

HIGH PERFORMANCE

THE CRUCIAL CULTURE OF CHANGE

A Vital Building Block in Attaining That Competitive Edge Calls for the Creation of a Unique Corporate Anatomy

By Peggy Anne Salz

At first glance, competing companies can appear identical. They seem to target the same customers, offer the same value for money and even pursue similar business objectives. But over time, one company pulls ahead of the pack.

That's when it becomes obvious that there must be some kind of intrinsic characteristic that separates leaders from laggards.

While volumes have been written in an attempt to explain the nature of this certain something, there is little guidance for companies determined to build a winning culture from the ground up. "A lot of attention is focused on the role of corporate DNA. But this gives the false impression that high performers, like great artists, are simply born talented," observes Tim Breene, group chief executive of Accenture's Business Consulting Capability Group and the company's chief strategy officer. "We believe high performers can be made — and we can show how."

To drive new thinking into the marketplace, Accenture has embarked on an ambitious research program to create actionable learning by looking at individual high-performance companies. Based on these findings, Accenture has identified the characteristics and capabilities that make — and keep — companies great. It has also developed metrics and benchmarks to enable companies to assess where they stand today and plan where they want to be tomorrow.

Develop Your Potential

A key building block of competitive essence is the creation of what Accenture calls a high-performance anatomy. The term was carefully chosen to communicate that, like anatomy, all companies have it and can develop it to its fullest potential.

"We view this as a muscle that can be trained over time," Mr. Breene explains. "Sure, it can be tough. Like a runner, you have to work hard and go out regardless of the weather. But once you're fit, and your muscles are toned, you tend to want to stay that way."

In business, the high-performance anatomy becomes part of the fabric of the company over time. It stamps a company's design, identity and every aspect of their operations across business cycles, industry disruptions and changes in leadership.

Distinct from culture and organization designs, high-performance anatomy comprises a set of five organizational mindsets. Put simply, these mindsets drive important differences in behavior that lead to better business outcomes.

First, high performers act and think. They proactively shape and create markets based on an unrelenting pursuit of customer-valued innovation, thus achieving a near perfect balance between execution and market focus.

These companies are not only focused on pleasing their customers; they also maintain a discipline in their ability to execute that is the envy of their competitors.

High performers "value and believe in discipline — in the adherence to budgets and deadlines that creates mutual trust and reliability throughout the organization," says Paul F. Nunes, an executive research fellow at the Accenture Institute for High Performance Business. "These companies have made a commitment to commitments."

Second, high performers achieve extraordinary levels of productivity through the way they train, develop, lead and engage employees.

Accenture calls this the "talent multiplier" mindset. Here, the CEO frequently takes a more visible and direct role in people-development initiatives. The goal is to have employees that are operating well above their title or level in the organization. In this way, high performers create a talent multiplier — much better results for each dollar invested in their work forces. This multiplier also serves as a hard-to-imitate competitive advantage.

To accomplish this leadership, management establishes the right environment for developing talent in all employees and encourages each individual to be part of changing for the better. The result is a highly motivated work force that takes the initiative and seizes every opportunity to do whatever it takes.

Third, high performers regard information technology as a source of operational excellence and competitive advantage. They look beyond using IT as a tool for controlling costs, and understand that IT is the link for capturing the business value of information.

Put another way, high performers recognize that IT is an enabler to innovation and new value creation. They are quick to adopt new technologies — and eliminate ones that don't work. They also encourage employees to use IT intensively and creatively.

"There's not a big 'rah-rah' celebration around the next technology initiative. And there's no hype or fancy names," says Walt Shill, managing partner for organization and change strategy at Accenture. "The view that IT is a strategic asset is embedded in the

such as financial performance, but it also emphasizes intangibles specific to the values of the organization such as employee motivation.

Concretely, high-performing companies know what drives high performance and devise methods to measure what matters. Their performance metrics are broadly inclusive yet highly selective in their focus.

High-performance companies are also patient and recognize that the impact of human capital practices is seldom immediate. "By determining how long it takes for an intervention to have a measurable result, they are much better positioned to calculate the payback on their investments in human resources," Mr. Shill explains.

Fifth, high performers continually find ways to keep their organizations on their toes.

They do this by encouraging people to shoulder three simple but powerful responsibilities: doing the work well, which is about accomplishing key business objectives; improving the way the work is done, which is about continuously striving to do better; and revolutionizing work, which is about seeking out the next wave of products and processes that could disrupt even the most efficient status quo.

