MICHAEL MANKINS | ERIC GARTON
BAIN & COMPANY, INC.

TIME

TALENT

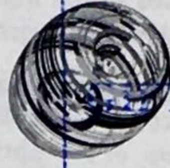
ENERGY

Overcome Organizational Drag & Unleash Your Team's Productive Power

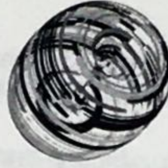
HARVARD BUSINESS REVIEW PRESS

MICHAEL MANKINS | ERIC GARTON

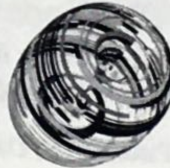
GIFT OF THE ASIA FOUNDATION
NOT FOR RE-SALE
QUÀ TẶNG CỦA QUỸ CHÂU Á
KHÔNG ĐƯỢC BÁN LẠI

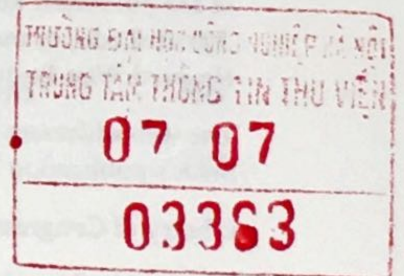


TIME



TALENT





ENERGY

Overcome Organizational Drag and Unleash Your Team's Productive Power

HARVARD BUSINESS REVIEW PRESS
Boston, Massachusetts

CONTENTS

Prologue: The Truly Scarce Resources 1

1 An Organization's Productive Power—and How to Unleash It 9

PART ONE

TIME

2 Liberate the Organization's Time 35

3 Simplify the Operating Model 57

PART TWO

TALENT

4 Find and Develop the "Difference Makers" 85

5 Create and Deploy All-Star Teams 117

PART THREE

ENERGY

6 Aim for Inspiration (Not Just Engagement) 137

7 Build a Winning Culture 167

Epilogue: The Virtuous Circle 193

Acknowledgments *203*

Notes *205*

Index *211*

About the Authors *221*

PROLOGUE

The Truly Scarce Resources

Too many companies are living in yesterday's world. They are seeking competitive advantage through traditional methods, and they aren't finding it. And they are missing their main opportunity for boosting performance and outstripping competitors.

Let us explain what we mean.

Strategy is the art and science of resource allocation. CEOs and their senior teams are ultimately responsible for setting strategy. So the hallmark of great leaders is the ability to allocate their companies' scarce resources to outpace rivals.

For most of the past fifty years, the number-one resource executives obsessed about was financial capital. Money was scarce, and those who could obtain it and put it to work most effectively were likely to come out on top. Companies such as General Electric and Berkshire Hathaway were lauded for the discipline with which they deployed their capital. The Boston Consulting Group's famous growth-share matrix put

capital allocation at the heart of corporate strategy. (It advised executives to milk their companies' "cows" to fund growth in their "stars.") Even much of today's thinking about mergers and acquisitions is premised on the relative scarcity and high cost of financial capital. Overpay for your next big deal, the theory goes, and your company's shares will suffer. In short, disciplined capital management was fundamental to business success.

But today's world is different.

Financial capital is abundant and cheap. Our colleagues in the Bain Macro Trends Group estimate that total global capital has more than tripled over the past two decades and now stands at roughly ten times global GDP.[1] As capital has grown more plentiful, its price has plummeted. For many large companies, the after-tax cost of borrowing is below the rate of inflation, meaning that real borrowing costs hover close to zero. Indeed, any reasonably profitable enterprise can readily obtain the capital it needs to buy new equipment, fund new product development, enter new markets, or even acquire new businesses. To be sure, executive teams need to manage capital as carefully as ever; to do otherwise is to shoot yourself in the foot. But right now, the allocation of financial capital is no longer a source of competitive advantage.

What are today's scarce resources, the new sources of competitive advantage? For most companies, the truly scarce resources are the *time*, *talent*, and *energy* of their people, and the ideas those people generate and implement. A single great idea, after all, can put a company on top for many years—think of Apple and the iPhone, Netflix's decision to develop original content, or even the thumbs-up "like" at Facebook. Lots of smaller, everyday good ideas can enable a company to pull away from competitors. But ideas don't just materialize;

the organization rather than concentrating it where it can have the greatest impact on strategy and performance. This egalitarian approach to talent management may appear fair, even admirable, but it rarely leads to great results. It fails to take full advantage of the force multiplier that great teams can bring to idea generation and implementation.

Then there's that intangible that we think of as energy, meaning the enthusiasm and commitment that people bring to their work. A dysfunctional culture and working environment sap everyone's energy, demoralizing teams and interfering with productivity. Unless it engages most of its employees and inspires at least a few, no company can consistently generate great ideas and great performance.

The best CEOs today are great managers of these scarce resources. And just as organizations that invested financial capital more wisely than their rivals performed better in the past, the companies that do the best job of managing time, talent, and energy are the ones that win today's competitive races.

