realistic and in sync with the strategy is pivotal. At Redken, it was not until directors went through an alignment that they began speaking up during meetings, pointing out the problems with the goals they were expected to achieve. Today, asserts Parenty, the entire team understands the strategy and together sets realistic, attainable goals in support of it.

Roles and responsibilities at individual and department levels. Whose job is it, anyhow? These are five of the most loaded words in the management lexicon. Unless you are crystal clear on the answer, count on turf battles and your organization becoming a house divided—and paralyzed. Without aligned roles and responsibilities, it is difficult to imagine an organization being able to respond to the pressures of the marketplace in time to stave off trouble.

At your next meeting, try having your colleagues go through the role-responsibility exercise that we typically put executives through in our alignment sessions. Ask team members to write their answers to the following questions on an easel sheet: What are your key responsibilities? What are the activities for which you are responsible? With whom, on this team and outside it, do you need to collaborate to get your job done? What do you think other players perceive your job on the team to be? What questions do you have about your role?

Next, post the sheets on the conference-room wall. Have each team member and the team leader move around the room to review the individual sheets, putting their initials next to each statement that they disagree with or have questions about. As the players' initials are added, disconnects increasingly become apparent. Encourage discussion about these disconnects. The objective is to assign each contested role or responsibility to one person. If, after a reasonable time, those directly involved cannot reach agreement, the leader should step in and make the call.

While this exercise takes time, when teams that we lead look back after the alignment, they invariably believe that clearing up confusion over roles and responsibilities was a crucial factor in raising their performance, but here is a caveat worth remembering—unless your team is a high-performance one, fully accustomed to operating in complete candor and disclosure mode, this exercise could well be injurious to its well-being.

Protocols for interpersonal behavior and decisionmaking. Rules rarely are popular, but where would we be without them? Ground rules do just what the name implies—they keep us grounded. They channel discussion and behavior, thereby helping us avoid helter-skelter decisionmaking and endless debate and delays. There are two areas in which having agreed-upon protocols can help a team move more swiftly and effectively. The first is interpersonal behavior, especially as it relates to conflict. The second is decisionmaking.

Parenty points to several protocols that were hammered out at Redken during his top team's alignment session and that guide everyone's behavior. "If a person has a conflict with someone else, they speak to that person first," explains Parenty. "If they can't resolve it, they talk to their manager." In addition, the team has adopted a 24-hour rule. "If a person has a disagreement or an issue with how someone else is handling things, they must address it within 24 hours or drop it." Finally, a silence rule states that, if a player does not speak up during a discussion, meeting, or informal interaction, it equates to a tacit endorsement of the decision or action.

All teams at Redken abide by similar protocols, and Parenty has made sure that they possess the skills needed to resolve conflicts within this framework. All executives and managers have participated in conflict-resolution workshops. For several years after the company's move to a high-performance, horizontal model, it boasted double-digit sales and profit growth—within an industry that was expanding at an average rate of two percent. Parenty believes that there is a cause-effect relationship. "We do not miss opportunities due to inaction or warring factions, and we make better, quicker decisions because we have these rules in place."

Parenty's latter comment brings us to the second area in which protocols are critical: decisionmaking. On great teams, the leader no longer is the uber decisionmaker. Much of the action shifts to subteams, where the decisions tend to be reached by consensus or consultatively. Leader-centered decisionmaking enjoys one paramount advantage—the decision process is clear; it is the leader, stupid. Yet, as leaders migrate away from the leader-centered model, there is potential for great confusion, which is why it is crucial for teams to develop and agree upon protocols for decisionmaking. For instance, how will important decisions be made: unilaterally, collaboratively, or by consensus? Who will be consulted for information and opinions? Who will make the final decision? Who will execute it?

Incidentally, protocols are not created by the leader and imposed on the players as a fait accompli. The players and the leader, together, hammer out the new ground rules. Here, commitment trumps compliance.

Business relationships and interdependencies. According to Parenty, his predecessor initiated the alignment process back in 1996 because there were major relationship problems within the division. "It was highly siloed," he explains. "Education wouldn't talk to Sales or Marketing; Sales and Marketing wouldn't talk to each other. Each group would talk about the others behind their back. Functional leaders were not on the same page and did not share objectives and priorities. A 'who's who in the zoo?' mentality prevailed, with each function fighting for the lion's share of resources."

Interoffice conflict

As a result of the internecine conflict, sales and profits had fallen and morale was at an all-time low—and this was in good times. Imagine how much worse it would have been in today's environment of downsizing and cutbacks.

Prof. Rosabeth Moss Kanter of Harvard Business School describes some of the typical behaviors of employees whose company is going through tough times: lack of communication and collaboration; closed-door decisionmaking; scapegoating; fingerpointing; fragmentation; and in-fighting.

Given the premium placed in horizontal, high-performance organizations on top-to-bottom alignment, such destructive behavior is unlikely to surface regardless of the economic climate but, if it does, it is dealt with swiftly and openly.

In many traditional organizations, what you achieve dominates who gets what and how much. How you achieve results is of lesser concern. Aligned teams are as results obsessed as any other team, but they also are "how"-directed. Over time, failure to pay attention to "how" results are achieved lead to the same maladaptive behaviors cited by Kanter, resulting in loss of vitality and competitive strength. How do individuals typically behave when dealing with others? Where, on a continuum of behavior, do they fall? Are they nonassertive, assertive, or aggressive? How can interpersonal behavior be modified so that assertiveness—the ability to state one's needs while respecting those of others—prevails?

We ask teams to go through a simple exercise as a first step toward becoming aligned in the area of business relationships. Each player tells the group where his or her behavior falls on the continuum, and then the rest of the team weighs in. Not surprisingly, we often see a huge disconnect between how players view themselves and colleagues' perceptions. This particularly is true of people who are perceived as quite aggressive by others, yet think of themselves as, at most, highly assertive. It often is uncomfortable, but a real eye opener nonetheless.

This exercise is followed by another, in which individual team members express to one another, in a depersonalized, business-like manner, the ways in which their interpersonal behavior is impeding their ability to get results. Learning to deliver and receive "straight talk" is a major challenge, but once colleagues have mastered the art—while abiding by the protocols that the team has agreed upon—they can move on to the next step of contracting with one another to make the changes needed to resolve their conflict and begin working more collaboratively.

After aligning business relationships, relates Parenty, interfunctional behavior at Redken changed completely. "Relationships got healthier," he observes. "Because the environment was honest, people were able to discuss issues and concerns. To this day, when we debrief a major project, everyone can tell what went well and what went poorly. Marketing can point out to Sales where Sales missed it, and Sales doesn't give them an argument. From beginning to end, everyone is involved. No one is uncomfortable discussing success or failure. The goal is to learn from both. It's a business case and we don't get emotional about it."

In business life, however, do not count on panaceas. The horizontal, high-performance model comes with no guarantees that your organization automatically will produce runaway results in a downturn. What it can do is improve your chances of riding out tough times better than the rest. Teams and organizations that are aligned in the five key areas, that are clear about goals and roles, and that are not hampered by internal conflict are at a distinct competitive advantage, especially in turbulent times.

The same competitive advantage will serve you well when the tide finally turns. When new business opportunities present themselves, the high-performing teams that you have been creating and nurturing will be off and running while your competitors are left wondering about how to rebuild. ★

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