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## THE NEED FOR SPEED

**Only those institutions that can adapt and respond quickly to shifts in consumer preferences are likely to survive.**

**By Robert Gandossy**

WE KNOW ALL TOO WELL ABOUT THE PACE OF LIFE IN the late 20th and early 21st centuries, and much has been written to portray the speed at which we move—moms and dads making a mad dash from the office to the soccer field, overworked IT specialists catching a few zzz's in a company-provided nap room, and teenagers having to consult their daily planners to determine whether they can squeeze in yet another commitment.

The bevy of technological advances, from the Internet to cell phones and pagers, Palm Pilots and Blackberrys, contribute significantly to this increasingly feverish pace, which we constantly struggle to maintain. Granted, dating back to the harnessing of electricity and the invention of the telephone, technology has always had a significant impact on our lives. In recent years, however, the pace of technological advancement has expanded exponentially.



Take something as simple as sending a letter cross-country. Just a few years ago, people were generally satisfied with the three to four days it took to mail a letter from one coast to the other. Now, thanks to fax machines and e-mail capabilities, the time required to send, receive, and respond to that same letter has been reduced to mere minutes, if not seconds.

Last year, IBM announced its plan to develop a molecular computer that can literally float through the air. And the Japanese recently divulged that they had developed a car the size of a grain of rice. Who exactly would be able to drive such an automobile or operate such a computer is a matter for debate. However, these two examples illustrate the speed at which technology is capable of evolving and transforming our lives.

When it comes to organizational life, the impact and importance of speed is nothing short of dramatic. If you were to look at a list of the top 100 American corporations in 1917, for example, you would find just 16 that remain in existence today. You would see that the top company of the day was U.S. Steel. Today, fast food giant McDonald's Corporation employs more people than U.S. Steel did during its peak. To put things into perspective, that's the equivalent of your local delicatessen having more employees than one of the "Big Three" auto manufacturers by the year 2060.

Most people instinctively assume that their organization is here to stay, that it will live on indefinitely. However, the average life expectancy of a *Fortune* 500 company is just 40 to 50 years—and shrinking. Only those institutions that can adapt and respond quickly to shifts in consumer preferences are likely to survive.

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One of the best examples comes from the burgeoning mobile phone industry. Over the last five years, annual mobile phone sales shot up from 30 million to a whopping 400 million. What also happened during that time was a shift in technology from analog to digital wireless. The leading cellular company until the late 1990s missed that shift by about a year, while an unknown company headquartered near the edge of the Arctic Circle jumped on the opportunity. As a result, Nokia became the world's number one company. Only a decade earlier, the company had been quietly making snow tires and rubber boots.

Just as Nokia seemingly came out of nowhere, it is likely that few people, if anyone, have even heard of the company

that will be the largest corporation in the world 20 years from now. That leaves today's organizations with a significant challenge—to increase their speed and agility in order to effectively meet the evolving needs of customers, employees, and shareholders. Sadly, most organizations don't get it right.

### **Leadership Lessons**

That's not to say that business leaders have been slow to recognize the importance of building their organizational speed and agility. In late 2001, Hewitt surveyed CEOs and human resources leaders at large global corporations about the role of speed and agility in their organizational strategy and HR strategy. A full 65% of CEOs indicated that they have identified speed and agility as critical to their business plan. Furthermore, 54% of CEOs have set specific speed and agility performance measures in their fiscal 2002 business plans.

When it comes to whether HR should play a leadership role in improving the organization's speed and agility, 67% of CEOs and 91% of HR leaders agreed that it should. However, just 39% of CEOs and 45% of HR leaders report that human resources is already playing that role in their organizations.

Leaders instinctively understand that people are the ultimate vehicle that will enable their organization to become faster and more agile. They recognize that boosting speed and agility in talent management would have the highest leverage inside the organization. Unfortunately, they simply don't know where to start, and as a result, they end up exerting energy in many different directions on disconnected efforts, very few of which have a cumulative impact on speed and agility.

A significant part of the problem lies with the fact that while speed and agility are two of the most talked about concepts in business today, they are also among the most simplistic and misunderstood. Speed without clarity and focus simply promotes many dumb decisions fast, while being too agile could take you astray from your core business and mission.

