Leaders BOOK SUMMARIES

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The Advantage

**Why Organizational Health Trumps Everything Else In Business**

THE SUMMARY

The Case for Organizational Health

The single greatest advantage any company can achieve is organizational health. Yet it is ignored by most leaders even though it is simple, free, and available to anyone who wants it. Many leaders struggle to embrace organizational health because they quietly believe they are too smart, too busy, or too analytical to bother with it. In other words, they think it's beneath them.

There are three main biases that leaders must overcome before they can embrace the power of organizational health:

- The Sophistication Bias: It's hard for well-educated executives to embrace something so simple and straightforward.
- The Adrenaline Bias: Many leaders suffer from a chronic case of adrenaline addiction, hooked on the daily rush of activity and crisis management.
- The Quantification Bias: The benefits of organizational health are hard to quantify, which makes them suspect to some.

Another reason is that tapping into the power of organizational health has
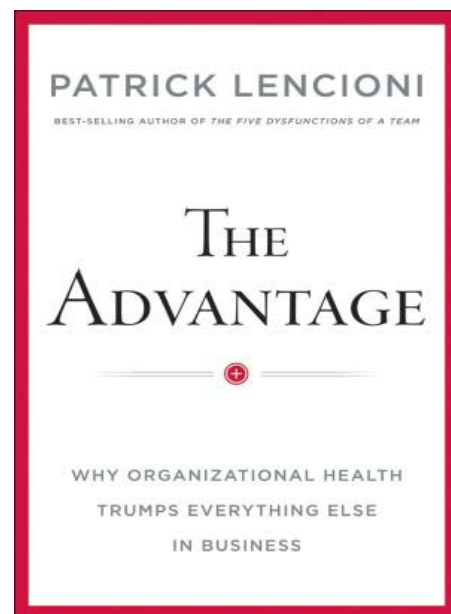
About the Author

Patrick Lencioni is founder and president of The Table Group, a management consulting firm specializing in organizational health and executive team development. He has worked with thousands of senior executives in all sizes of organizations. Lencioni is the author of nine business books with over three million copies sold worldwide.

never been presented as a simple, integrated, and practical discipline. That is what this book is for.

So what is organizational health? Ultimately, it's about integrity—wholeness. An organization has integrity—is healthy—when it is whole, consistent, and complete, that is, when its management, operations, strategy, and culture fit together and make sense. Put another way, to be successful an organization must be smart, and it must be healthy.

Smart organizations are good at business fundamentals, like strategy, marketing, finance, etc. A healthy organization will have minimal politics and confusion, a high degree of morale and productivity, and low turnover among good employees. Most leaders are more comfortable with the "smart" side, although they immediately recognize the power of "healthy" when they hear it. They never dismiss it as touchy-feely or impractical. But most drift back to focusing on the smart side, even though the gains from improvement there are not as significant.

I have yet to meet a group of leaders who made me think, "these people aren't smart enough to succeed." Most organizations have enough skill to succeed; what they lack is the health to take advantage of it. A healthy organization will get smarter over time. Leaders will learn from each other, identify critical issues, and recover quickly from mistakes. Unhealthy organizations may even have smarter people, but they won't benefit from their smarts in the same way.

Even when looking at past business failures, it wasn't a lack of intelligence that did them in; it was almost always politics, behavioral misalignment, and inconsistency, which led them to make mistakes that seemed in retrospect to be tactical or strategic ones. Analysts often wonder how those executives "could have been so dumb." They weren't dumb; their organization was unhealthy.

There are four key disciplines that must be maintained on an ongoing basis in order to develop and maintain health: build a cohesive leadership team,

create clarity, over-communicate clarity, and reinforce clarity. Any organization that maintains these four disciplines will be healthy and will reap the tremendous benefits of that health.

Discipline 1: Build a Cohesive Leadership Team

The first step a leadership team has to take if it wants the organization to be healthy is to make itself cohesive. If an organization is led by a team that is not behaviorally unified, there is no chance that it will become healthy. As in a family, if the parents are dysfunctional, the family will be also. Good things can still happen, but its potential won't be reached.

