

FIT TO COMPETE

**WHY HONEST CONVERSATIONS ABOUT YOUR
COMPANY'S CAPABILITIES ARE THE KEY TO A
WINNING STRATEGY**

BY MICHAEL BEER

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FIGURE I-1

Overview of the strategic fitness process

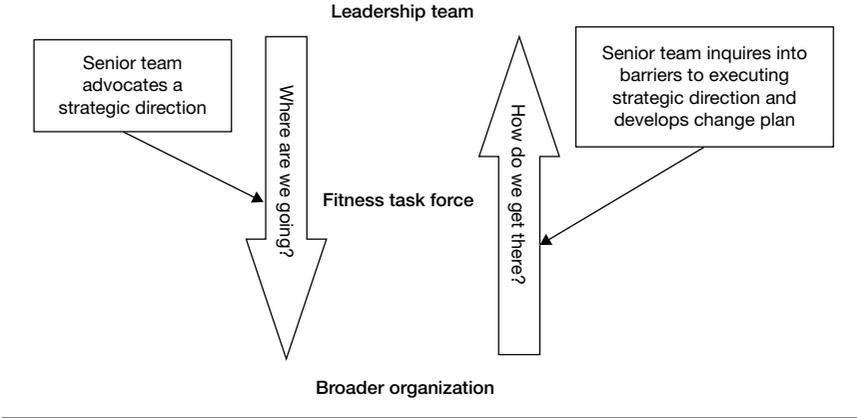
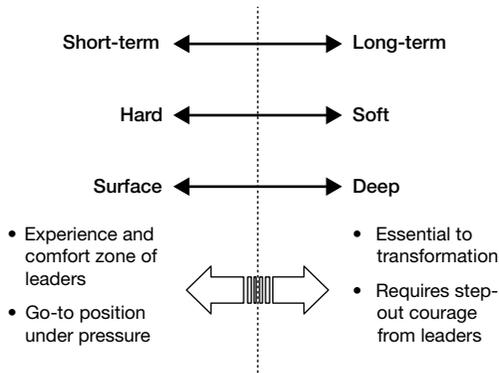


FIGURE I-2

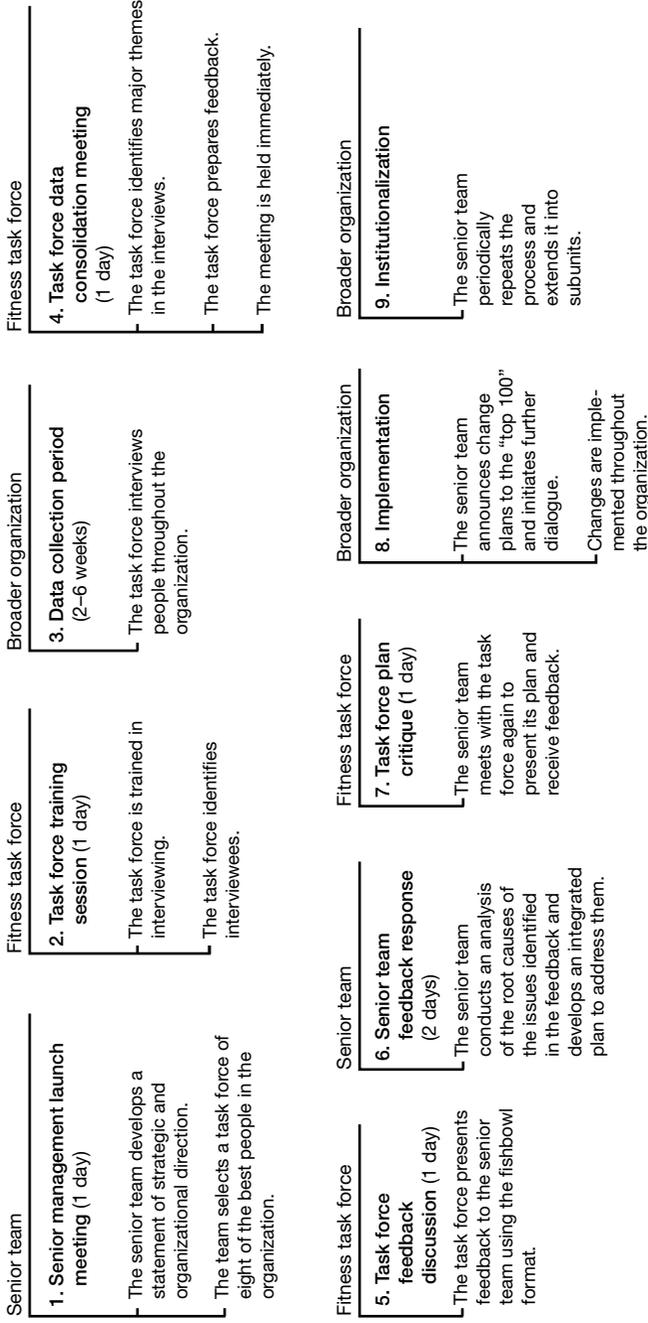
Why transformations fail to change the system



Source: Courtesy of Malcolm Wolf

FIGURE 1-1

The strategic fitness process



Source: Adapted from Michael Beer and Russell A. Eisenstat, "How to Have an Honest Conversation about Your Business Strategy," *Harvard Business Review*, February 2004.