Speed and agility must go hand in hand. Fast and frenetic organizations, or those that are too narrowly focused, will not be appropriately agile. As a result, they won't be equipped to pursue the unanticipated opportunities. Achieving the right tension between speed and agility is the challenge that most organizations face. High-performing companies understand the subtleties of speed, the notion of rhythm and pace, and the ingredients needed for organizations and talent to navigate in a faster, more uncertain world.

Unfortunately, some well-intentioned leaders blindly push for speed throughout the entire organization, bolstering the misconception that a fast and agile company has to move at lightning speed in every aspect of the business. Nothing could be further from the truth; there is value in knowing when to move fast and when to move slowly.

Mike Eskew, CEO of United Parcel Service, has declared that his organization will move faster on a \$500 million acquisition than it will if drivers are asked to scan each package one more time. While one quick swipe of a scanning pen may not seem like a huge deal, it involves literally hundreds of thousands of drivers and hundreds of thousands of minutes each and every day. Tally that up over the course of a year, and you've got thousands upon thousands of additional man-hours. An organization has to know where it needs to move quickly, and that's simply not everywhere. Sometimes, it's appropriate to be slow and deliberate.

## Action in the Face of Tragedy

If ever there was a time not to be slow and deliberate, it was September 11, 2001 and the days and weeks that followed. In the aftermath of the terrorist attacks in New York, Washington, D.C., and Pennsylvania, numerous organizations leapt into action, moving with speed and agility to help businesses and individuals deal with the effects of the tragedy.

Several major IT equipment vendors, including Compaq, Dell, EMC, Hewlett-Packard, IBM, and Sun, hurriedly established emergency response centers to assist customers with recovery problems and to speed up product acquisitions. Meanwhile, EMC Corp.'s Internet Services Group offered net-based back-up services to companies that had lost their Manhattan data centers.

IBM's Business Continuity and Recovery Services group opened what would normally be a contracted customer-only response center to any city, federal, or state agency, any employee, or any customer—existing or potential—who needed assistance. Making use of database software normally reserved for hurricanes and floods, IBM brought in an additional 15 to 20 call handlers, who took calls throughout the night from anyone who needed assistance.

Likewise, Verizon Communications partnered with uReach Technologies Inc., to set up a virtual communications hub, giving New York businesses and residents access to voice mail, e-mail, and faxes, along with a virtual filing cabinet for storing files in a secure data center and retrieving them from any work location using a Web browser.

Numerous banks moved quickly to help customers by forgiving missed payments on loans, covering overdrafts and payrolls, and providing quick access to large sums of cash. Even the HMO community, often criticized for supposedly throwing up roadblocks and delaying the availability of medical services, proved their ability to take action fast.

Within hours of the attacks, several life and health insurers mobilized their troops and announced special efforts to handle attack-related claims.

While these and other individuals and organizations met the challenge to move with speed and agility following the events of September 11th, Northwestern Mutual stands out as a singular and consummate example. As the largest life insurance provider in the United States, Northwestern has

long held that its overriding and compelling consideration is its policyholder. The company certainly proved that to be true in the aftermath of the attacks.

From the moment the first plane hit the North Tower of the World Trade Center, Northwestern knew that claims would be forthcoming. Rather than waiting for the phone to start ringing, however, employees began processing claims by working off of flight manifests and employee lists. Although the average time required to pay a death claim stands at 30 days, Northwestern processed 157 claims in

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five days, putting \$125 million into victims' hands in New York City. That's more money paid out in a shorter period of time than by city, state, and federal governments.

Before the clock struck noon on September 11th, Northwestern declared that it would not invoke the war exclusion clause and would accept alternate forms of confirmation of death, so that victims' families could be paid as quickly as possible. Meanwhile, a number of other insurance companies were busily issuing statements hinting at delays in payments due to the large number of unidentified victims and raising the possibility of invoking the war exclusion clause.

Obviously, Northwestern and the rest of these companies didn't just become agile on the morning of 9/11, any more than Nokia suddenly morphed from a snow tire manufacturer into a digital phone giant overnight. However, they did possess something in common that enabled them to quickly rise to the occasion when opportunity—or tragedy—came calling.