By leadership team, I mean a small group of people who are collectively responsible for achieving a common objective for their organization. Let's break those pieces down. By small, anything over 8-9 people is usually problematic. There are just too many people to have a real discussion, and people end up just advocating for their idea rather than really digging in to an issue. Second, a team is collectively responsible for the whole organization, not just for their particular areas. Third, they have common objectives related to the whole organization. In a cohesive team, it's impossible for someone to say "well, I did my job. Our failure isn't my fault."

To become cohesive, there are five behavioral principles that every team must embrace:

Building Trust. By trust I don't mean simply believing someone else will be honest; I mean something I call *vulnerability-based trust.* This is the kind where people are comfortable being transparent and vulnerable, and can genuinely say things like "I screwed up," "I need help," or "your idea is better than mine." This kind of trust enables team members to speak more freely and fearlessly, and they don't waste time posturing. At the heart of vulnerability lies the willingness of people to abandon their pride and

fear, and to sacrifice their egos for the collective good of the team.

In order to help teams build trust, I often take them through a couple key exercises. First is having them share their personal histories. This always leads to a new sense of respect as they realize some of the hardships or challenges their peers had to overcome. Second is using a behavioral profiling tool like Myers-Briggs, which helps team members see and even value their differences. Of course, the leader needs to go first in being vulnerable in these discussions. That's what makes it safe for others to be vulnerable as well. No one is going to open up if the leader doesn't.

By the way, learning to trust each other at a deeper, more personal level deals with what is called the *fundamental attribution error.* That is the tendency of human beings to attribute the negative or frustrating behaviors of their colleagues to their intentions and personalities, while attributing their own negative or frustrating behaviors to environmental factors. This kind of misattribution, where we give ourselves the benefit of the doubt but assumes the worst about others, breaks down trust on a team.

Mastering Conflict. Conflict is not a bad thing for a team, at least when it is focused on issues and decisions, rather than on people or personalities. It's still uncomfortable, even among teams with a high degree of trust, and people tend to run from discomfort. Overcoming that discomfort is one of the most important issues for any leadership team. Avoiding conflict at the top simply transfers the issue (in far larger quantities) to others in the organization, which adds to job misery for those on the receiving end.

Even when teams understand the importance of conflict, it can be difficult to engage in it. We have a powerful cultural aversion to discomfort. To break through that, there are a few things a team leader can do. The first is *mining for conflict*. When a team leader suspects there is disagreement lurking under the surface, he can gently demand that people open up about it. Second is giving *real-time permission*.

When a leader sees her people engaging in healthy disagreement, she can interrupt and point out that what is happening is good. It may seem patronizing, but it actually gives people permission to engage in healthy conflict.

Note: a lack of conflict is usually an indicator of a lack of trust. If team members aren't comfortable being vulnerable, they aren't going to feel comfortable or safe engaging in conflict. Trust must be established for real, healthy conflict to take place.

Achieving Commitment. Conflict is important because a team cannot get commitment without it. People will not actively commit to a decision if they have not had the opportunity to provide input, ask questions, and understand the "why" behind it. That doesn't mean consensus is required. Intel, the famous chipmaker, has a policy they call "disagree and commit." They believe that even when people can't come to an agreement about an issue, they must still leave the room unambiguously committed to a course of action. Some leaders don't believe this is possible. They are afraid that if they allow disagreement around a difficult topic, it is less likely they will gain people's commitment. I think this is selling their employees short. There are very few people in the world who are incapable of supporting a decision merely because they had a different idea. If they have had a chance to weigh in, they can usually get on board.

The key here is that after all the honest debate and discussion, people need to have a clear understanding of what has been decided and what that means for them. At the end of every meeting, even though people usually want to get going as soon as they can, cohesive teams take a few minutes to make sure that everyone has the same understanding of what has been agreed to and what they are committed to. A good way to make sure people take this process seriously is to require that they go back to their team after the meeting and communicate what was agreed on. When executives know they are going to have to communicate and defend an agreement, they are much more likely to push back on it if they don't re-

ally agree.

Embracing Accountability. Even well-intentioned members of a team need to be held accountable if a team is going to stick to its decisions and accomplish its goals. Sometimes people will deviate from a plan intentionally; other times people will stray without realizing it. Either way, it's the job of the team to keep those people on task. But people won't be willing to hold others accountable if they have doubts about whether their peers have really bought into the decisions that were made. That's why commitment is so important.