FIGURE 1-2

The fishbowl

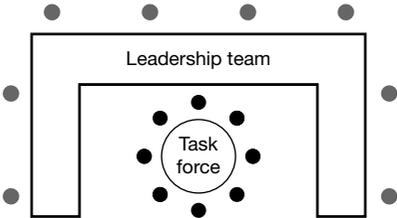


FIGURE 2-1

Organization effectiveness requires a high-fit system

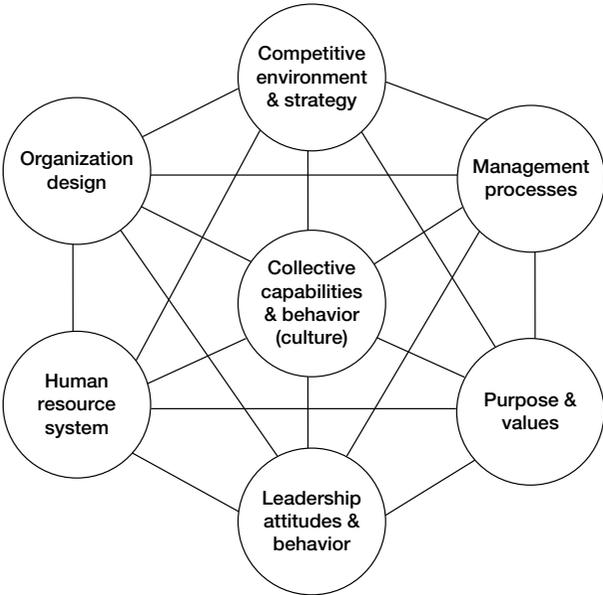
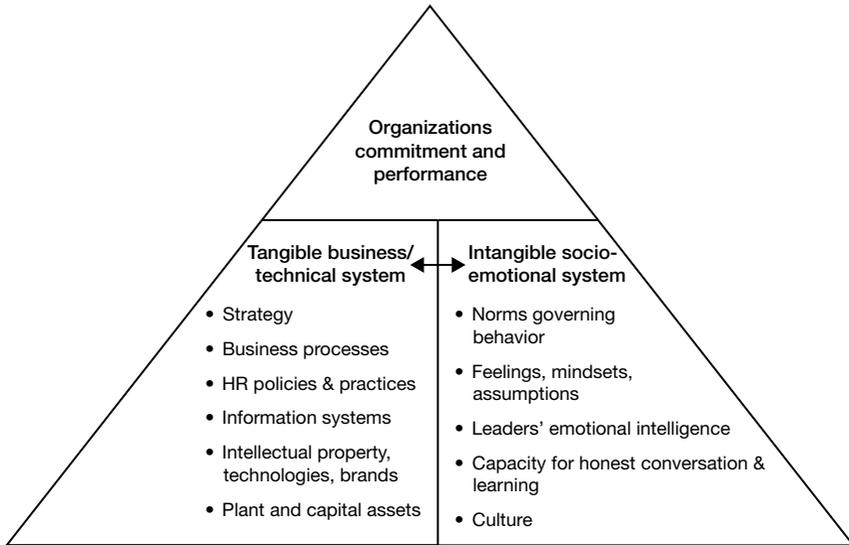


FIGURE 2-2

Organizations as socioemotional and technical systems



Source: Courtesy of Malcolm Wolf.

TABLE 2-1**Extent of change in twelve organizations after SFP**

Industry and type of organization	Extent of change*
Technology company A, business unit	7.00
Toy company	6.00
Pharmaceutical company, Mexico unit	5.90
Technology company B, business unit	5.50
Technology company C, business unit	5.20
Pharmaceutical company, Brazil unit	5.00
Hotel company	5.00
Technology company D, business unit	4.36
Banking business unit	3.50
Pharmaceutical company, Argentina unit	3.33
Medical technology company	3.09
Privatized government agency, Canada	2.55

* *Extent of change*: The mean difference between pre- and post-SFP assessments of twelve organizations. The researchers rated questionnaire items describing organizational qualities such as effectiveness, commitment, and trust on a seven-point scale (where 1 = "strongly agree" and 7 = "strongly disagree"). Pre-scores were subtracted from post-scores so the higher the difference, the greater the change in overall quality of the organization. See appendix B for details.

