Is Your Workforce Strange Enough to Guarantee Competitive Advantage?

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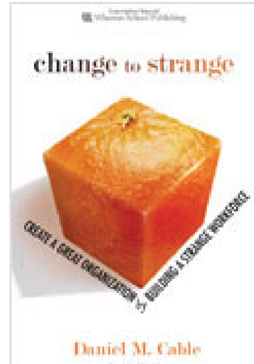
According to Daniel M. Cable, what characterizes successful companies these days is "a strikingly different, obsessively focused" workforce, one that -- compared to competitors' workforces -- is "downright strange." Cable, a management professor at the Kenan-Flagler Business School at the University of North Carolina, makes his case in a new book titled, Change to Strange: Create a Great Organization by Building a Strange Workforce *(Wharton School Publishing). To get the best results, Cable says, companies have to build a workforce "that is extraordinary in a way that customers care about."Below, Knowledge@Wharton excerpts a section of the book.*



Chapter 4: Performance Drivers: What Must Customers Notice About Us So That We Win?

Performance Drivers are what cause your Organizational Outcomes to move; they specify what customers need to notice and think about your organization in order to make them choose you over your competition. In this chapter, I argue that you should literally build your organization around measuring and gaming your Performance Drivers, which results in a strange workforce. Developing, measuring, and enacting your Performance Drivers will not be easy (fortunately!), but it will give you incredible insight into what your organization is creating and not creating in order to differentiate you, attract customers, and win. It will bring discipline to the words and ideas that are your strategy, and you will be able to track and manage the extent to which your strategy is being enacted. You know you want this; the only question is how hard are you willing to work to get it?

Games People Play

As the Dean of a business school, you decide that the best reflection of winning is *BusinessWeek's* rankings. These are prominent reputation scores created by a third party that directly pits business schools against each other every two years. Essentially all MBA applicants know about the *BusinessWeek* rankings, and the smartest MBA applicants with highest motivation try to go to the best-ranked schools. If you attract really smart, motivated people to your school and simply don't mess them up too bad, there is a very good chance they will go out and succeed in their careers. And then guess where they will want to hire their future MBAs? In fact, loyalty aside, most successful companies want to recruit MBA students from schools with the best public reputations. And who can command the highest salaries and the best jobs from these great companies? You've got it: MBAs graduating from the top-ranked programs. These virtuous cycles are why you picked *BusinessWeek's* rankings as your primary Organizational Outcome.

Do you want to know what your Performance Drivers are? Then you need to call *BusinessWeek*. Because once you selected these particular rankings as the evidence that will let you know that you are winning, the only way to learn your Performance Drivers is to figure out how*BusinesWeek* creates the rankings. So you call up *BusinessWeek* and learn the formula. Forty-five percent of the ranking is based on what your MBAs say about your school after they have been in the program a year. Forty-five percent of the ranking is based on what the companies that hire your MBA students say about your school. That leaves 10% -- what is that extra 10%? That's just a little remainder, hardly worth thinking about too much, but that is your school's "Intellectual Capital." But Intellectual Capital sounds sort of important for a university, right? How is that measured? There is a list of 18 business publications that are considered important by *BusinessWeek*, and each time one of your faculty members publishes a paper in one of those, your school gets a point.

So now that you know the determinants of winning, how do you want to go about gaming these Performance Drivers? One thing is sure: You have little need to worry about the intellectual contribution of your professors. Even though intellectual contribution and academic publishing is the coin of the academic market, and it's what most of your workforce currently is chasing, it just doesn't move the needle. If you are going to try to tweak performance through intellectual contribution, you should steer faculty toward those 18 journals.

