September/October 2006

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Management Focus

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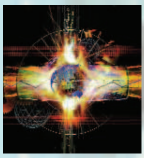
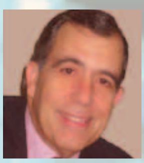


Featured article

The high-performance organization



Guru interview

An interview with Thomas W. Golden

Interview by Alistair Craven

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Welcome to Management Focus

. . . and welcome to the September/October issue.

The hallmark of any highly effective organization is making good decisions and making them happen – better, faster and more consistently than its competitors. To achieve this, the top performers excel across all elements of the organizational system – effective leadership, clear accountability for the key decisions, the right people in the right jobs, strong frontline execution and a performance culture.

Organization can make or break a company. Yet, while most business people acknowledge the importance of building an effective organization, very few actually succeed. Find out how to make good decisions and make them happen with our article on high-performance organizations.

Thomas W. Golden is the partner-in-charge of the Midwest Region Investigations & Forensic Services practice for PricewaterhouseCoopers (PwC).

In criminal matters, Mr Golden has a national reputation in forensic accounting investigations. Federal and state prosecutors have relied on his work in the development of evidence packages related to criminal investigations in the very complex area of white-collar crime. In this exclusive interview, read what he has to say about the process of forensic accounting investigation, Sarbanes-Oxley, and the impact of culture on ethical dilemmas in business.

Moving on to the issues surrounding customer relationships, our *Management Matters* expert answers your question on why, despite the investment of enormous amounts of money, customer relationship management hasn't paid off as well as expected for many companies.

To expand on the issues highlighted in *Management Focus*, log on to **www.managementfirst.com** where you will find ten dedicated management communities full of articles and interviews, designed to help you stay in control of your career!

Best wishes

Debbie Read and Alistair Craven
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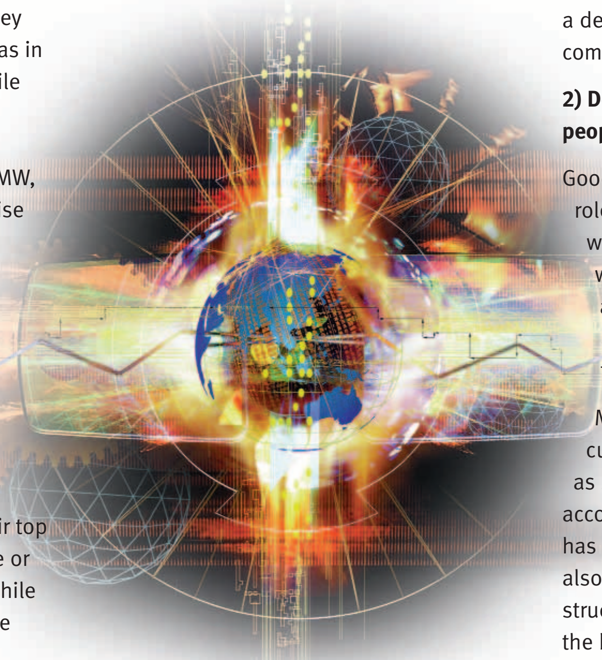
The high-performance organization: making good decisions and making them happen

If you have ever worked in an organization that is truly high performance or encountered one as a competitor, you will not soon forget it.

High-performance organizations push the limits of growth, the way Intel has done with its record of continuous innovation. They adapt better to change, as Vodafone has in its pursuit of global leadership in mobile phone services. They become talent magnets, like Nike, where "athletic authenticity" is a clear priority. Dell, BMW, Procter & Gamble, Toyota, and Enterprise Rent-A-Car all know how to mobilize their organizations to pull away from competitors. For companies such as these, organization is more than a means of translating objectives into action – it has become a source of competitive advantage.

No wonder eight out of ten business leaders see organization as one of their top three priorities. Organization can make or break a company. Yet, paradoxically, while most business people acknowledge the importance of building an effective organization, very few actually succeed.

What sets apart the high performers is the quality of their decision-making. They make the most important decisions well, and then they make them happen, quickly and consistently. Making good decisions means being clear about which decisions really matter. It requires getting the right people focused on those decisions at the right time. That is true whether the decisions involve the largest issues that a company faces or the smaller, day-to-day concerns. Decision-driven organizations are distinguished by the consistency and calibre of their decision-making and execution at every level.



The five attributes of a high-performance organization

1) Provide compelling direction and leadership

When there is clarity from the top, the rest of the organization knows what to focus on. The best leaders can express a compelling vision and clear priorities for what it takes to succeed in the business.

Top-performing teams reinforce the company's business priorities and values by creating leaders at every level who send the same messages about the company's direction. Cohesive leadership teams trust one another. They aren't afraid to engage in conflict around ideas. Once they commit to a decision, they walk out of a meeting with a common plan of action.

2) Define clear decision roles – and hold the people in them accountable

Good decision-making begins with clear roles and accountabilities. People know which decisions they are responsible for, when to provide input and who is accountable for following through. Just as important, they know what is out of their scope.