Note: I said "peers." Peer-to-peer accountability is the most effective source of accountability on the leadership team of a healthy organization. It's much more effective than the leader always being responsible for it. Accountability is about having the courage to confront someone about their deficiencies and then to stand in the moment and deal with their reaction (which may not be pleasant). It's actually a selfless, loving act. To hold someone accountable is to care enough about them to risk having them blame you for pointing out their deficiencies.

One of the challenges regarding accountability is that it cannot be focused solely on the "measurables." That is relatively easy. Accountability must also address behavior, which is much more difficult. Behavior that is unhealthy or not in alignment with organizational values will always result in a downturn in performance or production later, but it isn't always easy to draw a clear correlation. But it must be done for an organization or team to be healthy.

I'm sometimes asked if accountability should be done in a public or private setting. While there are always exceptions, I believe that on cohesive teams it is best handled with the entire team at once, for several reasons: every member gets the same message simultaneously, so the message doesn't have to be repeated; team members know the leader is doing his job; and it reinforces the idea of accountability, which also increases the likelihood of peers doing the same

for each other.

Focusing on Results. The ultimate point of building trust, conflict, commitment, and accountability is to produce results. That might seem obvious, but it's amazing how many teams don't pay attention to results. Team members drift toward focusing on their own department's results rather than those of the organization as a whole. But results are the whole point. No matter how good a leadership team feels about itself, or how noble its mission might be, if the organization it is leading rarely achieves its goals, then by definition it's simply not a good team.

The leader's job here is to ensure that all members of the team place a higher priority on the results of the organization as a whole than they do on their specific departments. Team members are actually part of two teams: the overall leadership team and the team they lead. The question is, which is their "first team?" It's understandable if it's the team they lead, but that is dangerous for the organization. Teams that lead healthy organizations come to terms with the difficult but critical requirement that its members must put the needs of the higher team ahead of the needs of their departments.

Discipline 2: Create Clarity

The second requirement for building a healthy organization—creating clarity—is all about achieving alignment. Alignment is a bit of a buzzword these days, but despite all the attention it gets, real alignment is very rare. That's largely because it is never really defined, or it is seen as a behavioral issue. But alignment is only possible when top leaders are in lockstep with one another around a few very specific things.

In order to achieve alignment, a leadership team needs to be in complete agreement on the answers to six simple but critical questions, eliminating even small discrepancies in their thinking. All of these questions need to be answered; failing to achieve align-

ment on any one of them can prevent an organization ==from creating the clarity it needs to become healthy. These are the six questions:==
 - ==Why do we exist?==
 - ==How do we behave?==
 - ==What do we do?==
 - ==How will we succeed?==
 - ==What is most important, right now?==
 - ==Who must do what?==

Why do we exist? Answering this question requires a leadership team to identify its underlying reason for being, or its core purpose. This should be completely idealistic. Many teams struggle with this, afraid that what they come up with will seem too grand or aspirational. But that's the whole point! Employees in every organization, at every level, need to know that at the heart of what they do lies something grand and aspirational.

In order to figure out why it exists, an organization must start with this question: "How do we contribute to a better world?" Usually the first answer that leaders come up with is not ideal enough; they need to keep digging into "Why?" "Why do we do that?" Eventually, by answering that question again and again, a team will get to a point where they've identified the most idealistic reason for their business.

How do we behave? The answer to this question is embodied in an organization's core values, which should provide the guide to employee behavior at all levels. Core values are critical because they define a company's personality, which ultimately affects what kind of employees the company attracts.

In looking at values, many leaders make a common mistake: trying to be all things to all people. They make their value statements as broad and inclusive as possible, and end up with a vague list that's often impossible to really act on. There are actually different types of values that operate in any organization, and we dare not confuse them.

Core values: these are the few—just two or three—

behavioral traits inherent in an organization. They lie at the heart of the organization's identity, don't change over time, and must already exist. They can't be chosen, only identified. They are sacred and inviolable.

Aspirational values: these are the things an organization wants to be. They are the qualities an organization is aspiring to adopt and will pursue intentionally in order to build them into the organization.

Permission-to-play values: These are the minimum standards that an organization requires. While important, they don't differentiate one organization from another. Values like honesty and respect for others would be found here.