To really affect your Organizational Outcome, you need to make students and recruiters really happy with your school. The question is what you are willing and able to do to satisfy these customers that other business schools are not? For student satisfaction, you might achieve good scores through compelling teaching, but all your competitors are doing this too. Could you differentiate by building a strange workforce that truly pushes the MBA teaching envelope? Hire professors who skip the research since it's not important to winning anyway, and instead use their time networking with industry leaders who they can bring into the classroom? Maybe you could hire professors who really show students the love by inviting them over to their houses for picnics and volleyball, or meeting them out at the bars. This workforce might just be strange enough that other schools wouldn't imitate it and MBA students would view it as remarkable, giving you the highest marks on the *BusinessWeek* survey.

What about the recruiter evaluations of your MBA program? How can you drive those numbers? You could produce well-trained grads who have the basics down cold and are confident but not pushy. Sounds just like what the competition is trying to do -- good luck displacing schools ranked better than you with six times your endowment. What could you do that would be strangely and noticeably valuable? What if you got your faculty members to wine and dine company recruiters when they come in for interviewing? On one hand, it's blatant gaming because you're just creating interpersonal goodwill so that recruiters rate your school higher when they get surveyed by *BusinessWeek*. On the other hand, professors might just learn what recruiters are looking for in MBA students that they aren't currently getting and then build this into their classes. For example, recruiters want more statistics and analytic ability from MBAs, and professors could add cases with datasets and make students run regressions and interpret output. Professors could make the cases and the classes compelling to MBAs by saying, "This is what Goldman Sachs told me they are looking for in job applicants." This could differentiate your school, and it would game your two most important metrics simultaneously. Sure, lots of professors wouldn't like the idea of using their personal time wining and dining recruiters; they might say that's not why they got a Ph.D. But what if you located and hired a strange breed of professor who liked hobnobbing with recruiters and building what they learned from recruiters into their classes?

In developing this example, I'm not actually suggesting that *BusinessWeek* rankings provide a valid reflection of business school success. For example, what would happen if *BusinessWeek* suddenly increased the weight on intellectual contribution for ranking schools? What if *BusinessWeek* loses relevance in ten years because the world really thinks universities should be judged by their intellectual contribution? Then your school could be in trouble because you built a strange schmoozing-type organization that was not equipped to contribute in intellectual ways. Listen, choosing a strategy is risky (it better be!), and my point here is not to suggest good versus bad strategies.

My point here is that if you want to know what your organization's Performance Drivers are, you need to first identity Organizational Outcome metrics that provide a valid reflection of what you think your organization exists to create. Then, literally find a way to make these metrics move in a way that your competitors are not willing or able to pursue. That's why we started with making sure your Organizational Outcomes were strategic and reflected what winning truly means to you. Once you choose Organizational Outcomes and begin to take them seriously, they will affect everything you do as an organization. They will affect what seems reasonable and what seems valuable. In the MBA school example, if you as Dean had chosen a slightly different metric -- say the U.S. News and World Report's rankings -- you would be placing your emphasis on MBA admissions because entering-class GMAT scores drive this metric, but student and recruiter opinions are not included in these rankings. Organizational Outcomes help expose and pinpoint your Performance Drivers. By building an organization around gaming and measuring your Performance Drivers, you can build a strange, noticeable organization.

So here is what you need to do to figure out your own organization's Performance Drivers:

1. Hold your Organizational Outcomes meeting, described in the last chapter. You and your top

leadership team distill your strategy into three to four antagonistic metrics that let you know that you are winning in the way you want to win. Remember, each of your Organizational Outcomes must be a metric -- actual numbers that you collect and store in a spreadsheet.

2. Soon after your Organizational Outcomes event, hold another meeting with the same group. This second meeting, or series of meetings, is going to be at least as long as the first one, probably much longer. The timing of this second meeting is important but difficult. You want to meet as soon as possible after the first one so that people still remember the Organizational Outcomes conversations and there is some momentum left. On the other hand, the second meeting can't be so soon that people are burnt out and frustrated and feel the need to "get back to their real work." They need to believe that this is their real work. These discussions and decisions will determine whether or not your organization wins over the next three years and whether it is still alive in ten.