Many of the most important decisions cut across different functions. But it is not as simple as making one person accountable and ensuring that he or she has the proper interactions. Top performers also make sure their organizational structure is based on the sources of value in the business.

If a company's decision roles and structure are out of line with its most important sources of value, it can cripple the business. When the roles are well defined, however, and the organization's structure lines up with the value in the business, the speed of decision-making improves along with the quality of those decisions.

3) Develop and deploy talented people

High-performance organizations routinely find people who think and act like owners – people with high aspirations who make decisions and take prompt action. It requires companies to consider what types of people they need to succeed, selecting for skill as well as for capability and attitude.

Top performers also use aligned measures and incentives to keep people pointed toward growth. Typically, the most effective organizations avoid overloading on metrics, taking care instead to measure what matters. Often, a few dozen key metrics will serve to measure most of the economic value of the business, allowing management to focus clearly on company and individual performance.

> Organization can make or break a company. Yet, while most business people acknowledge the importance of building an effective organization, very few actually succeed.

4) Excel at frontline execution

One telltale sign of a high-performance organization is the engagement and focus of its front line. Those vital employees include sales, customer service and delivery personnel – people who can turn a first meeting with a customer into a lifelong relationship. They also include the people who play crucial roles in bringing the right product to market at the right time – people involved in a company's R&D, marketing, production and supply chain.

When the front line fumbles, the company is weakened – through poor service, poor quality or unnecessary cost. Ultimately, a company's ability to execute is impaired, and customers suffer. The key is to view the front line as a source of competitive advantage, applying the same rigor in setting up the front line that a company's leaders apply to the rest of the organization.

5) Tap into the "extra 10 per cent" with high-performance culture

Companies with high-performance values and behaviours inspire loyalty from employees, who want to stay and be part of a team. They create advocates, who are positive about the business to customers, colleagues and recruits. They generate commitment to go the extra mile, and to do the right thing, rather than necessarily just the easy thing.

High-performance organizations are 31 per cent more likely than the average company to have a culture focused on performance. They do not take culture for granted; they manage it. That is a tall order, because it requires engaging people's inherent beliefs – about the value they place on their work and contributing to a common enterprise. High-performance cultures also show a strong capacity to change – a critical attribute since organizations must continue to evolve as strategic goals shift.

The path to high performance

The hallmark of any highly effective organization is making good decisions and making them happen – better, faster and more consistently than its competitors. To achieve this, the top performers excel across all elements of the organizational system – effective leadership, clear accountability for the key decisions, the right people in the right jobs, strong frontline execution and a performance culture.

Sustaining high performance is difficult. No single lever turns a company's people into a decision-driven organization, capable of making good decisions and executing them again and again, and no blueprint can provide for all the contingencies and business shifts that a company is bound to encounter. The most successful companies take a holistic approach, integrating capabilities across the organization, from the boardroom to the front line. That's difficult to achieve – and even more difficult for competitors to copy. But the steps required to build a high-performance organization are practical and measurable.

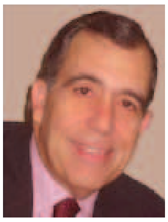
Any company can make its organization more effective, beginning with its next decision.

Paul Rogers, ***Director of Bain & Company, based in London, and*** **Marcia Blenko,** ***Partner and Leader of Bain's organization practice in North America.***

Read the full version of this article in the *Handbook of Business Strategy*, Volume 7 Number 1, 2006.

An interview with Thomas W. Golden

Interview by Alistair Craven



Thomas W. Golden is the partner-in-charge of the Midwest Region Investigations & Forensic Services practice for PricewaterhouseCoopers and resides in Chicago.

He joined the firm in 1982 in the accounting and auditing practice and in 1991 he began the fraud investigations practice in the Midwest. He is a CPA and Certified Fraud Examiner whose experience has focused on providing consulting and expert witness testimony in both civil and criminal matters. He has co-authored A Guide to Forensic Accounting Investigation *with PwC colleagues Steven Skalak and Mona Clayton.*

In criminal matters, Mr Golden has a national reputation in forensic accounting investigations. Federal and state prosecutors have relied on his work in the development of evidence packages related to criminal investigations in the very complex area of white-collar crime.

Q: Can you tell us about the inspiration behind your new book *A Guide to Forensic Accounting Investigation*?

A: We at PricewaterhouseCoopers felt that there was a need for auditors, boards, management, lawyers, and everyone involved in investigations to have a trusted reference they could turn to. Forensic Accounting Investigation is a new field that has been rapidly evolving since the mid-1980s and we envisioned a book that would collect in one place all the expertise that has accumulated. We wanted to publish a comprehensive book with chapters by the best experts on each topic. No individual can know all there is to know about how to do these investigations and all the attendant risks, so we felt it was vital to publish a book based on collective experience.

Q: Worryingly, nearly half of all companies experience significant fraud, yet even more worryingly, many organizations will not have a systemic plan in place for deterring and investigating corporate fraud. Why is this so?

A: Many believe that if they hire honest people, have annual audits and comply with Sarbanes-Oxley (S-O), they are insulated from significant fraud. They are wrong.