"Our research shows high-performance companies view change as a constant part of their lifestyle," Mr. Shill says. "In fact, they can even get uncomfortable when change hasn't happened in a sufficient timeframe because they read it as a sign that they might somehow be falling behind in the marketplace."

One high-performance company that embodies these mindsets is the Royal Bank of Scotland (RBS), a financial institution whose commitment to excellence has helped it manage its business better than competitors across boom-and-bust cycles.

The best way to achieve high performance may be to create diverse interdisciplinary teams that can manage innovation in a way that produces outstanding and sustainable results.

Such resolution requires special leadership. At RBS, performance anatomy is a distinctive worldview promoted by Fred Goodwin, group chief executive based in Edinburgh, U.K. His sharp focus on bottom-line results has helped him build one of the world's best-run banks.

Indeed, Mr. Goodwin has transformed RBS from a midsize bank into the sixth-biggest financial-services company in the world as measured by market capitalization — \$99.5 billion — and its share price has doubled since he took the helm in 2000.

Mr. Goodwin is also the architect of an innovative strategy that combines the roles of both manufacturer and distributor of financial products, and promotes competition between the distribution businesses.

Leadership in Depth

Strategic decisions bear his mark, including the spectacular takeover of U.K.-based NatWest — a bank three times the size of RBS — and a string of recent acquisitions in North America. He has also created a strong team culture and effective leadership in depth, both instrumental in unleashing the bank's energies and collective abilities.

"The bank's core strength is its management. It is very clear about what it is trying to achieve and how it will achieve it," says James Chappell, an analyst at Goldman Sachs in London. This insight, and the ability to accelerate it into action, are the essence of the bank's competitiveness.

Cost savings have also been notable, thanks to an organization-wide understanding of the importance of IT and a hard drive for back-office efficiency. "If you just close down branches, you can save something like £20 million (\$37.3 million)," Mr. Goodwin observes. "But if you invest correctly in a good IT platform, the savings can run to £500 million."

But RBS doesn't cut costs when it comes to customer-related functions. It consistently puts the customer first, avoiding the temptation to convert traditional branch customers to online-only clients. The bank also understands the importance of customer loyalty, an insight that has convinced it to maintain more than 20 separate brands rather than slap the RBS logo on every acquisition.

BMW, the German auto maker, also possesses the keen vision and sharp focus that are the mark of a healthy high-performance anatomy. The company intuitively understands that sustained superior performance requires new sources of innovation and creativity — and a deep understanding of customer needs.

But BMW doesn't simply respond



to customer needs; it seeks to shape them by drawing from the ideas and innovations of its cutting-edge customers.

The company's revolutionary approach to product and service development has its roots in the work of Eric von Hippel, head of the technical innovation and entrepreneurship group at the Massachusetts Institute of Technology's Sloan School of Management and author of the new book, "Democratizing Innovation."

Mr. von Hippel has found that harnessing "lead users" — users who have a high incentive to solve a problem and the ability to innovate — can yield breakthrough and profitable products and services.

"User-centered innovation is a very powerful and growing phenomenon," Mr. von Hippel observes. "Advances in computing and communications technologies enable lead users to innovate and develop exactly what they want. Fortunately, what lead users want is precisely what the rest of the market will demand."

For this reason, Mr. von Hippel encourages companies to tap into the innovation resources of their lead users and incorporate their input into the development of future products and services.

Looking ahead, Mr. von Hippel says, lead-user innovation will become "both an important rival to and an important feedstock for manufactured innovation in many fields."

BMW takes Mr. von Hippel's warning seriously and has developed a program of workshops and seminars geared toward bringing selected groups of lead users together with company executives and engineers.

"We identified lead users who were tech-savvy and customers who were on the road much of the time and

cared a great deal about functionality," says Jörg Reimann, head of BMW's marketing innovations department. "Their insights and our work together have helped us identify new services and new service combinations."

Since embarking on this course in 2001, BMW counts a number of innovative services and features including important enhancements to "Connected Drive," a sophisticated suite of personalized emergency, in-car communications and navigation services available in all models.

"Where the services touch the customer it makes sense — and ultimately creates the most value — to involve customers who have the greatest demand for quality and performance," Mr. Reimann says.

