FOSTERING A CULTURE OF REINVENTION

ERIN MEYER

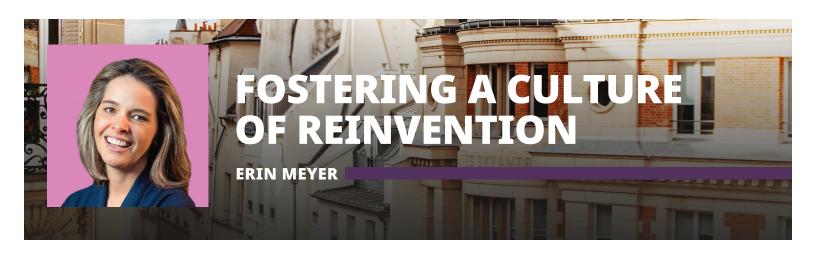- PROFESSOR, INSEAD
- BEST-SELLING AUTHOR

An Industrial Era Hangover

- Most organizations today are still operating with an industrial era hangover — obsessed with error elimination, consistency, and replicability.

- In a growing number of organizations, the biggest risk is no longer making a mistake but not thinking freshly or being innovative or agile enough, so that the organization becomes irrelevant.

Articulating an Organizational Culture (2:45)

- Many companies have nice-sounding value statements displayed in the lobby, such as: integrity, communication, respect, and excellence.

- Enron, whose leaders went to jail, and which went bankrupt from fraud, had these values displayed in their lobby: integrity, communication, respect, and excellence.

- Avoid speaking and thinking in absolute positives, like "integrity", because there are no credible alternatives.

- Instead, think about the tough dilemmas that employees are facing on an ongoing basis, and which way your organization will turn.

  – Would you tell your employees now about a possible change that would impact them later? (Tension between transparency and team stability)

  – Would you let your employee invest in a project you think will fail? (Tension between innovation and error prevention)

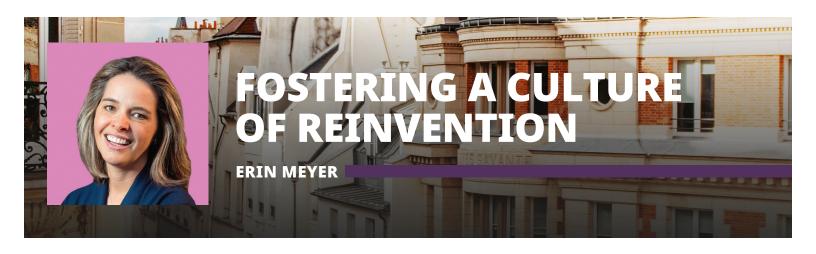# FOSTERING A CULTURE OF REINVENTION

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Managing on the Edge of Chaos (10:45)

- If you dummy-proof a system, only dummies want to work there.

- Short-term optimization about being efficient is the death of long-term success in innovation.

- The value of managing right on the edge of chaos is keeping and stimulating the amazing thinkers, so you have them when the market shifts.

- Employee freedom breeds innovation.

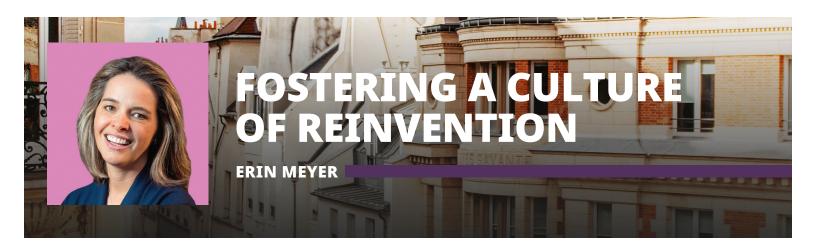- Process kills organizational flexibility.

Three Steps to Employee Freedom (14:45)

- Increase talent density.

  - In most organizations, most of the control mechanisms are put in place to deal with average or below average employees, not top performers.

  - In an organization made up only of top performers, employees could have a lot more freedom.

  - Hiring less people, paying them more, and giving them more responsibility increases talent density.

- Increase candor.

  - When people give open and candid feedback to one another, the workforce becomes accountable to one another.
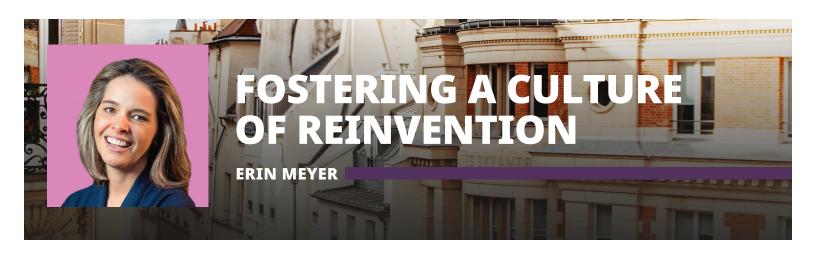
- Remove controls.

Increasing Talent Density (16:45)

- Should you let go of a hard-working employee doing mediocre work?

- A great workplace is stunning colleagues.

  – A great workplace is not espresso, lush benefits, sushi lunches, grand parties, or nice offices.

  – We do some of these things but only if they are efficient at attracting and retaining stunning colleagues.

- An individual performance problem is almost never an individual problem; it is a systemic problem that impacts the entire team, sometimes the entire organization.

- The best predictor of how a team performs is not how great the best performer is or what the average member is like. Most often it comes down to what the worst team member is like.

- Poor performance is especially contagious.

- "Rank and yank" (ranking employees and firing the bottom percentage) can be detrimental and create a lot of internal competition.

- The Keeper Test managers use is: Which of my people, if they told me they were leaving for a similar job at a peer company, would I fight hard to keep?

  – Would you be devastated? If so, you know they are in the right spot.

  – Would you feel relieved or excited?

  – If so, you have to ask yourself the question, "Have I given this employee all of the coaching and feedback they need to succeed?"

  – If you haven't, go give it now. If you have, then something needs to change.

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Offering More Freedom (27:45)

- When you can offer your employees more freedom, you can remove many management controls:

  - Policy controls such as travel, expense, and vacation policies.

  - Decision controls such as decision-making approvals, contract sign-offs, and decision by committee.

  - Other process controls such as key performance indicators, management by objective, and performance improvement plans.

- Lead with context, not control.

- Don't seek to please your boss; seek to do what's best for the company.

- At most companies, the decision-making model is like a pyramid.

  - Lower-level employees can make small, inexpensive, and unimportant decisions, while anything important or expensive has to be pushed up the pyramid for approval.

- The decision-making pyramid is starting to be replaced with the decision-making tree.

  - The chairman is now down at the roots of the tree, setting the context.

  - Top executives are at the big lower branches of the tree, setting more direction for their departments.

  - Lower-level managers at the little branches of the tree are not asking for permission but using the context that's been set below them to make decisions for the good of the company.

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- A tree has three advantages to a pyramid:

    – A tree attracts more top talent.

    – A tree is more flexible if something unexpected happens.

    – A tree grows more quickly without the decision-making bottlenecks of a pyramid.

Give Freedom to Get Responsibility (32:45)

- "As we gave employees more control over their lives and jobs, it began to dawn on me… freedom is not the opposite of accountability, as I'd previously considered. Instead, it is a path towards it. If you treat employees like adults, they will act like adults. If you give employees control over big decisions, they will become increasingly responsible and conscientious. Give freedom to get responsibility." — Reed Hastings