FIGURE 3-1

Task force's flip chart on BD's strengths

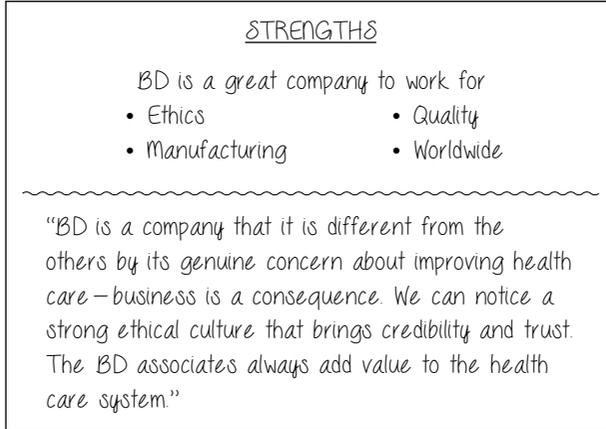


FIGURE 3-2

Task force's flip chart on US-centricity



FIGURE 3-3

Task force's flip chart on innovation

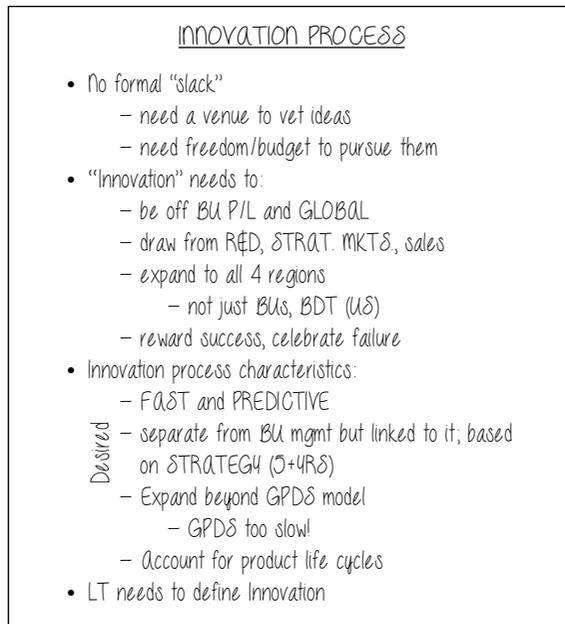


FIGURE 3-4

The task force's flip chart showing the associates' perception of power and influence

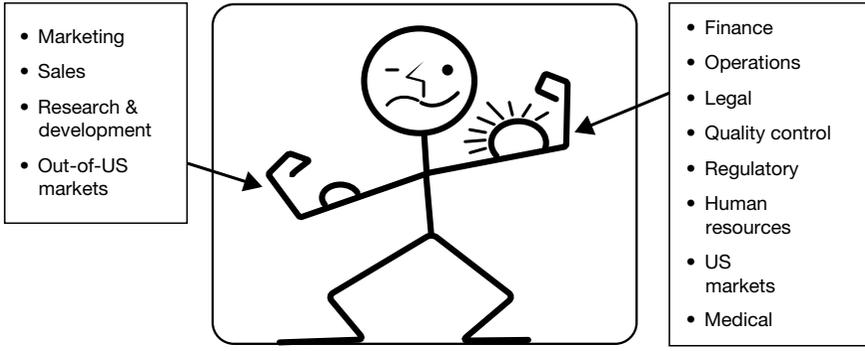


TABLE 3-1

Becton Dickinson's future culture as envisioned by its senior team

From	To
<ul style="list-style-type: none">• Internally focused managers• Focus on outbound marketing• Focus on internal solutions	<ul style="list-style-type: none">• Customer-centric and entrepreneurial growers• Commitment to strategic marketing pushing growth• Pursuing best solutions through partnerships
<ul style="list-style-type: none">• Sustaining engineering focus and iterative innovation• Consensus-driven• Risk-averse	<ul style="list-style-type: none">• Nimble product development and breakthrough innovation• Engaged in debate; decisive• Risk-tolerant managers; balancing stretch and reliability
<ul style="list-style-type: none">• Process-managed and bureaucratic• Disciplinarian; control-oriented	<ul style="list-style-type: none">• Learning and effective process enabled• Disciplined, accountable, and empowering
<ul style="list-style-type: none">• People and careers managed through relationships• Difficult discussions about people and strategies indirect or avoided	<ul style="list-style-type: none">• People and careers managed through competency and skills-driven performance• Difficult discussions about people and strategies embraced directly
<ul style="list-style-type: none">• US-focused	<ul style="list-style-type: none">• Globally connected to customers, partners, and technology

FIGURE 4-1

The silent killers of effectiveness and change

- Unclear strategy, unclear values, and conflicting priorities
 - Ineffective senior team
 - Leadership style: top-down or laissez-faire (hands-off)
 - Poor coordination across businesses, functions, or geographic regions
 - Inadequate leadership development
 - Inadequate vertical communication: upward and downward
-

FIGURE 4-2

The dynamics of an organization unfit to compete

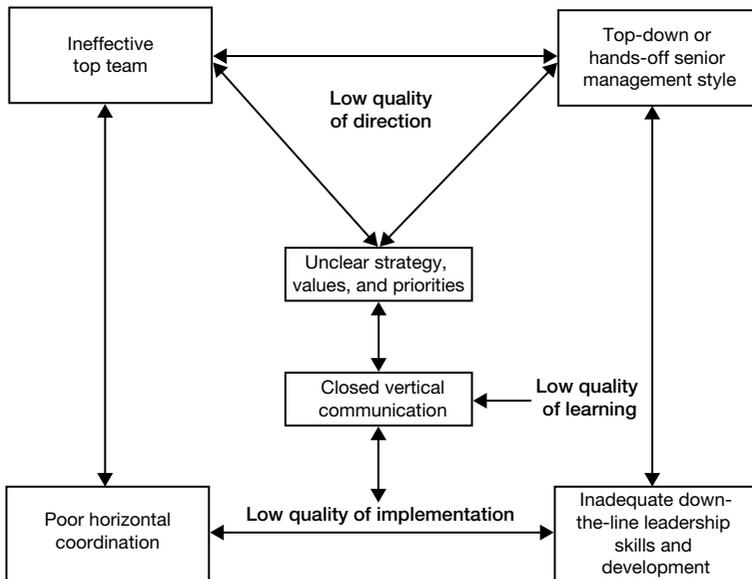


TABLE 4-1

Extent of change in silent killers and overall change in twelve organizations after SFP

Industry and type of organization	Change in silent killers*	Extent of overall change†
Technology company A, business unit	4.67	7.00
Toy company	4.67	6.00
Pharmaceutical company, Mexico unit	3.83	5.90
Technology company B, business unit	4.23	5.50
Technology company C, business unit	4.33	5.20
Pharmaceutical company, Brazil unit	5.00	5.00
Hotel company	0.33	5.00
Technology company D, business unit	2.33	4.36
Banking business unit	2.17	3.50
Pharmaceutical company, Argentina unit	1.90	3.33
Medical technology company	2.67	3.09
Privatized government agency, Canada	1.33	2.55

* *Change in silent killers*: The mean difference between pre- and post-SFP assessments using a seven-point scale (where 1 = "strongly disagree" and 7 = "strongly agree") to rate how well twelve organizations addressed silent killers. The larger the number, the greater the change. See appendix B for details.

