accenture

High performance. Delivered.

This article originally appeared in the January 2007 issue of

Outlook

The journal of high-performance business

How to create a culture of high performance

By Robert J. Thomas, Fred Harburg and Ana Dutra

A culture of high performance depends on commitment at the highest levels of the organization—not only to set it in motion but also to maintain the momentum that ensures ongoing high performance. Accenture's research has identified what leaders need to do to develop the five key mindsets that underpin this performance anatomy.

As anyone who has ever tried to persuade someone to change political allegiances knows, getting people to think differently is a nearly impossible task. That's why perhaps the central attribute of a successful leader is the ability to change the way people think. For top executives, the challenge is especially great: They must get thousands of people in an organization to think in similar terms about the purpose of the business and what they individually must do to accomplish that purpose.

Put another way, the successful leader must get everyone to share the same specific mindsets. In the course of a two-year investigation, we determined that to improve business performance, five mindsets matter most. They constitute a culture of high performance or, in our terminology, a performance anatomy.

Think of performance anatomy as being divided into three components: mindsets, practices and results. When the mindsets are aligned, they generate operational practices that, in turn, lead to superior business results (see chart, page 42). Left on its own, however, the performance anatomy of even the best organization will remain at rest, a prisoner of inertia. Only when the necessary force, in the form of leadership, is exerted does performance anatomy become an effective driver of high performance. At that point, continued effort by senior leaders creates the cultural momentum that is critical to ongoing business success. Leaders may also need to recalibrate and redirect a performance anatomy periodically to respond to new strategic needs or changed competitive conditions.

Again, creating or changing mindsets is easier said than done. Where does one start? Mission statements? More communication from above? Strategy summits? Some of these tactics can certainly help if deftly employed. But we have found that the development of each of the five mindsets most critical to high performance is associated with a key leadership action.

Mindset 1: Maintaining the right balance between market-making and disciplined execution

Leadership action: Avoid false trade-offs and commit to a dual focus on the present and the future.

Companies can sometimes get stuck in the conventional world of "either-or": Either we can manage for today and optimize returns with existing people and assets, or we can invest in the future in the hope that our next generation of products and services will lead the way out of an unsatisfying present.

In an environment of increasing complexity, however, a one-dimensional focus is fatal. It has never been a good idea for an organization to ignore the short term in favor of long-range planning, but today, in the face of increasingly demanding expectations for flawless execution, it's suicidal. Similarly, a "me-too" strategy with operational excellence at its center will ensure only that an organization goes out of business more efficiently.

Leaders of high-performance businesses avoid the either-or trap by taking a "both-and" approach and surrounding themselves with talented individuals who excel in both disciplines. While insisting on outstanding returns from today's operations (as demanded by investors), they also invest heavily in what it will take to be a game-changing innovator in the future. Along the way, they catalyze a new way of thinking in their organizations that embraces the creation of market spaces of uncontested opportunity on the one hand and a deep commitment to flawless execution on the other.

Consider how the senior team at Harrah's Entertainment has grasped new opportunities in its industry while demanding operational excellence.

Between 1999 and 2005, the company grew from 17 casinos and 36,000 employees to about 40 casinos and 85,000 employees. Following fast on the heels of its 2005 acquisition of Caesars Entertainment for $9.3 billion, Harrah's is set to close on the purchase of its first European casino and is in the running to build ultra-luxurious resorts in Singapore and Macao. During this period of aggressive growth, refining and preserving the company's unique culture of high performance has been one of CEO Gary Loveman's biggest challenges. As he explains, "Bringing the 'secret sauce' to many more places rather than changing the recipe" is critical to the company's ability to succeed over time.

At the same time, Loveman has made it clear that flawlessly executing today's strategy is a paramount concern. Harrah's managers are expected to rigorously analyze the business and to justify their plans and decisions on the basis of their ability to add value. New hires are often surprised by the expectation (in a gaming business, no less) that nothing be left to chance.