3. For each of the Organizational Outcomes that you have developed, build consensus about three sets of questions:

• What produces this Organizational Outcome number? Literally, what makes it go up or down?

• What are the two most important things our customers have to believe about us relative to our competition in order to affect this Organizational Outcome? How do we measure our progress toward creating these beliefs in our customers' heads?

• How can we influence this Organizational Outcome in a way that is valuable, rare, and hard to imitate? What are we willing and able to do that the competition is not in order to drive this Organization Outcome?

Let's dig deeper into these questions so that you know what you are looking for when you meet again as a leadership team.

Question 1: Producing the Result

• What produces this Organizational Outcome number?

• Literally, what makes it go up or down?

What you are looking to do here is theorize about the things that literally move your Organizational Outcome metrics. This is a brainstorming session about gaming the numbers you chose to represent winning. By gaming, I mean manipulating with the intent to change a specific outcome. Sometimes gaming creates value, and more often gaming destroys value. We are going to find a way to create value, meaning that you will not pursue all of the ideas that you discuss. The goal of this discussion is to think in far-reaching ways about what could move each Organizational Outcome causally, mechanically, and objectively.

The trick here: You need to let go of what you currently focus on and measure every day. Forgetting your existing approach may be harder than you think. Your minds and then your conversation will want to slip back to what you have been socialized to do ("the way we do things around here"). After a few hours, when you start wanting to wrap up the meeting up and get back to work, you will start formalizing "business as usual" without considering the full range of options. I'm sorry if this happens, because this will be your loss. The point here is not to simply formalize what you are already doing. The point is to deeply examine your current approach relative to the broader set of things you could be doing to game your Organizational Outcomes and add value to your customers in a unique way. You want to create a buffet of possible ways to affect your ultimate success, and then you want to screen the ideas to figure out which ones create long-term value.

So as a group, try to put your past assumptions about winning on hold for a while by just thinking objectively about your Organizational Outcome numbers and what makes them move. Sometimes it helps to get beyond the norms, illusions, and assumptions of insiders if you take the perspective of an outsider. This tactic can lead you down some dark alleys, but it also can reveal some conclusions that are both radical and rational. You want the meeting to take on a tone that allows people to say things like: "I'm not necessarily saying that we should do this, but if we really want to move that number, the way we could do it would be..."

Civil Engineers

Let's say your organization is a Stormwater Management Division of a civil engineering firm. Your primary client base consists of municipal clients with dedicated funding set aside to meet federal stormwater regulations. One of your primary Organizational Outcomes is year-over-year growth of business from existing clients. Based on client focus groups and your leadership team's discussion of why clients like your organization enough to issue new contracts, you believe that the most prominent Performance Driver of this outcome is meeting milestones and staying on schedule.

Now the fun begins because you need to take this concept -- meeting project milestones -- and convert it into a metric and a way of doing business that differentiates you from the competition on this dimension. The most obvious approach, your team decides, is to work closely with clients in the pre-project stage to create a realistic timeline of activities. Then the Performance Driver data can be the number of days after schedule the project teams complete the work. You've already been loosely tracking timetables anyway, and this is a nice chance to formalize the process into usable metrics. You decide to code completion as follows: A "0" means that you hit the target right on time; teams get an extra point for each day a stage is completed early; and teams get docked a point for each day a stage is missed.

This all seems pretty reasonable until someone on the leadership team says, "I'm not necessarily saying that we should do this...but if we really want to move that 'growth of existing business' number, we might want to focus on making clients believe that we hit the timeline targets, rather than measuring whether we actually hit the targets." He's not joking as some people initially thought. In fact, more discussion of this topic reveals that many times clients do not want work completed early because it throws off their schedules almost as badly as being late. OK, so no extra points for getting it done early. Fair enough. Then someone else says, "But other times, clients themselves build additional services into the project as it evolves, so that the original time table becomes sort of irrelevant." So we get clients to sign change orders when the schedule is renegotiated, and we use the new schedules to calculate the metric. Fair enough?