So what exactly is it that makes one organization faster and more agile than the next? What is at the heart of their culture that sets them apart and better equips them to answer that call?

Leaders seeking to replicate the performance of companies like Nokia and Northwestern within their own organizations may be dismayed to learn that speed and agility aren't things that can be bought or dictated. There's no single ingredient, no technology, no magic bullet that will single-handedly make a company faster or more nimble. However, fast and agile organizations typically share five basic characteristics, which overlap, interact, and create a momentum that's hard to beat.

**Clear Purpose:** Fast companies have a defining sense of purpose, supported by just a few simple rules. They determine what is essential and ignore the rest. At Northwestern Mutual, for example, the overriding and compelling consideration is the policyholder. As CEO Ed Zore explains, "At the moment of greatest family need, we are the ones who are there." Likewise, Southwest Airlines

has consistently adhered to a clearly defined purpose—to make a profit, achieve job security for every employee, and make flying affordable for more people. This kind of clarity provides guidance for day-to-day decision making, but allows room for opportunity, flexibility, and agility to enable faster, better decisions.

Having too many rules is paralyzing and stifling, but a set of simple rules provides direction, helps define priorities, and shapes how decisions get made. Southwest Airlines understands that employees sometimes have to make quick decisions that may be outside of the norm. President Colleen Barrett asserts that “You cannot write a scenario for every happening that calls for common sense and good judgment. You have to be there.”

Fast companies have common mental processes, critical thinking skills, and a framework for decision making that provides a language and a way of looking at complexity and challenges. And they go to great lengths to make sure that all employees understand that framework. (For more on this notion of simple rules, see Kathleen M. Eisenhardt and Donald N. Sull, “Strategy as Simple Rules,” *Harvard Business Review*, January 2001, 107-116.)

**Engaging Climate:** An important differentiator in fast and agile organizations is what Ram Charan calls “social operating mechanisms”—dialog between parties that creates greater engagement and speed and plays a role in the decision-making process. In slow organizations, employees are not engaged or enabled to contribute and act. Even at the executive level, people responsible for making critical decisions fail to interact and connect with each other. It’s not that slow organizations have a dearth of good ideas. On the contrary, all you have to do is to ask people what they feel the organization should be doing differently and you’re likely to get an earful. The difference is that slow organizations stifle idea generation and innovation by failing to engage people or provide them a voice in what gets done or how.

On the other hand, organizations that are decisive and fast have a fundamentally different set of operating mechanics that promote dialog in which information and knowledge is shared, assumptions challenged, and ideas exchanged. At GE, for example, Jack Welch implemented the now famous Work Out sessions in which employees were given the opportunity to speak directly to business leaders and participate in improving GE’s effectiveness. As a result, employees in fast organizations embrace speed and change as a competitive advantage. They can’t wait to bring new ideas to market because they are just as excited about them as senior management.

What’s more, fast organizations typically possess four essential behavioral characteristics (for more on these, see an excellent article by Ram Charan, “Conquering a Culture of Indecision,” *Harvard Business Review*, April 2001):

1. **Openness**—Quite simply, outcomes are not already determined. After all, there’s nothing more disengaging

than to be involved in a process when you know the decision has already been made and that your input won’t make a difference.

2. **Candor**—The willingness to air conflicts, to challenge or debate, to offer the off-the-wall idea, to look the boss in the eye and say, “That’s really dumb.”

3. **Informality**—As Jack Welch told *Fortune* magazine in 1999, “Informality gives you speed. It takes the crap out of the business equation.” Formality, on the other hand, does

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4. **Closure and Follow-Through**—Lack of closure and follow-through are among the main reasons for a slow, indecisive environment, while persistent, even tenacious follow-through is part of the DNA of fast environments. At the end of a meeting or process, people know what to do.

**Small Unit Accountability:** There’s something to be said for keeping things small. Jack Welch used to talk about the need to keep a small company feeling in a big company body. Meanwhile, during its rapid ascent to becoming the number three Internet provider, Earthlink made a conscious effort to keep its facility small. Fast and agile organizations establish small unit accountability, allowing teams the autonomy to act in a decisive, clear way.