† *Extent of overall change*: The mean difference between pre- and post-SFP assessments of twelve organizations. The researchers rated questionnaire items describing organizational qualities such as effectiveness, commitment, and trust on a seven-point scale (where 1 = "strongly agree" and 7 = "strongly disagree"). Pre-scores were subtracted from post-scores so the higher the difference, the greater the change in overall quality of the organization. See appendix B for details.

FIGURE 4-3

The dynamics of an organization fit to compete

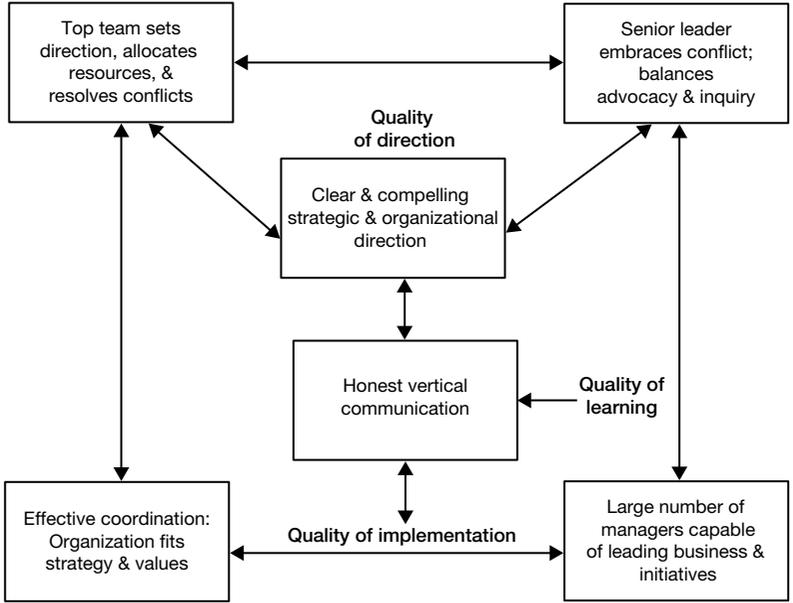
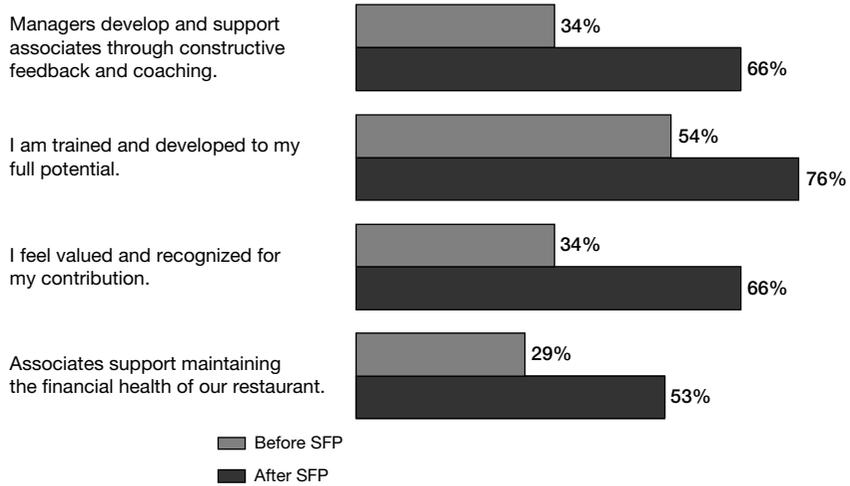


FIGURE 5-1

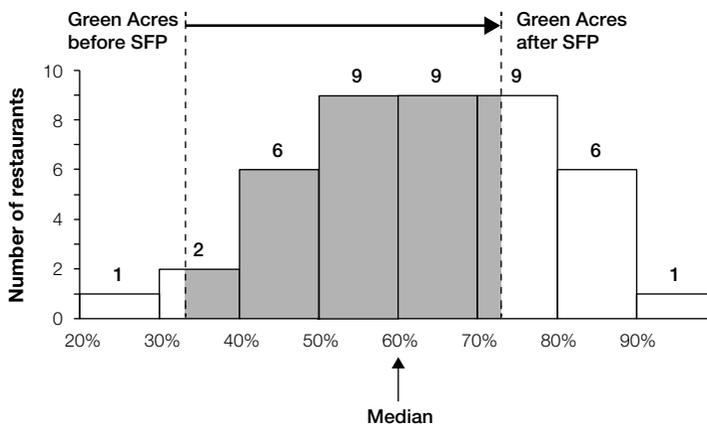
Green Acres dramatically improved associate satisfaction after SFP



Note: Bars represent the percentage of associates who agree with the statement.

FIGURE 5-2

Green Acres dramatically improved “associates feel valued” score after SFP



Note: Bars represent the percentage of restaurant associates who agree with the statement “I feel valued as an employee.”