Our 2005 Global Economic Crime Survey (GECS) revealed that unless people had experienced significant fraud, most of them truly do not believe they will become a victim of fraud. I believe this is partly related to overconfidence as a result of S-O, and partly human nature. Most believe that bad things will happen to other people, not to them. Our survey revealed that for those not reporting significant fraud, 90 per cent did not believe they would become a victim of fraud in the next five years. However, for those companies reporting significant fraud in the last two years, that number was reduced to 67 per cent.

If more people operating in their control environments would follow a simple practice of "trust but verify", more fraud would be deterred or detected.

Q: What is the relationship between good corporate governance and fraud detection?

A: We live in the post-Enron era. The keynotes of the era are tough new legislation and regulation to strengthen corporate governance and new oversight of the auditors. A significant part of corporate governance is the design, implementation and maintenance of an adequate system of internal controls – what S-O is all about.

Corporate governance is about fraud deterrence, not prevention and not detection. It can be likened to the rule of law and having the will, power and ability to enforce such laws. Governance cannot be realized on a long-term basis without having enforcement powers. To deter would-be fraudsters, they need to realize that the likelihood of getting caught and punished is high enough that the risk is not worth it.

Without the ability to detect fraud, there can be no enforcement and without enforcement, there can be no effective governance.

Q: Roger Davis, retired Head of Professional Affairs at PwC, has asked the question as to whether there is a danger of increased corporate regulation around the world becoming a dead hand on entrepreneurship and innovation. How would you answer his concerns?

A: While I do believe in allowing markets to operate freely, some degree of regulation is necessary in a number of circumstances, and ensuring fair dealings in the capital markets is certainly one of those areas. The 1933 Securities Act and the Securities and Exchange Act of 1934 are testament to this argument. Where would we be had these two laws not been passed? Clearly, we'd have no capital markets, at least not in the United States.

The whole issue of rational regulation is currently under review by the SEC. Other countries and unions are exploring S-O type laws. Yes, there is a risk that regulation may stifle entrepreneurship, but the costs of failing in this effort are too great not to address in the exact manner that governments are doing.

Innovation, like nature, I believe will always find a way. I don't think that S-O would have stopped Tom Edison, Andy Grove of Intel or Sergey Brin, founder of Google. If it's an issue of risk to innovation, I'd be more concerned that we get immigration law reform right.

To read the full, exclusive interview with Thomas W. Golden, visit www.managementfirst.com and select the "E-business" community.

Management Matters

Welcome to our Q&A section – *Management Matters*, where you can find actionable advice on current management topics. In this issue your question on customer relationships is answered by our resident expert.

Q. Over the years, companies have poured enormous amounts of money into customer relationship management, but in many cases this investment hasn't paid off as well as expected. What advice do you have as to the best way to go about building long-term profitable customer relationships?

Quite often, the money put into customer relationship management (CRM) goes into CRM systems. But a system won't get you to CRM without a culture or an expectation of information sharing and customer focus.

Many years ago Michael Hammer wrote a seminal paper presaging his work on business process re-engineering (BPR) called "Don't Automate – Obliterate!". By that, Hammer meant that redundant or wasted work didn't become useful by being automated. It just got done faster. The real trick was to stop doing things which are redundant or wasted.

With CRM we might say – "Don't Automate – Instigate!" In other words, overlaying a system which captures and shares customer data will not be very much help unless an organization has instigated a number of reviews and actions. Is information seen as an organizational asset, to be shared, or as an individual/unit asset, to be hoarded? Are there common standards for capturing customer information? Is there an ethos which looks at the world from the customer's perspective, and works problems out in the organization, or does it look at the world from the organization's perspective and push problems forwards for the customer to make the best of?

CRM systems overlaid on to a CRM culture may be quite useful. If not, they simply will not fit.

There's an old adage that says – people buy people. We buy from people and organizations we like. We correlate quality and satisfaction with positive service experience. It's a bit of basic human psychology. We prefer to have interactions with people we like having interactions with. We don't, typically, like having interactions with automated e-mail responses, or hard-to-navigate telephone systems, or hard-to-use websites, or harassed call-centre operators. To build long-term profitable relationships, really means understanding the basics of the psychology behind long-term human relationships.

I would advise asking some questions before committing to investment in a CRM system. Is it going to increase or decrease the opportunity for your people to be liked by the people who are your customers? Is it going to make work easier and more enjoyable, or harder and less enjoyable? If it is the latter, chances are you are decreasing the "people buy people" opportunities. Are you, really and truly, working for an organization which values its customers to the point where it organizes itself around their needs?

If so, you might try to improve information sharing with good systems. Or you may not need to.

Our resident expert has over 25 years' professional experience in management, ranging from academic journal editor and management consultant to senior board member.

If you would like to send him a question, write an e-mail to Web Content Manager Debbie Read at *dread@managementfirst.com* and the best submissions will be featured in a future issue of *Management Focus*.

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Final thought …

“Business has only two basic functions – marketing and innovation.”

Peter Drucker