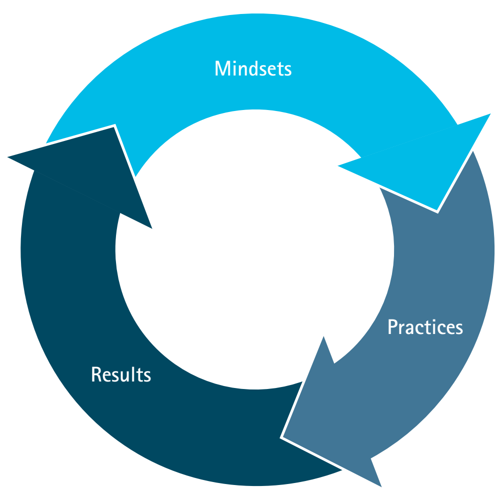
Tim Stanley, Harrah's CIO, explains: "One of the first things they figure out is you need to have a plan, week by week or even day by day. We're serious about planning and analysis—not just how you're going to spend the money but how you're going to operate. At Harrah's, predictability is expected."

But doesn't the dual emphasis on the present and the future confuse Harrah's employees? No, because senior leaders reconcile the two by emphasizing a key ingredient in the secret sauce: the company's "service-profit chain." In the early 1990s, before he joined the company, Loveman and four other professors at Harvard Business School developed the concept, which explains how Harrah's makes money and how every employee contributes to that process. In a service-profit chain, employee behaviors are the biggest and most direct influence on customer satisfaction; customer satisfaction is, in turn, the best predictor of revenue growth and, ultimately, of profitability.

Harrah's leaders clearly and continuously drive this message home to everyone in the company. By ensuring that all employees are on the same page about the business's value logic, they provide a touchstone for every encounter, every conversation about operations and every strategic move. This allows the company to reject the false trade-off in which the aggressive pursuit of new markets and disciplined execution are perceived as antithetical activities. Leaders at other companies in pursuit of high performance should take a page from Harrah's book and close their ears to the siren song of either-or. (For more on Harrah's Entertainment, see "Exploring the mindset of the high performer," *Outlook*, October 2005.)

A virtuous circle

Think of performance anatomy as being divided into three components: mindsets, practices and results. When mindsets are aligned, they generate operational practices that lead to superior business results.



Mindset 2: Obsessively identifying and multiplying talent

Leadership action: Invest a disproportionate amount of time in recruiting and developing people.

Managers in lower-performing organizations complain that they don't have time for the "people stuff." Yet a knowledge-age business has no hope of achieving high performance unless its top executives lead the charge to acquire, develop, assess and retain talent. They can't simply push HR harder; instead, they must get personally involved in the search for talent and the development of people.

One way they can do that is by becoming obsessive talent scouts. By continually scanning for the best people both inside and outside the organization, executives clearly communicate by word and deed that they care deeply about finding, developing and retaining talent. They often make subordinates uncomfortable unless they, too, demonstrate a keen awareness of their people's talent and look for ways to multiply its value.

Scouting for talent is particularly important for BMW, whose lifeblood is innovation. In fact, the carmaker routinely plans for professions that don't exist yet but will be needed in the future. As Chairman Norbert Reithofer explains: "Today, we need to know as precisely as possible what skills will be necessary tomorrow. In order to successfully develop, produce and market a new vehicle, we must shape and master innovation." BMW's approach to recruiting and people development, expressed in the chairman's maxim, "It takes the best to make the best," reflects a powerful talent-multiplier mindset.

At UPS, innovation is also critical but so is near-flawless reliability, since the company's reputation is directly tied to its ability to deliver nearly 15 million packages a day without a hitch.

One of the keys to UPS's ability to balance these needs is hiring a lot of raw talent. By bringing in 19-year-old college students to work part-time or during the holiday rush, UPS managers get to know a large number of potential long-term employees. In fact, 78 percent of the company's vice presidents started their UPS careers in non-management positions. This "feeder system" recruitment strategy, coupled with the company's promote-from-within program, makes it possible for new hires to go far in the organization. John Saunders, vice president of human resources, describes the approach this way: "We tell our human resources representatives, 'You're hiring a CEO today. We don't know who it is. But somewhere, we're hiring one. So make sure you treat them properly" (see "Inside the values-driven culture at UPS," *Outlook*, September 2006).