It turns out the very best project managers in your firm know how to take scheduling lemons and make them into lemonade by using scheduling issues to deepen the client relationship. What does this mean? It means that when they notice their teams falling behind schedule (bad weather, for instance), they personally call the client and talk about where things stand and how it looks like the timetable may be affected. They almost always are able to work out an agreement that everybody finds acceptable, and the two have a nice discussion about the Hockey Championship and the odds of Carolina taking the cup. In fact, the client is happier because of the call and the update than if the job had been done on time but with no personal update. This is how the best project managers drive future business.

This communication element of scheduling might actually be a differentiator for your organization. Although it sounds simple to maintain good client communication about project schedules, few engineering firms are willing to do what it takes to deliver on this dimension. The reality is that civil engineers often aren't. The personalities that gravitate toward an engineering career do not naturally lend themselves to maintaining good client rapport and communication. Most engineers by nature are somewhat introverted and tend to overanalyze problems. Introversion diminishes rapport probability while the tendency to overanalyze often leads to missed deadlines. So it would be a strange engineer (that is, a remarkably different breed of engineer) that you would need to hire and socialize in order to really win on this Performance Driver. You need engineers who actually like dealing with clients and who think creating and maintaining rapport and communicating about timelines is an important part of the job.

From this perspective, "meeting timeline targets" is not the best metric when it comes to gaming "growth of existing business." Maybe the right concept is "perceived responsiveness to scheduling and timetables," as rated by the client at the end of each project. You would need to build a very different mechanism for collecting and tracking this data. Your people would have to act in two very different way to affect these two different measures. Which is more reflective of your unique way of winning?

Question Set 2: Customer Beliefs

• What are the one or two most important things our customers have to believe about us relative to our competition in order to affect this Organizational Outcome?

• How do we measure our progress toward creating these beliefs in our customers' heads?

In most industries, you get to win because your customers say you win. They get to decide. So you need to get a handle on what would make them notice you, say nice things about you to their friends, and hand their money over to you. You may already have most of the answer to this question in your pocket because hopefully this emerged when you converted your story of winning into your Organizational Outcomes (see Chapter 3, "Organizational Outcomes: How Do I Know I Am Winning in the Way I Want to Win?"). The goal here is to formalize just what it is about your organization that customers are supposed to find so attractive and unique that you can count on them coming back for more. Then you need to build an organization around:

• Managing and gaming those customer perceptions

• Capturing some "upstream" data about those customer perceptions

There should be a very small number of very salient attributes that your target customers can lock in their heads about your organization.

Why do I say one or two most important things? The reason is to get you talking about your most salient features -- or Performance Drivers -- from the customer's perspective. Everything can't be prominent. There should be a very small number of very salient attributes that your target customers can lock in their heads about your organization. Sure, there are lots of "table stakes" that your organization delivers to customers, just like all the competition does. In the civil engineering organization, they need to be seen as credible and proficient engineers just like the competition, but the image of qualified engineers who deliver "good communication" and "timetable responsiveness" is remarkably out of the ordinary -- it could be a differentiator.

There are three reasons why it is so important to gather data about your Performance Drivers rather than just talking about them:

• Most obvious. Measuring Performance Driver data gives you a way to know if you are executing your unique strategy. It allows you to manage and not just hope.

• Less obvious, but just as important. The act of gathering Performance Driver data creates useful ripples throughout your organization. It shouts to employees (and you) what is very, very important. It affects how people think about their work and what identifies a valuable behavior. It makes you structure your organization in a way that maximizes your Organizational Outcomes.

• Least obvious. Trying to gather the right (valid) Performance Driver data helps you sharpen and clarify your competitive concepts. You get closer to your customers and gain better understanding of their needs and behaviors. As you translate strategic concepts into numbers that reflect reality, you continually learn more about the data, and you get more fine-grained in your classification of what is a win and what is a loss.