Mr. Reimann's team also incorporates customer trends as well as lead-user insights into how his department identifies and targets customer segments. "Successful marketing requires us to look inside and outside our industry to identify the trends and issues affecting our customers and society as a whole," he says. "Better understanding of what's on the mind of our customers helps us to better tailor our marketing messages and differentiate ourselves from the competition."

Indeed, the centrality of the customer in the workings of the high-performance anatomy is explicit. This mindset creates a culture of customer intimacy that is both responsive and active. It also empowers high performers to out-execute the competition.

But the best way to achieve high performance may be to create diverse interdisciplinary teams that can manage innovation in a way that produces outstanding and sustainable results.

This is the view of Frans Johansson, author of the new book, "The Medici Effect: Breakthrough Insights at the Intersection of

Ideas, Concepts and Cultures."

"Companies that want to create tomorrow's breakthrough ideas will have to find ways to break down the barriers between departments, fields and cultures and encourage their people to pursue different ideas and connect with diverse networks of people," Mr. Johansson says.

These ideas are percolating at the "Intersection," a place where ideas from different fields and cultures meet and collide, ultimately igniting an explosion of extraordinary new discoveries. He calls this proliferation of new ideas the "Medici Effect" — referring to the remarkable burst of creativity enabled by the Medici banking family in Renaissance Italy.

Increasing Intersections

"The movement of people, the convergence of scientific disciplines and the leap in computational power are increasing the number and types of intersections we can access," Mr. Johansson says. "In every arena there is a growing need to connect and combine concepts from disparate fields. That is how we will find opportunities, surmount new challenges and gain new insights."

It's also how L'Oréal, a leading manufacturer of cosmetics and hair care products based in Clichy, France, targets new markets with surprising success. It has created — and benefited from — a mindset that embraces and drives diversity throughout the organization.

An example is Maybelline, a brand L'Oréal acquired in the 1990s. Today, the brand is the No. 1 cosmetics brand world-wide, an accomplishment it owes directly to diversity in the workplace.

In line with its high-performance strategy, L'Oréal brought together professionals with a range of backgrounds and moved operations from Maybelline's headquarters in Memphis, Tennessee, to an office in New York City. From there, the team targeted market after market — and eventually conquered Japan.

Because the team had a diverse mix of cultures and backgrounds, it could pioneer a new marketing approach. Traditionally, mascara in Japan had an elongating effect because Japanese eyelashes tend to be short and straight. No company had tried to develop mascara adapted to Japanese eyelashes.

In 1999, L'Oréal researchers created Wonder Curl, mascara specifically adapted to Japanese eyelashes, with a patented brush. This new technology — which creates a lengthening and curling effect — was developed in Asia, and has since been successfully adapted to mascara products for Caucasian eyelashes as well.

"Diversity in the workplace is actually vital for our success. We like to say that to be a global company, you've first got to be global from within," says Lindsay Owen-Jones, L'Oréal chairman and CEO based in Clichy, France. "A mosaic of people of different cultures and origins is a real asset for our company. But it goes beyond that actually. Our experience is that diverse teams are actually more creative, more innovative. And for us, creation and innovation is absolutely the name of the game."

A Talent Multiplier System

In contrast to poor-performance companies, high performers seek to unleash the collective intelligence, imagination and motivation of their work forces. Building a talent-multiplier system such as L'Oréal's requires a fundamental shift in how companies identify, prepare and support their talent. Rarely is this accomplished by simply elevating conventional human-resources management to the executive suite.

Indeed, high performance is never a destination; it's a continuous journey that requires companies to strive for new sources of innovation and creativity, according to Accenture's Mr. Breene.

"Competitive advantage in the future will largely depend on a company's ability to discover, assess and mobilize ideas from many locations around the world," he says. Learning to harvest the ideas from the far-flung regions in which they operate — and manage diversity across the organization — will help companies generate innovations, profits and value.

Against this backdrop, the task of creating and sustaining a superior high-performance anatomy stands out at the top of the management agenda. It alone represents the touchstone to which leaders return when they're trying to make sense of new information in a chaotic world.

company and everyone in the organization sees it as a way of doing business."

In contrast, poor performers allow their IT investments to be driven by replacement cycles; the vast majority of investments are spent on running, fixing and only incrementally improving existing systems, rather than using them to deliver competitive advantage.

Fourth, high performers manage a selective scorecard that is aimed at sustaining the company's competitive essence.

This unique scorecard tracks critical tangibles