Another way for leaders to create a talent-multiplier mindset is by publicly placing people with high potential in critical positions or at the head of important initiatives even before they're ready for such roles. They know it is much better to challenge people with assignments that provide some stretch and discomfort than to leave them for extended periods in positions that fail to draw on their full potential. Explaining the criteria for such decisions is important, too, as it demonstrates the leader's farsightedness in matching people with positions.

Marriott International provides its managers with innovative opportunities to learn from experience. Mike Jannini was recruited for a corporate staff role because of his graduate degree in marketing, but, he explains, he "wanted to operate a hotel, and they indulged me for seven years, at four hotels in four states." When, Jannini says, he was "tapped on the shoulder" and asked to join Marriott's corporate staff, he was able to bring to that position a level of operational savvy that helped drive the company's rapid and successful program of brand segmentation. Today, Jannini is the hotelier's executive vice president for brand management (see "Why Marriott shareholders sleep well at night," *Outlook*, May 2006).

Motorola is also focused on out-of-the-box talent development. For example, several years ago, the company employed Ron Garriques as a chief engineer overseeing product line management. In 2002, after Garriques completed an executive development program and expressed a strong interest in developing himself as more of a general manager, the company named him senior vice president and general manager for Europe, the Middle East and Africa. Both the chairman and the CEO were personally involved in the decision and expressed confidence that Garriques could make the leap.

The move was not a comfortable one for the engineer, and it stretched him in many ways. In the end, however, he flourished in the role, driving significant increases in sales, customer satisfaction and market share between 2002 and 2004. He is now president of Motorola's mobile devices business, headquartered in Libertyville, Illinois.

These stories illustrate the creativity, management effort and time investment needed to build an organization into a talent multiplier.

Mindset 3: Using a selective scorecard to measure business performance

Leadership action: Rely on a simple, memorable way of measuring success and use every occasion to share those success stories throughout the organization.

Executives today are at risk of drowning in an ocean of technology-generated data. One possible response to data overload is to tune out completely, but that only takes the problem to the other extreme.

A better response is to make the company's business model as simple and as transparent as possible (a core principle of the distinctive-capabilities building block of high performance), and to figure out exactly which measures are needed to illuminate the model's success. The next step is to constantly emphasize the model and the measures so that a selective-scorecard mindset is embedded in the organization.

Recall Gary Loveman's practice of placing every question, every strategic initiative and every customer encounter in the context of Harrah's service-profit chain. Similarly, Amazon.com's CEO Jeff Bezos carries around a simple schematic rendering of a systems model—arrows linking critical revenue drivers—that he shares at every opportunity with employees whenever questions arise about, say, why the company has elected to add a new feature to its website or offer a new shipping option. Amazon's model, like Loveman's chain, provides a powerful touchstone for explaining the entire business.

At Best Buy, a key measure the top team uses to track business performance is employee engagement. Generated by survey, employee engagement scores indicate workers' commitment to the job and to the company. Best Buy, which has nearly 1,000 stores, can then use the scores to analyze how local management variations relate to the stores' financial performance.

In an internal study, analysts found that in the store with the highest employee engagement score, 91 percent of the workers agreed with the statement, "I know what's expected of me at work." In the store with the lowest engagement score, only 27 percent agreed. Moreover, the store with the highest score ranked in the top 10 percent of Best Buy stores as measured by P&L budget variance; the store with the lowest score ranked in the bottom 10 percent. The company's leaders make sure that store managers are aware of the importance of these numbers to Best Buy's continuing high performance.

At Baltimore-based Constellation Energy Group, the company's most valuable asset is an intangible one: its knowledge of the industry and understanding of the energy business's value chain. Measuring how these assets translate into performance is at the top of the company's selective scorecard.