FIGURE 5-3

SFP helped Green Acres become a leader on many associate dimensions

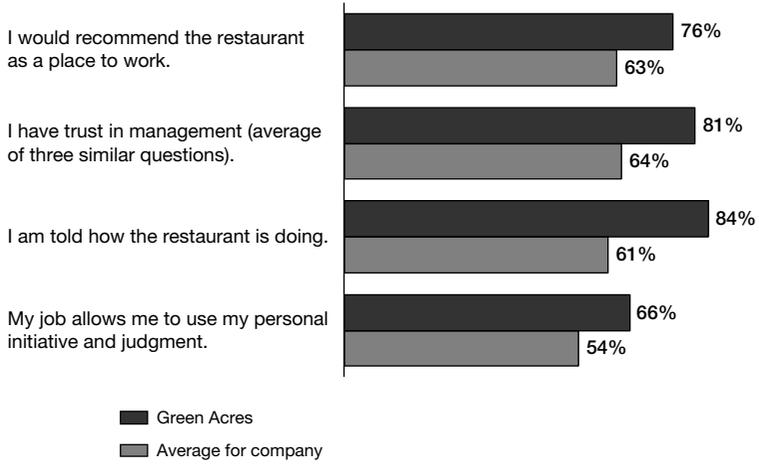


FIGURE 6-1

How honest conversation enables a forty-five-degree path to sustained success

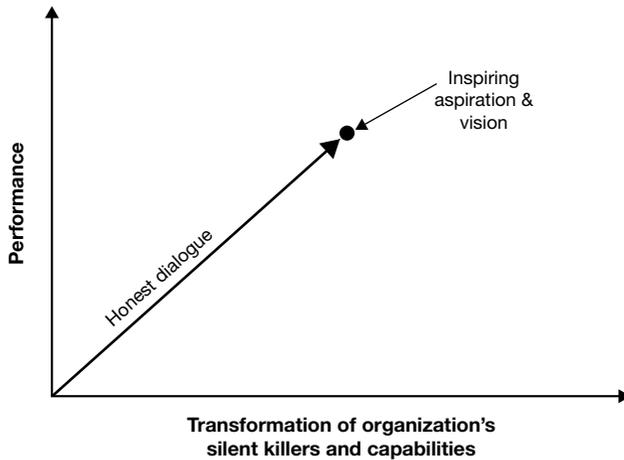
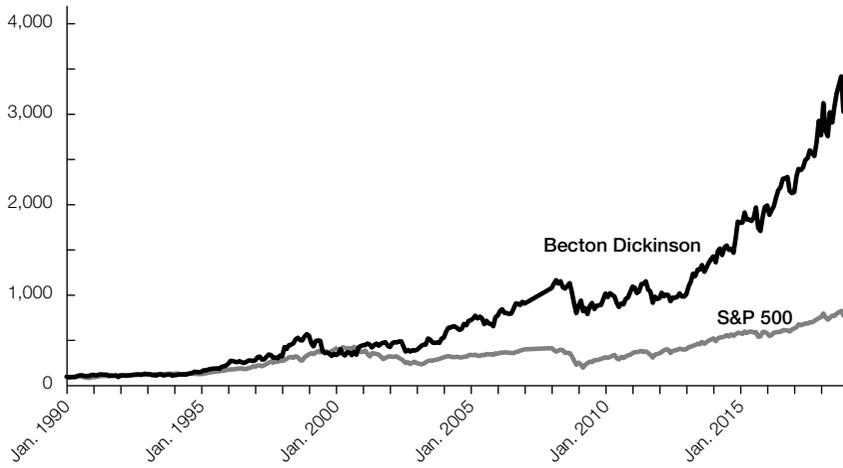


FIGURE 7-1

Becton Dickinson stock performance versus the S&P 500, 1990–2018 (rebased to 100)



Source: Retrieved from the Datastream database, March 5, 2019

Appendix A

Nine Steps of the Strategic Fitness Process

The strategic fitness process is vital strategic management work, not a human resource program. Over our thirty years of applying SFP, we have refined and developed SFP through an action learning process, evaluating results and making changes iteratively over time. Implementation revealed what aspects of the process worked as planned and what aspects did not. The result is a nine-step process facilitated by one or more third-party consultants or facilitators (internal or external, or both) (see figure 1-1). At a minimum, the facilitators know how to implement SFP, including the nine sequential steps and how to conduct each meeting in the process. Ideally, they also have knowledge in the fields of strategy, organizational behavior, organizational design, and organizational change and development. With that knowledge, the facilitators can be a resource to senior teams when they analyze feedback provided by the fitness task force and make their plans for change.

SFP can be implemented in six to eight weeks, depending on the size and complexity of the organization. It requires four to five days of work time for senior management and six to seven for the task force. Task force members (eight to ten key people two or three levels below the

senior team) are selected and commissioned by the senior team—not by the HR department. Task force membership is not a temporary full-time assignment; the members are expected to continue their usual work.

SFP is embedded in the following *six facilitated* meetings. These are scheduled once the senior team commits to implementing SFP. The length of each meeting can be adapted at that time, depending on the situation.

Step 1: Statement of Direction (1 day)

- The senior team (all the members must be there) develops a two- or three-page statement of direction. It articulates why the team is implementing SFP; the business's purpose, goals, and strategic direction; and the values the members would like to see guiding behavior in the organization.
- Each senior team member nominates two high-potential and highly credible task force members from his or her own organization. Senior teams have to agree on the final membership of the task force. Each member has one veto, though it is rarely used.
- Before the start of the process, the senior team communicates to the larger organization that SFP will be employed and why.

