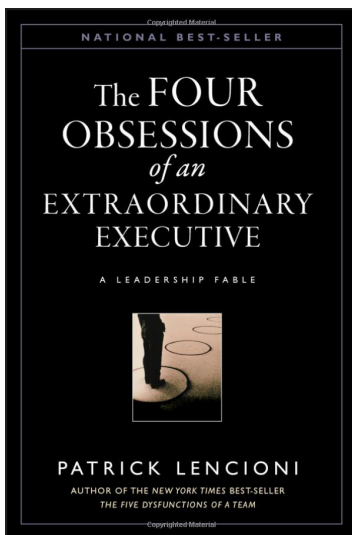


# EXECUTIVE BOOK SUMMARIES

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## ABOUT THE AUTHOR

### Patrick Lencioni

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## The Four Obsessions of an Extraordinary Executive

### THE SUMMARY

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Most executives spend a considerable amount of time and energy pursuing a competitive advantage. They usually focus on strategy, marketing, or technology, or things like that. Unfortunately, in today's competitive environment those advantages don't last long.

However, there is one competitive advantage that is available to every company, yet is largely ignored. What's more, it is a sustainable advantage, as it isn't based on information at all. I'm referring to something called organizational health, and it occupies a lot of the time and attention of extraordinary executives.

A healthy organization is one that has less politics, higher morale and productivity, lower turnover, etc. Every executive would love his organization to have these qualities; the problem is how to make it happen.

The first step is to recognize that organizational health is simple in theory but difficult in practice. It takes tremendous levels of commitment, courage, and consistency. It isn't complicated—it boils down to practicing four basic disciplines on a regular, consistent basis.

### DISCIPLINE ONE: BUILD AND MAINTAIN A COHESIVE LEADERSHIP TEAM

Building a cohesive leadership team is the most critical of the four disciplines because it enables the other three. It's also the most elusive because it takes a significant interpersonal commitment from an executive team and its leader.

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The essence of a cohesive leadership team is trust. Trust is revealed by an absence of politics and wasted energy. Every executive wants this for his or her organization, but few accomplish it because he or she doesn't understand the root issues.

For example, politics in an organization is the result of unresolved issues at the highest levels. Trying to curb political activity without resolving those issues will always be fruitless. Many executives consistently underestimate the impact of what they see as small disconnects. Those same "small disconnects" are often seen as major rifts to other people in the organization. Those people cannot resolve the rifts; it has to be done at the higher levels. And those issues are often not worked out because of a fear of conflict.

Within teams that lack cohesion, potential disagreements are not addressed, which dooms employees to wasting time, money, and emotional energy. Cohesive teams resolve their issues and create environments of trust, where most of the energy of the organization is focused on achieving desired results.

Cohesive teams are efficient. They arrive at decisions more quickly, and with greater buy-in than non-cohesive teams. They aren't filled with "yes-men" who avoid conflict in order to get things done faster. On the contrary, cohesive teams fight often. But they fight about issues, not personalities, and they don't make it personal, so when the issue is resolved, they can move on to the next one. They aren't afraid to ask difficult questions or challenge ideas in their pursuit of what is best for the company.

Building that kind of cohesion is difficult, but it's well worth the effort. Whether you measure the results in terms of increased productivity, reduced turnover, or a higher quality of work-life, it's well worth the effort.

The key is building trust, and one of the best ways to do this, is what I call "getting naked." I'm not talking about some New Age group hug exercise; I am talking about a general process of getting to know one another at a deep level. There are a lot of different ways to accomplish this; the key is that team members get comfortable letting their colleagues see them for who they are.

One approach is to use the Myers-Briggs Type Indicator, which is a profoundly effective tool for helping people understand each other. *The Wisdom of Teams*, by Jon Katzenbach and Douglas Smith, and my book *The Five Temptations of a CEO*, are great books to help teams identify and address weaknesses and potential problems.

A third option is to share personal histories. As people get to know each other's backgrounds, family histories, personal philosophies, hobbies, and interests, they understand each other better and are more likely to work together than those who don't.