During its turnaround, Harley-Davidson reorganized the entire company around what it called the “circle organization,” overlapping units of eight to 12 people, in order for people to keep in close contact, communicate better, and be more accountable. Likewise, Sam Walton deemed that each department of a Wal-Mart should feel like a Main Street store, so that employees were given a sense of accountability and ownership.

Whether you call it establishing small unit accountability or pushing decision making down the chain of command, the results are the same: employees acting decisively and autonomously, making smart moves. When Midway Airlines went of business in 1991, Southwest Airlines employees took it upon themselves to fly to Chicago and physically take over every one of Midway’s gates at the airport. At the time, CEO Herb Kelleher wasn’t even aware of their actions: “They came in later and said, ‘Hey, Chief, we just did something and we thought you might like to know about it.’”

**Outside-In Focus:** When Lou Gerstner turned IBM around, it’s no coincidence that he spent more than 50% of his time with core customers. Leaders of fast and agile organizations aren’t hiding out in the executive suite.

They are in touch with their customers, listening to them, gaining a firsthand understanding of their environment and of what it will take to continually challenge and improve the organization. The more they can directly see a customer's smile or frown when delivering product and service, the more fire they will have under them and subsequently, the more fire the rest of the organization will have under them as well.

**Collective Will:** There's something about a fast organization that's difficult to put your finger on. It's intangible. You can literally feel it when you walk into the lobby. People have an extra bounce to their step. They're more animated. They listen more intently. They're inspired. That's because fast and agile organizations foster a collective will, a passion, a single-minded determination, an emotional energy, and a unified way of thinking. Often, this is the creation of a dynamic, charismatic leader, someone along the lines of Herb Kelleher, Tom Melohn [of North American Tool & Die], Lou Gerstner, or Jack Welch. These leaders create a sense of winning.

For example, Scott McNeely of Sun Microsystems makes no bones about the fact that he considers himself to be at war with his competitors. The late Robert Goizueta of Coca-Cola proclaimed, "If you don't have an enemy, find one." The effectiveness of this kind of approach comes as no surprise to cultural anthropologists, who have long studied how people react when they are faced with a serious outside threat. They bond together and develop a powerful resolve, a focused determination to overcome obstacles and get things done.

Some organizations establish a BHAG—a Big Hairy Audacious Goal—that drives people to action. At the dawn of the 1960s, President John F. Kennedy pledged that an American man would walk on the moon by the decade's end, and sure enough, Neil Armstrong took his famous "one small step" during the summer of 1969. Common experiences also tend to foster a collective will. Marines share the right of passage of boot camp, for example, while General Electric employees have Crotonville. Other organizations build pride by sharing awards, mementos, and docu-

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ments praising the company's services or products. All of these things create a bond, a sense of collective responsibility, a determination to do the right thing, and an account-

ability on the part of everyone to uphold—exceed—the organization's high standards.

Granted, these characteristics cannot be acquired overnight. The kind of speed and agility that organizations like Nokia, Northwestern Mutual, Southwest Airlines, and

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General Electric have cultivated requires an unwavering, ongoing commitment. However, if you've ever seen or felt the result, you know it's well worth the effort.

For those organizations wondering how to get started on a path to speed and agility, Hewitt advocates a six-step process that can literally get a company moving in the right direction in 60 days or less:

1. Assess where you are today.
2. Establish a sense of urgency, a deep dissatisfaction with the current state.
3. Form a coalition of people who can make a difference.
4. Define what you want to achieve.
5. Identify the most significant barriers.
6. Attack with gusto.

On the other end of the continuum, an already fast and agile organization faces the formidable challenge of staying there. Many companies don't as they become complacent with their past success. Perhaps they should consider this: Bill Gates frequently asserts that Microsoft is never more than two years away from being out of business. If someone as enormously successful as Bill Gates sees fit to foster that sense of urgency, how can any organization justify being complacent?

Regardless of its place on the speed continuum, an organization can't give in to the temptation to rest on its laurels, to fall in love with itself, and fail to see problems forming. Instead, it needs to continue lighting fires under people. If the company has already raised the bar once, it needs to raise it again...and again. In doing so, it may literally make the difference between being a thriving, successful organization 75 years down the road and being lost in the mists of time. ♦

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