Accidental values: These values are evident in an organization but developed unintentionally and don't necessarily serve the good of the organization. For example, it could happen that a company ends up hiring all people from the same socioeconomic status or with a similar look. It may have been accidental but it ends up shaping the company's culture.

The key issue is to identify the real core values. One way to do that is to identify the employees who already embody what is best about the company and to dissect them, identifying what it is about them that makes them so admired. Next, identify the opposite—people who, although talented, are not a good fit with the company. Those two exercises will help you get started on identifying your real core values.

What do we do? This question is the simplest of the six; it is nothing more than a description of what an organization actually does. Nothing complicated or abstract; it often won't take more than 10-20 minutes. Here's an example from a Catholic church: We provide sacraments, outreach services, counseling, and religious education for people in our parish."

How will we succeed? When the team answers this question, they are basically identifying their strategy. A strategy is simply its plan for success.

To make that practical and helpful for workers, we've come to realize that the best way for an organization to make strategy practical is to boil it down to three strategic anchors that will be used to shape every decision.

To do this, leaders will need to consider everything possible related to their business: pricing, hiring, marketing, product selection, etc. It will probably be a long and exhaustive list. The next step is to look for patterns or things that fit together to form a theme. This process is a bit chaotic and messy. But once those anchors are identified, they will provide a framework for making decisions throughout the organization. Strategic anchors give leadership teams the clarity and courage to walk away from opportunities that seem good but ultimately aren't a good fit for the organization; they won't help them get where they want to go.

What is most important, right now? This is the question that will have the most immediate and obvious impact on the organization, because it addresses day-to-day challenges, like the existence of silos.

The temptation is to identify several "top" priorities, which usually guarantees that none of them actually get done. By definition, there can only be one top priority. Even if there are several important ones, there can only be one at the top. I use the idea of a "thematic goal" to grab hold of this idea. A thematic goal is:

- •Singular. It is the one most important goal.
- •Qualitative. It doesn't have specific numbers attached to it.
- •Temporary. It only applies for a 3-12 month time frame.
- •Shared across the leadership team. Everyone agrees this is the top priority.

The best way to identify a thematic goal is to answer the question, "If we accomplish only one thing in the next "x" months, what would it be?" The purpose of this goal is not necessarily to rally all the troops in the organization; the primary purpose is to give the leadership team clarity about how to spend its time, energy, and resources. The thematic goal must be fully owned by everyone on the leadership team.

Once the thematic goal is set, it must be further clarified by defining the objectives necessary for accomplishing it. I call these "defining objectives." Finally, the team needs to identify the metrics it will use to evaluate with and areas of responsibility that must be maintained. All of those—thematic goal, defining objectives, and standard metrics—should be able to fit on a single piece of paper. They provide a clear enough focus that leaders can align their actions effectively.

Who must do what? At some point the leaders need to clearly and unambiguously stipulate what their respective responsibilities are when they go back to work to do their day jobs. In other words, the division of labor needs to be clearly defined; it cannot be taken for granted or assumed. It must be made explicit.

Once these six questions are answered clearly, they must be kept alive. It's all too common to go through the exercise and then leave it on a shelf to gather dust. The best way I know to accomplish this is to develop a playbook: a simple document summarizing the answers to the six critical questions. All leadership team members must keep it with them at all times. And not buried in their briefcase—it should be on their desk, brought to staff meetings, and available for a quick reference. By doing this, a leadership team will drastically improve the odds of running the organization in an aligned, consistent, and intentional way.

Discipline 3: Over-communicate Clarity

Once a leadership team has become cohesive and established clarity and alignment around the answers to

the six critical questions, only then can they move on to communicating those answers. Actually overcommunicating those answers—over and over and over and over and over and over and over again. That's right—seven times. Employees won't believe what leaders are telling them until they've heard it at least seven times. People are skeptical about what they are told until they hear it multiple times.

Leaders mistakenly confuse the transfer of information to an audience with the audience's ability to embrace the message being communicated. That only happens when they hear a message repeated over a period of time, in a variety of situations, by different people. Sometimes leaders don't like to do this; it seems repetitious and a waste of time, insulting to their audience, and boring for them. However, the point of leadership is to mobilize people around what is important, and the only way to do that is through repetition.