A final factor is simply time. A key part of building trust is living through difficult times. The most cohesive teams I know have faced ugly issues and even come dangerously close to dissolution. By surviving, they develop a level of trust that is hard to break. Once it is developed, it is maintained by continually addressing core issues.

## **DISCIPLINE TWO: CREATE ORGANIZATIONAL CLARITY**

Most executives profess to understand the importance of creating clarity in their organizations, but often fail to achieve it. This is because they don't look deep enough. Organizational clarity isn't about choosing the right words to describe mission, strategy, or values; it is about agreeing on the underlying concepts that drive them.

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This kind of clarity provides employees at all levels of an organization with a common vocabulary and set of assumptions about what is important and what is not. More important, it allows them to make decisions and resolve problems without constant supervision.

An organization that has achieved clarity has a sense of unity around everything it does. It aligns its resources around common values, goals, and strategies, resulting in a powerful synergy that all great companies have.

If this is so powerful, why don't all executives create clarity in their organizations? Often it's because they overvalue flexibility. Because they want their organizations to be nimble, they don't articulate their direction clearly. Ironically, the best way to be nimble is to create clarity and, if the need to change course emerges, to be equally committed to creating clarity around the new direction.

So, how does an organization go about achieving clarity? One of the best ways to achieve clarity is to answer, clearly, a series of basic questions pertaining to the organization (the key is in not getting bogged down in wordsmithing answers but to focus on the essence of each question):

## **1. Why does the organization exist, and what difference does it make in the world?**

Many executives aren't convinced that this question has any relevance for the daily activities of employees. But when the answer is clear, it guides daily and long-term decision-making at every level of the organization.

## **2. What behavioral values are irreplaceable and fundamental?**

The key to answering this question lies in avoiding the tendency to adopt every positive value that exists. The healthiest organizations identify a small set of values that are particularly fundamental to their culture, and adhere to those values without exception. It's not that they reject all other values, but rather they know which qualities lie at the heart of who they are.

One way to identify fundamental values is by asking which two or three employees most embody what is good about the firm; what qualities do you specifically see in them? Likewise, I might ask executives to identify one or two employees who have left the firm (or should leave), because of their behavior or performance. What are those negative qualities? Looking at both can help to identify the core values.

## **3. What business are we in, and against whom do we compete?**

I believe that a company cannot be called great if virtually every employee, and certainly every executive, cannot articulate the basic definition of what the company does. As simple as this seems, it is common in most companies to find employees who cannot describe their organization's basic mission.

Ideally, every employee is a salesperson or ambassador for the firm, regardless of their actual responsibility, and they cannot do this without a fundamental understanding of their organization's business. More important, they can't connect their individual roles to the overall direction of the organization.

## **4. How does our approach differ from that of our competition?**

Essentially this is a strategy question. Despite the fact that it is a popular topic in business schools, there is no clear and simple definition of what "strategy" means. I believe it encompasses everything and nothing. While no single concept can summarize a company's strategy, every decision that a company makes is a function of its strategy.

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## 5. What are our goals this month, this quarter, this year, five years from now?

At the highest level, an organization should have one or two *thematic* goals for a given period. The purpose of a thematic goal is to rally employees, regardless of their specific jobs, around a common direction. A good way to arrive at a thematic goal is to finish the following sentence: “This is the year that our organization will...”

Beneath a thematic goal there should be major strategic goals that span the organization and support its overall theme. If the thematic goal is growth, strategic goals could include increasing revenue, adding new customers, hiring new employees, etc. The key is to focus on the areas that matter most and to avoid making every possible topic an area of equal importance.

Each goal must be measurable in order to evaluate progress. These metrics become the way to “keep score.” Many organizations make the mistake of using metrics in place of thematic and strategic goals. The problem with that is metrics don’t inspire people!

## 6. Who has to do what for us to achieve our goals?

One of the greatest problems that organizations encounter when it comes to achieving clarity is the inability to translate goals into concrete responsibilities for members of the leadership team. This is partly due to the fact that they make dangerous assumptions about roles based on people’s titles, and because they shy away from difficult territorial conversations about who is truly responsible for what.