Netflix, for example, didn't get where it is just because it had a better business model than Blockbuster. It reached the top and has stayed there because it attracts, retains, and effectively utilizes many of the best people in the business. "The best thing you can do for employees—a perk better than foosball or free sushi—is hire only 'A' players to work alongside them," wrote Patty McCord, the company's chief talent officer from 1998 to 2012. "Excellent colleagues trump everything else." Netflix hires "fully formed adults," self-sufficient people "who feel responsible for the company, knowing that they will exercise discretion and responsibility." The company has no vacation policy and no travel expense policy. Nor does it have formal reviews, which it believes create unnecessary bureaucracy. Instead, Netflix fosters continuous, open, and honest

conversations about performance. The strength of the company's talent has enabled Netflix to shift its business model and strengthen its leadership position over the last ten years.[2]

Or look at DaVita, a leading kidney-dialysis company that was close to bankruptcy back in 1999. A new CEO, Kent Thiry, created a culture that engages and inspires thousands of front-line employees, unleashing a torrent of energy and ideas that have reshaped how the company functions. "We are going to flip the ends and means of this business," he said early on. "We are a community first and a company second." In the DaVita community—now well into its second decade—employees are teammates or citizens and Thiry is "mayor." People who go the extra mile for patients are regularly singled out and celebrated. DaVita's "wildly spirited nationwide meeting, in which thousands of employees celebrate awards, mourn the death of patients, and connect with the emotional side of their work, is truly something to behold," observes an article in *Harvard Business Review.* Thiry makes a point of reinforcing a sense of belonging and ownership; he typically ends these meetings with the exchange, "Whose company is it?" and the audience responds, "Ours!" Since Thiry took over, DaVita's market capitalization has increased from $200 million to more than $13 billion today.[3]

Then there's Anheuser-Busch InBev (AB InBev), the giant brewer. Here is a huge company, a worldwide leader in a mature industry, exactly the kind of organization you might expect to find weighed down by bureaucracy and productivity-killing procedures. Yet CEO Carlos Brito and his leadership team have systematically focused on eliminating sources of bureaucracy and wasted time. They work around a shared table, lowering the barriers to informal, one-on-one discussion and decision making. Information does not flow up

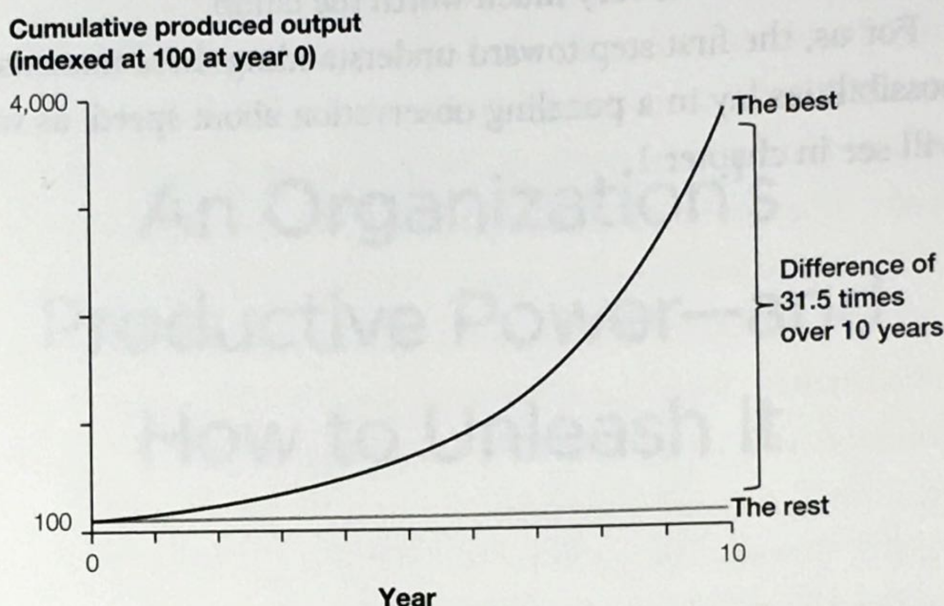
different organizational silos, to be vetted by multiple layers of executives and then reintegrated at the top; instead, everyone has quick and easy access to the data he or she needs for decisions. So it is throughout the organization. AB InBev's culture discourages internal email. It encourages face-to-face communications and small, impromptu meetings structured for discussion rather than for presentations. No surprise: at AB InBev, very little time is squandered.[4]

As these examples suggest, there is a world of difference between the top companies—those that are the best managers of time, talent, and energy—and everybody else: as we will show in chapter 1, the top quartile has over 40 percent more productive power at its disposal than the average of the bottom three quartiles. This is a huge advantage. It translates into significantly higher operating-profit margins, often 30 percent to 50 percent higher than industry averages. As this difference is compounded, the gap between the best and the rest grows bigger every year. Over a decade, the average top-quartile company has the organizational capacity to produce *more than thirty times* the output of the average company in the lower group (see figure P-1).

Most companies, unfortunately, haven't caught up to these changes. They maintain rigorous procedures for managing financial capital, as indeed they should. They set hurdle rates with care, and they require a compelling business case for any new investment. But too often they fail to manage the truly scarce resources of time, talent, and energy with equal rigor. Many are unaware of how their leaders and employees spend their hours at work. They may hire talented people, but they team and deploy those individuals ineffectively. They also fail to engage and inspire their employees, which means they get virtually none of the immense discretionary energy and

FIGURE P-1

Top-quartile companies outproduce others by more than 30 times over 10 years



Source: Bain/EIU research (N=308)

effort people can bring to the workplace. When they run into trouble, their first (and sometimes their only) reaction is to reduce head count, a move that itself is usually demoralizing. Their productivity suffers accordingly.

This book is about how to change all that. It's about how to manage your organization's time, talent, and energy with the same care that you apply to managing financial capital. It's about how to boost people's productivity rather than simply cutting costs. It is primarily a book for CEOs and other senior executives—the people who are ultimately responsible for allocating the scarce resources we describe. But it's also for leaders throughout the organization—leaders of business units, departments, or teams, for instance—many of whom can take steps right now to manage these resources for