The most reliable and effective way to get an organization moving in the same direction is members of a leadership team to come out of their meetings and promptly communicate that to their direct reports, and have those people do the same for their own direct reports. We call this "cascading information" because it begins the structured but interpersonal process of rolling out key messages. This should be done face-to-face, not via email or voice mail. Face-to-face communication is taken more seriously and it also gives people the chance to ask questions. And if it can be done in a group setting rather than 1:1, that's even better.

I realize all this might sound basic. But organizations are unhealthy precisely because they aren't doing the basic things, which require discipline, persistence, and follow-through more than brilliance.

Discipline 4: Reinforce Clarity

As important as over-communication is, it isn't

enough by itself to keep an organization on track. Leaders must do everything they can to build that clarity into the company, by making sure that all of the systems reinforce the answers. The challenge is to do this without adding too much structure. The leadership team needs to take an active role in building human systems that reflect the organization's culture and operations. That means ensuring that hiring profiles, management processes, training programs, and compensation are all consistent with the answers to the six questions.

In terms of hiring, that means clearly defining what the right and wrong people look like—identifying a meaningful set of behavioral rules that can be used to screen potential employees. The emphasis can't only be on technical skills. The hiring process must have guidelines in place but also leave some flexibility so that those doing the hiring can exercise common sense and good judgment and not always have their hands tied.

After someone is hired usually comes orientation. The most memorable time of an employee's career and the time with the biggest impact are his or her first days and weeks on a new job. The impact of first impressions is powerful enough that healthy companies take advantage of it to move new employees in the right direction. That means orientation shouldn't focus on forms and administration but on reinforcing the answers to the six critical questions. When employees hear their leaders talk about why the organization exists, what values were used to select them during the hiring process, how the organization plans to succeed, what its top priority is, etc. they can immediately see how they will contribute to the greater good of that organization.

Once an employee starts working, the time will come for a performance review. Performance management is the series of activities that ensure that managers provide employees with clarity about what is expected of them, as well as giving regular feedback about whether or not they are meeting those expectations. Rather than just telling an employee what they are

doing wrong, healthy companies believe that performance management is primarily about eliminating confusion. They realize that their employees want to succeed, and the best way to allow them to do that is to give them clear direction, regular information about how they are doing, and access to the coaching and resources they need.

That brings us to the issue of compensation and rewards. The single most important reason to reward people is to provide them with an incentive for doing what is best for the organization. That might seem obvious, but it often doesn't happen; people get compensated for all kinds of reasons that might not have anything to do with where the company is going.

Note: while compensation is important, it isn't the most effective or important means of motivating people in a healthy organization. Recognition is crucial; I like to explain to clients that when leaders don't tell employees that they're doing a great job, they might as well be taking money out of their pockets and burning it, because they are wasting opportunities to give people the recognition they crave more than anything else. Despite what many leaders think, most employees aren't motivated primarily by money. Employees tend to think of monetary rewards as a satisfier, not a driver. That means they want to make enough to make them feel good about their job, but after that additional money doesn't bring a proportionate increase in job satisfaction.

The Centrality of Great Meetings

An organization that has embraced each of the four disciplines will certainly become healthy, making success highly likely. But one activity more than any other will be central to maintaining those disciplines, and sustaining health, over time: Meetings! Nothing is more central to a healthy organization than the meeting. As much as meetings are hated, there is no better way to have an impact on an organization than by changing the way it does meetings.

The key is understanding that there are different kinds of meetings for different purposes. Often leaders just throw everything into the same pot, call it a "staff meeting" and then wonder why they are unproductive and why people hate them. A leadership team in a healthy organization has four (yes four) basic types of meetings.

Daily Check-ins. Every day, the leadership team takes 5-15 minutes to check in. No agendas and no resolving issues, just updating information on things like schedules, events, etc. Since leaders know they will see their colleagues within 24 hours, often they will wait to send an email or voice message and just talk to them in person. It's much more efficient.