## DISCIPLINE THREE: OVER-COMMUNICATE ORGANIZATIONAL CLARITY

Once clarity is achieved, it must be communicated to employees. This is the simplest of the four disciplines, but tragically, the most underachieved. After having done all the work associated with the first two disciplines, it is a shame not to reap the benefits of those achievements.

In organizations that overcommunicate, employees at all levels understand what the organization is about and how they contribute to its success. They may joke, or even complain, about the volume and repetition of information they receive, but they are glad they aren’t kept in the dark about what is going on.

The three most critical practices of effective communication are repetition, simple messages, and multiple mediums

Some experts say that only after hearing a message six times does a person begin to believe and internalize it. Unfortunately, most executives don’t like to repeat the same message again and again. They get tired of saying the same thing over and over.

A second key to effective communication is the ability to avoid over-complicating key messages. Employees are inundated with information every day. They need clear, uncomplicated messages about where the organization is going and how they can contribute to getting there.

Finally, multiple mediums need to be used. Most executives feel comfortable using just one form of communication. It might be large groups, or smaller settings; others feel more comfortable writing e-mails, or communicating through direct reports. Which is best? All of them. Limiting the number of mediums used will cause some part of the employee population to miss the message.

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Employees have preferences about the way they receive information also. Engineers might prefer e-mail, salespeople often like voicemail, and some employees want to hear their leaders in person. If you don't use a variety of mediums, you will miss some of them.

There is one form of communication that I have found to be the most powerful in any sized organization. I call it cascading communication. After every executive staff meeting that takes place, there are usually key decisions that have to be communicated to the organization. Unfortunately, it's not uncommon for executives to leave those meetings with different interpretations of what has been decided and what needs to be communicated.

I once saw an executive team decide to set a hiring freeze throughout the company. After the meeting, the head of human resources sent out an e-mail to all employees informing them of that decision. Five minutes later, two executives from the meeting were in the HR office, protesting that they didn't think the freeze applied to their divisions!

The key is to take a few minutes at the end of the meeting and ask the question, "What do we have to communicate to our people?" It will quickly become apparent which issues need clarification and which can be communicated.

## DISCIPLINE FOUR: REINFORCE ORGANIZATIONAL CLARITY THROUGH HUMAN SYSTEMS

Even a company committed to over-communication can't maintain clarity with communication alone. Clarity must be built into the processes and systems that drive human behavior, so there is practical reinforcement. The challenge is to do this effectively without increasing bureaucracy.

There are four basic systems in an organization that reinforce clarity:

**Hiring Profiles.** Healthy organizations look for qualities in job candidates that match the values of the company. They look at behavior and try to objectively evaluate if the applicant aligns with the core values. That's very different from most organization's approach of "Did you like him?" which doesn't tell you much, if anything, about how that person will fit.

**Performance Management.** This is the structure around which managers communicate with, and direct the work of, their people. The goal here is to foster good communication and healthy alignment, not just fill out endless forms. The best performance management systems focus on essentials, allowing managers and employees to focus on what must be done to ensure success. Ideally, performance management should be an ongoing dialog, rather than an occasional event.

**Rewards and Recognition.** This system has to do with how organizations reinforce behavior. Rather than "playing favorites," healthy organizations eliminate as much subjectivity as possible from the reward process and use consistent criteria for paying, recognizing, and promoting employees. Recognition is not limited to production, but is designed around an organization's values, in order to reinforce right behaviors (which also serves to promote the values themselves).

**Dismissal.** Rather than being arbitrary, healthy organizations use their values and other issues related to clarity to guide their decisions about letting people go. This often results in problems being identified before they become too costly.

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## Conclusion

The model described here is a holistic one: each discipline is critical to success. And because every organization is different, each will struggle with different aspects of the model. Some teams are good at building trust but lack the discipline to put systems in place. Others love strategy but lose interest in repeatedly communicating their decisions to employees. Whatever the case, there are two key things to keep in mind if you want your organization to be successful. First, there is nothing more important than making an organization healthy. Extraordinary executives focus on that above all else. Second, there is no substitute for discipline. The ability to identify a few simple things and stick to them over time is one of the most powerful tools any executive has. An executive who can do this will be extraordinary, and will often end up leading an extraordinary company.