Step 2: Task Force Training (1 day)

- The head of the organization presents the statement of direction to the task force in person and asks it to bring back the unvarnished truth as seen by those they will be interviewing one to three levels below the senior team. The interview questions are as follows:

- Does the statement of direction make sense?
- What already-existing organizational strengths will contribute to execution of the direction?
- What barriers will undermine execution?
- Introductions are made, and task force members are asked how they feel about their assignment.
- The facilitator presents an overview of SFP and its underlying rationale and principles.
- The facilitator outlines the role and responsibilities of the task force: why, what, and when.
- The facilitator presents the fundamentals of conducting interviews, such as building trust and assuring confidentiality.
- Working as a group, the task force members adapt the interview protocol as may be required by the situation.
- The task force members interview each other using the same questions they will use in their interviews that follow.
- Task force selects one hundred or so interviewees in all parts of the organization. We have typically found this number sufficient, even in large global companies. Each member of the task force is assigned to interview a subset of the interviewees—usually ten to twelve. To ensure the objectivity of an honest conversation, the members do not interview people in their own function, business, or geographic region. This arrangement also gives task force members exposure to parts of the organization they may not know.
- The members are briefed about the data analysis they will be making in their next meeting and are instructed in how to prepare that data.

Step 3a: Data Collection (2–3 weeks)

Task force interviews

- Members of the task force call the interviewees and explain what SFP is about.
- They schedule a 1½-hour interview and send the statement of direction in advance of the interview. The interviews are ideally conducted in person. To that end, each task force member is assigned interviewees based as geographically close as possible without violating the rule that they interview people outside their department.
- The interviewers explain to the interviewees that the findings will be presented directly to the senior team and discussed with this team.
- The interviewers explain that the senior team has committed to share with the organization what it heard, its diagnosis of the root causes of problems the task force had reported, and the senior executives' action plan (what the executives plan to change).
- Throughout the interview, the task force members will follow the agreed-on interview protocol.

Third-party consultants or facilitators interviews

- Consultants or other facilitators will interview senior team members with the same protocol, but will also ask about the senior team's effectiveness.

Step 3b: Task Force Preparation for the Fitness Meeting (1 day)

- Each task force member comes prepared with three organizational strengths and three barriers he or she heard about from each interviewee.
- These are written onto sticky tags and posted on a wall. They are then grouped into themes for the feedback that will be given to the senior team.
- The themes are developed and assigned to task force members who will lead a discussion of their theme when they present their findings to the senior team.
- The discussion is rehearsed.

Steps 4–6: Three-Day Fitness Meeting (3 days)

Step 4: Task Force Feedback in the Fishbowl Format (1 day)

- The following rules for engagement are posted on the wall and presented by the facilitator:
 - Perceptions are fact.
 - The task force cannot be challenged about the validity of its findings.
 - The senior team can ask questions for clarification at the end of each theme discussion and at the end of the feedback.
- The task force reports its findings sitting in a fishbowl arrangement (see figure 1-2). Each theme discussion is led by one team

member. This presentation of all themes typically takes between three and five hours, depending on the situation.

- Task force members leave the meeting after their presentation and are instructed to call their interviewees to tell them that their message has been delivered and that the senior team received it nondefensively.
- The consultants or facilitators present their findings.

Step 5: Discussion of Feedback and Root Causes (1 day)

- The senior team discusses the feedback and comes up with root causes for the problems uncovered by the task force's interviews.

Step 6: Development of an Action Plan for Change (1 day)

- Now that the senior team has identified the root causes for the barriers to the company's desired direction, the group prepares an action plan to address these barriers.

Step 7: Meeting of Senior Team and Task Force (1 day)

- The senior team members present to the task force what they heard, their diagnosis, and their action plan.
- The task force meets separately to discuss and critique the action plan, asking the following questions:

- Did the senior team hear the feedback correctly, and is the action plan responsive?
- What barriers does the task force see to implementing the action plan?
- The members of the task force give back to the senior team their evaluation of the action plan.
- If the task force sees deficiencies in the plan, it and the senior executives collaborate to reach a resolution.

Step 8: Implementation

Mobilizing the whole organization (1 day)

- A meeting of the senior team, the task force, the hundred interviewees, and other key people not interviewed takes place to inform this larger group about what was learned from SFP and what will change.
- The senior executives describe what they have heard and their action plan. Some companies have used a planned management meeting to do this.
 - The organization’s head—the CEO or general manager—communicates what he or she and the senior team heard.
 - Some senior teams have asked the task force to re-create the fish bowl discussion in front of a large audience of key corporate leaders. The executives’ willingness to expose raw feedback, as opposed to simply summarizing in a presentation, is perceived as a very powerful gesture that demonstrates the senior team’s openness and courage.

- The one hundred key leaders meet in small groups to discuss what they have heard and provide the senior team with their reactions—both positive and negative.
- In large companies, senior team members travel to multiple geographic or business units to present the results of SFP following the mobilization meeting. There too these small-group discussions are repeated to develop ownership and to work out what each unit can do to support execution of the corporate strategy.

Implementation of change (1 year or more)

Implementation

- Implementation teams headed by task force members or other key people are created to drive initiatives for change as required. They include members of the functional departments affected, who provide technical background and integrate with their departments but who do not lead the teams.