Tactical Staff Meetings. These are weekly meetings, 45-90 minutes long. The first ten minutes is about putting together a real-time agenda. During that team each team member will share very briefly—like 30 seconds—on what they believe are their top priorities for the week. Then the leader will pull out the playbook with the thematic goals and defining objectives, and ask the question *"How are we doing against the things we said are most important?"* Each objective can be quickly assessed, and anything that isn't on track becomes an agenda item. (That helps avoid the common problem of people sitting through a discussion or presentation of something everyone knows is of little importance).

Adhoc Topical Meetings. These are longer, 2-4 hour meetings to dig into the critical issues that can have a long-term impact on an organization or that require significant time and energy to resolve. Examples could include a major competitive threat, a change in the industry, a product deficiency, or even a troubling drop in morale. These are things that can't be dealt with in a traditional staff meeting—there simply isn't enough time. When done right, these are some of the most interesting and compelling of all the meetings. Dealing with real issues in depth is one of the high points of being a leader. There is no particular frequency to these, since critical issues don't show up

on schedule. Monthly seems most common, although in the beginning there are often more since there is a backlog of issues that haven't been dealt with. That's ok, since by definition they are critical issues.

Quarterly Off-Site Reviews. These are the big-picture meetings, where the leadership team steps back and revisits the four disciplines covered in this book: team, clarity, communication, and systems. They need to be quarterly. More often doesn't give enough time to make progress on critical issues, and less often means that people will lose focus and begin to drift.

Some people react to this model by feeling it is just too much time in meetings. If you add it all up, it averages out to about 12 hours per month, which isn't that much. And because there is a systematic structure to the meetings, more gets done in less time, and non-meeting time is more productive.

Of all the recommendations my firm makes to clients, the one that is most consistently embraced and has an immediate impact on an organization is the meetings model outlined here.

Seizing the Advantage

The power of organizational health is undeniable, yet it is largely untapped by most companies. But that is going to change. The advantages that come with health are too great to be ignored.

In pursuing health, the single biggest factor in determining if an organization is going to get healthier or not is the genuine commitment and active involvement of the person in charge. That could be the CEO, the Principal, or the Pastor. At every step in the process, that person—the leader—must be out front, not just as a cheerleader, but as an active, tenacious driver.

That person must take responsibility for building a cohesive team by modeling vulnerability, provoking

conflict, and confronting unhealthy behavior. He or she must be the driving force behind demanding clear answers to the six big questions. And he cannot abdicate or delegate responsibility for communicating and reinforcing clarity. They have to play the tireless role of ensuring that employees throughout the organization are continually reminded about what is important. It's not easy, but it is critical.

In closing, it's worth recognizing that the impact of organizational health goes beyond the walls of the company, to customers and vendors, and even to spouses and children. It sends people to work in the morning with hope and anticipation and brings them home with a sense of accomplishment and self-esteem. The impact is huge, and few activities in our careers are more worthy of our effort than making our organizations healthy.

The Pastor's Perspective

As I have grown older, I've come to believe that the health of a church is extremely important. It's possible to have an unhealthy church that grows large or fast, but I think ultimately it will either fall apart or a lot of people will get hurt.

I'm grateful to Patrick Lencioni for putting out such a practical guide to pursuing health in an organization. I was really struck with his 6 core questions that form the basis of clarity. Pastors get little if any training in basic leadership skills, so we often don't know how to move things forward. Because of that we can tend to take the path of least resistance or we respond to whoever is the loudest; neither of those approaches is particularly healthy.

The six core questions can be done superficially or deeply. The deeper you go, the more benefit you get out of it. I was particularly struck by his approach to the first question—that our reason for being, the reason we exist, should be completely idealistic. I also struggle with the idea that what's really in my heart is

"too grand or aspirational" or that it comes out of my own pride or ambition rather than being from God. I never considered that maybe it *should* be big and grand, in the best sense of that idea. I do find when I go there to cast vision, it has a different effect on people than if I downplay it, which makes our purpose actually seem less important. I find that I can be so afraid of being or sounding proud that it can paralyze me; I'm wondering more and more if that's not really the problem. Big dreams require big faith, big effort, and often big sacrifice, which I sometimes draw back from.

I'm already thinking about how to begin to pursue answers to the big six questions in order to promote clarity. I do think I'll start with sharing the vision in my heart more fully and completely with my leadership team, and then going from there.

That's a good question to end with: where will *you* start?