To bring more quantitative rigor to managing the business and to improve the development of its intangible-knowledge assets, Chairman, President & CEO Mayo Shattuck III hired several Ph.D.s—including mathematicians who could bring a skill set not usually found in energy companies—to help address the extraordinary complexity of such an approach to high performance in this equally complex business. Shattuck recognizes that selectively using data to measure and model key business processes is one of the hallmarks of high performance, and he seeks to spread the selective-scorecard mindset throughout the organization (see "Constellation Energy: A star is born," *Outlook*, January 2006).

Leaders who want their people to buy in to what the company is doing should be prepared to distill its unique value proposition—what Accenture calls the company's value algorithm—into an elevator speech that everyone in the organization can absorb and act on.

Mindset 4: Recognizing technology as a strategic asset

Leadership action: Invest in technologies that will demonstrably lead to better business performance.

Executives often feel pressure to keep up with changes in technology, regardless of the possible impact of new hardware or software on business performance. But implementing change for change's sake is a surefire way to get a low return on the investment.

According to an Accenture study, high-performance businesses often spend less on information technology than their competitors do, but their investments always have strategic implications (see *Outlook Special Edition:* Breaking Away, May 2004). These companies also push their technology leaders to think like business strategists and operators. As a result, an organizational mindset in which IT is seen as a strategic asset takes hold.

Gary Loveman's leadership is again instructive. After taking over Harrah's, he was inundated with internal proposals to update and dramatically expand the company's website. Loveman responded with a simple question: "What are we doing to make sure that our best customers know that there's a promotion at a given property next Thursday?" His point wasn't to throw cold water on IT spending but to focus the technologists' attention on devising and implementing initiatives that would connect to business expansion with a solid line.

At many companies today, the focus is on convergence between business strategy and IT strategy. At some companies, however, the use of IT as a strategic asset is so deeply embedded as to be unconscious. UPS, for example, is no longer a mere package-delivery company, and that's because IT is at the core of its strategy and its business model. Information technology made it possible for UPS to make the global, synchronized commerce of goods, information and funds happen more smoothly.

Through business cases and post-implementation measurement, UPS monitors the returns of a billion-dollar IT budget. And when the company decided to invest $600 million in its package flow software, the decision emanated, according to CIO David Barnes, from the leadership's strategy to achieve "one-to-one customer relationships, while maintaining an IT infrastructure with 'dial-tone reliability.' "

This blend of reliability and strategic linkage is the essence of the IT mindset that high performers should strive for.

Mindset 5: Emphasizing continuous renewal

Leadership action: Ensure that the organization understands what to preserve from its current ways of doing business and what to jettison.

Organizational momentum encourages the continuation of current practices and habits, particularly in successful organizations. At worst, staying on the same track, once it becomes a rut, can ossify the organization and leave it vulnerable to competitors that will outmaneuver it, out-innovate it and out-adapt it. Overworked aphorisms regarding the importance of continuous change do little to provide competitive advantage. Instead, leaders must ensure the organization is developing increased market sensitivity and good judgment concerning what should and should not be sustained and what should be renewed (see "Continuous renewal: Managing for the upside," *Outlook,* June 2005).

Leaders must constantly be alert for competitive softness and vulnerability, and for new market opportunities. They should build a bridge to sustained competitiveness by uncovering innovations and new markets and exploiting them before their competitors do.

That's why, for example, Harrah's experiments with new forms of gaming, such as video gaming in its existing properties and experiments in its research group with web- and cell-phone-based gaming. Marriott continues to probe for experiences that will make its services more attractive to what the company calls "enjoyment travelers," as well as to younger businesspeople. The key, according to Marriott brand management chief Jannini, is both fostering and protecting a willingness to challenge the status quo: "As long as it's about the business, you can stab every sacred cow on the table."

Effective leaders must also demonstrate fierce pride in the best elements of the organization's history. Rather than living in the past, however, they should instead concentrate on articulating its relevance to a rapidly changing future.

This requires them to be storytellers of the highest order: knowing how to engage people in a shared vision, how to lift the spirits and aspirations of their people, and how to deal honestly and forthrightly with the pain that can accompany change.