Follow-up

- The senior team regularly reviews the progress of each initiative. This responsibility is ideally not delegated, for example, to HR. A senior team member is appointed to coordinate the execution phase.
- The senior team meets with the fitness task force quarterly to hear its evaluation of progress. The evaluation is based on informal discussions with the people the task force interviewed and with others.
- SFP is repeated:
 - It can be integrated into strategic planning (see chapter 4) or simply done periodically.

- In large companies, the business units, corporate functions, geographic regions, or country organizations can be asked to apply SFP in their units with respect to that unit’s strategy, framed in a way that supports the corporate strategy.

Step 9: Institutionalization

- Key heads of business units, geographic areas, and functions are encouraged or required to use SFP in their organization. SFP should not, however, become an HR program—an employee commitment building exercise—unconnected to the general manager’s strategic and performance imperatives. SFP is not an employee survey. It must be motivated by the senior team’s express desire to improve the organization’s effectiveness. How frequently SFP is repeated should be governed by this criterion.

Specific circumstances may call for modification of these steps, but such changes should be evaluated carefully to assess how they may detract from SFP’s objectives of improving organizational effectiveness and performance, developing high trust and commitment and building the organization’s capacity to learn and adapt continuously

Appendix B

Research Purpose and Methods

The research that led to the insights reported in this book was motivated by a request for help from the CEO of Becton Dickinson in 1988. He and his senior strategy and HR officer were concerned about the company's inability to execute its strategy at the corporate and business-unit levels. They asked for help in developing Becton Dickinson into a company capable of executing its strategies.

The strategic fitness process (SFP), a structured leadership platform, was invented to help a leadership team execute its strategies at the corporate and business-unit levels. Implementation of SFP began at Becton Dickinson but quickly spread to other companies in diverse industries, where it was implemented at multiple levels: corporate, business unit, function, country organization, and operating unit.

My colleagues and I conducted our research using multiple qualitative and quantitative methods. Our research into the efficacy of SFP yielded many insights that were then used to improve the process. We were able to confirm or disconfirm the assumptions about organizational effectiveness, change, and development underlying SFP, and we gained new insights. In sum, the research and resulting insights have led to the development of a grounded, normative, actionable theory of organizational change and development.

Primary Purposes of the Research

1. We elected to evaluate the effectiveness of the strategic fitness process (SFP) in helping achieve the following outcomes:¹
 - a. Improve the organization's effectiveness: its capability to execute the senior team's stated strategy and values.
 - b. Achieve outcome 1a in a way that builds trust and commitment.
 - c. Improve people's collective capacity to continue learning about the organization's effectiveness.
2. We also aimed to learn about the principal conditions that moderate the ability of SFP to achieve the preceding three outcomes.

Normative Assumptions Underlying the Design of SFP

- Organizations are socioemotional as well as technical systems composed of many interdependent features, including strategy, structure, leadership behavior, processes, information systems, performance measurement, reward systems, and shared values or culture developed over years of organizational success and failure. The fit or alignment of these organizational features with each other and with the senior team's strategic and values direction determines the organization's effectiveness in executing that direction.²
- Realigning the organization's system of organizing, managing, and leading—the context—is therefore essential if the organization is to achieve the three outcomes listed above.
- The inability of the senior team and those below them to have a completely open and honest conversation about the organiza-

tion's fit or alignment keeps the senior team from timely learning about organizational and leadership barriers to alignment.³

- An honest, collective, and public conversation about the system's effectiveness will enable the senior team to realign the organization with its strategy and values.
- This kind of conversation will also create trust, commitment, and partnership between leaders and their reports. These outcomes are essential in developing and sustaining a healthy and effective organization.
- An organization unable to have an honest conversation nondefensively needs a structured process that discourages defensiveness and enables learning.

Research Methods

The following methods informed the narrative and conclusions in this book:

- The fitness task force's feedback about strengths and barriers to implementing strategy and values in all organizations that implemented SFP
- In each organization that implemented SFP, consultant interviews with the senior team about its own and the organization's effectiveness
- The scholar-consultants' observations and insights are recorded in memoranda
- Meetings of a broader network of consultants in which they presented successful and less successful cases of SFP and the discussion of conclusions that could be drawn
- Interviews and questionnaire surveys

- Written cases about organizations that implemented SFP
- Selected interviews with managers who led SFP
- Analysis of performance outcomes when data was available

Because the consultants often had long-term relationships with the organizations we studied, they could observe the implementation of the changes over time and the factors that affected the effort's ultimate success or failure. The longitudinal nature of these relationships enabled insights about causes of success or failure.

Focused Studies

Beyond the observations and data collected through repeated implementation of SFP in approximately one hundred corporations and eight hundred subunits in North and Latin America, Europe, India, China, Japan, and Korea, my colleagues and I conducted the following focused research studies:

1. A study of twelve organizations, all subunits of Becton Dickinson, that had used SFP in the early 1990s.⁴ The study had two stages:
 - a. Post hoc interviews by an independent research assistant in each subunit at three levels—senior team, task force members, and a sample of those interviewed by the task force.
 - b. A questionnaire survey of perceptions about SFP and its perceived outcomes on effectiveness. In each subunit, respondents were general managers, senior team members, task force members, and a sample of key interviewees.
2. An interpretive content analysis of feedback from twelve task forces in the same Becton Dickinson units as in study 1. We identified a syndrome of six barriers we call the silent killers (see chapter 4).