In late 2001, when Mayo Shattuck became CEO of Constellation Energy, he had to right a ship that was listing badly. The industry was being buffeted by the shockwaves of the Enron scandal, and Shattuck knew it was essential to remind employees of the company's proud heritage and history of innovation. Using an extensive array of artifacts from the company's past, he created a veritable museum on each floor of Constellation's headquarters. These museums were not just an exercise in nostalgia, however: They were reminders to all who saw them that Constellation had never flinched from taking on major (but calculated) risks or from embracing necessary changes to the business (a typical example: early incandescent lights that replaced oil lamps and in the process dramatically changed the company's technology and skill base).

To reinforce a continuous renewal mindset a leader must challenge people to work effectively, to consistently improve and, ultimately, to completely revolutionize their jobs.

Bill Marriott exemplifies this spirit at Marriott, where he is well known for such pithy comments as, "I don't care what we did in the past" and "Success is never final." That attitude explains why, if profit margins increase from 35 percent to 39 percent at a particular hotel, someone will ask, "What will it take to get them to 40 percent?" President and COO Bill Shaw puts it in context: "People in another company might be deflated by that attitude, but it's part of the culture at Marriott."

A similar way of thinking can be found at UPS, where the concept of "constructive dissatisfaction," coined by founder Jim Casey, permeates the organization. Chairman and CEO Mike Eskew regularly closets his leadership team with inventors, visionaries and academics for conversations about game-changing ideas and possible futures. He actively seeks out such people as a way to challenge the company's thinking about its business model, corporate governance, use of technology and more.

By taking these actions, a leader can put in motion the powerful mindset of continuous renewal so it becomes a self-sustaining engine for innovation and better ideas.

Performance anatomy is a powerful tool. But it requires the steady hand of leadership to function successfully in across a range of conditions, from periods of prosperity to those of turbulence in the industry or economy. For guidance in this task, leaders must look to the steadying influence of a company's long-held values. UPS's Eskew sums up their importance: "Looking down the road 20 years from now, I think our strategies will be different and the environment will be quicker, but our values will be the same."

When senior leaders, guided by core values, create, shape and change the five mindsets that constitute a performance anatomy—and that ultimately underpin high performance—they help an organization establish the practices that lead to superior business results. An important first step on that path is to master the critical leadership actions that develop and encourage those mindsets.

About the authors

Robert J. Thomas is the executive director of the Accenture Institute for High Performance Business in Wellesley, Massachusetts. Dr. Thomas is also a partner in the Accenture Human Performance service line and a leading authority on leadership and transformational change. He is a frequent contributor to *Outlook*, and his ideas on human capital development have also appeared in *Harvard Business Review, Sloan Management Review* and *The Wall Street Journal*. His book *Geeks and Geezers*, which he cowrote with Warren Bennis, was one of the best-selling business books of 2002.

robert.j.thomas@accenture.com

Fred Harburg is a managing partner with Third-River Consulting. He has held numerous international leadership roles and worked with several premier Fortune 100 companies. He is also a member of the editorial advisory board for *Chief Learning Officer*, a magazine that includes his bimonthly column on strategy.

fred@3rd-River.com

Ana Dutra is the managing partner of the Accenture Organization Strategy group. She has spent more than 15 years in management consulting working with Fortune 1000 clients across multiple industries. Recently, Ms. Dutra oversaw Accenture's acquisition of Hagberg Consulting Group, a strategic consulting company specializing in the assessment of organizational culture and its alignment with corporate strategy. Ms. Dutra is based in Chicago.

ana.dutra@accenture.com

Outlook is published by Accenture.
© 2007 Accenture.
All rights reserved.

The views and opinions in this article should not be viewed as professional advice with respect to your business.

Accenture, its logo, and High Performance Delivered are trademarks of Accenture.

The use herein of trademarks that may be owned by others is not an assertion of ownership of such trademarks by Accenture nor intended to imply an association between Accenture and the lawful owners of such trademarks.

For more information about Accenture, please visit www.accenture.com

• Consulting • Technology • Outsourcing

accenture