3. A post hoc comparative analysis of twelve organizations that had used SFP and the cases that had been written about them (see table 2-1).
 - a. The analysis was conducted by a team of five scholar-consultants (three of whom had never facilitated SFP nor had any consulting relationships with the twelve organizations).
 - b. A questionnaire was developed to evaluate the twelve organizations before and after SFP. Each team member was asked to agree or disagree with behavioral descriptions regarding effectiveness, trust, commitment, and openness, and the extent to which each of the silent killers existed in that organization before SFP and a year or more later when the time frame of the case allowed.
 - c. Each member of the group read the cases and independently rated items on a seven-point scale (“strongly agree” to “strongly disagree”).
 - d. The group then met to discuss each of their pre- and post ratings. If there were differences in how group members rated an item, the case was reread and underlying reasons for disagreement were discussed, and a consensus was developed.
 - e. The pre- and post-mean ratings were used to calculate the extent of change in each organization.
4. A wider group of consultants at TruePoint Partners held periodic case discussions of SFP implementations. These improved our collective understanding of SFP’s effectiveness and the conditions that moderate its effectiveness.
5. I conducted in-depth interviews with a small group of CEOs and general managers who had led highly successful SFPs. Their retrospective impressions of their experience provided deeper

insights into their thoughts and feelings during SFP and how and why the process helped them transform their organizations.

Limitations and Strengths of the Research

The research was not intended to be normal scientific positivistic research. Therefore, no conclusions can be reached about whether SFP is more effective than any other intervention that leaders might use to develop the three outcomes listed in item 1 of “Primary Purposes of the Research.” Nor can we conclude that SFP will be effective in all organizations.

We can, however, conclude that SFP was effective in a variety of settings and cultures when two important conditions—leadership and corporate culture—were or became consistent with the underlying values of SFP. Insights gained from research and thirty years of helping leaders implement SFP has helped my colleagues and me develop the grounded, normative, and actionable theory of organizational change and development reflected in this book.

Appendix C

Questionnaire for Assessing Your Own Organization's Silent Killers

The questionnaire in this appendix is divided into six categories, each a silent killer. If you have placed check marks in each or most of the six silent killer categories, your organization is probably struggling to enact change as a whole. If most of the items in any given silent killer category are checked, that particular silent killer is playing a strong role in undermining the effectiveness and agility of your organization.

You may use this assessment to evaluate the organization you lead or to ask your key people to assess your organization. The only way to improve your organization's effectiveness is to enable an honest conversation with your people to discuss the barriers. In such a conversation, they can give you examples of why and how these barriers are creating ineffective organizational behavior. As discussed throughout this book, the strategic fitness process is one way to enable such safe conversations.

If you are assessing your organization but are not leading it, this survey will give you a qualitative way to evaluate its overall effectiveness.

If it is struggling, the leaders must initiate an honest conversation with those below them to learn about the root sources of the problems, including how they themselves lead. If they are unwilling to support such an honest conversation, then the organization needs new leaders. But of course, the new leaders would need to engage in such a conversation as well, for the same reasons.

Silent Killers Checklist

Please check all that apply to your own organization.

Unclear strategy and values, too many priorities, and conflicting priorities

- Our strategy may be well developed on paper but hasn't been translated into a simple, logical, and broadly understood story for how the business will win and the values that should govern behavior.
- We have a lack of clearly defined and articulated values to guide organizational behavior.
- Because functions and businesses each champion their own priorities, we face conflicting priorities, conflicts over resources, and poor execution of our strategy.
- People feel overloaded with everything being labeled a priority.

Ineffective senior team

- The senior team is ineffective and not really a team.
- Our senior team operates a hub-and-spoke model. Our leader meets with team members individually to review the results of their function, business, or region. The whole team rarely meets to review the business.

- Most of meeting time is spent on information sharing and updates on short-term operational details, rather than confronting and resolving tough strategic issues: “Death by PowerPoint.”
- We have little constructive conflict in meetings. The real decisions get made outside the room.
- The senior team members don’t speak with a common voice about our strategy and priorities.

Ineffective leader

- Our leader tends to get lost in the operational details and works “one level below his or her pay grade.”
- Our leader is not visible. He or she spends relatively little time communicating overall strategy or direction or forcing constructive debate to resolve contesting views.
- Our leader does not confront issues or people directly to resolve festering conflicts.

Poor coordination or teamwork across silos

- The organization we have does not work effectively.
- It is painfully hard to execute on cross-functional, business, or geographic initiatives, often even despite good personal relationships.
- Work on horizontal cross-boundary teams is seen as secondary to meeting the goals for one’s own unit (e.g., function, business, or region).
- The roles, responsibilities, and decision rights of functions, business units, or regions are unclear.
- There is conflict between different activities that need to coordinate and collaborate.

Inadequate leadership skills and development

- Too few managers can lead cross-business initiatives or take a general-management, business-wide perspective.
- We keep coming back to the same usual suspects when something important needs to get done.
- Too few opportunities are provided for leadership and management development.
- Our senior team does not review leadership talent regularly or offer career paths that enable the development of general-management capabilities.

Poor vertical communication

- There are few forums for downward communication of our purpose, strategy, and goals.
- Once purpose, strategy, and goals are communicated, little time is given to discussing them.
- People do not feel safe speaking out, especially to their leaders, about problems in organization and management.
- There are few forums for upward communication where managers and associates can openly and publicly communicate with senior management in a low-risk environment.
- Open, public discussion of difficult issues goes against the cultural grain.
- Our senior leaders rarely if ever ask lower levels to tell them about problems that stand in the way of our effectiveness as an organization or how they can be improved.