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MOTIVATING THROUGH METRICS

"Metrics can help companies identify which employees aren't rowing all-out, while not demotivating those who are."

Philippe De Backer
Partner
Bain & Company

Getting the right people on board—and then all enthusiastically pulling in the right direction—has bedeviled organisations since the time of wooden ships, when most "motivation" left lash marks. Today's corporate helmsmen may be more enlightened, but they still face the same challenge. How can a company transform its frontline crew into a meritocracy that pulls together?

Recently, a handful of firms have addressed this problem by tying rewards to team performance and putting customers and employees, rather than bosses, in charge of performance rankings. These trendsetters all link frontline performance rankings to customer and peer feedback, not just productivity. And they apply simple metrics for compensation, promotions and career transitions.

Rewarding exceptional hiring: At Enterprise Rent-A-Car, one of the world's leading car-rental concerns, managers cannot be promoted unless their branch delivers customer service at or above the average for all comparable branches. Success is judged by Enterprise Service Quality index (ESQi), which shows the percentage of customers who rate a branch five out of five when asked if they were completely satisfied. If this metric isn't met, the entire team is ineligible for promotion. Many teams have introduced a voluntary weekly metric called The Vote, in which team members rank one another on how well each has provided outstanding customer service. This personal accountability for team success has led to higher ESQi scores—and happier customers.

Tapping that extra 10%: Inspiring even the best employees requires clear, personal and immediate goals, and not some wide mandate to maximize overall profit. At Ireland's Superquinn grocery chain, the bakery staff at one store was recently challenged to increase the number of households that purchased from the bakery. The reward: a helicopter trip around a local bay. The team set up a doughnut cooker inside the main entrance, offered shoppers a taste and guaranteed the doughnuts' freshness. As a result, the households that purchased from the bakery increased to 90% from 75%—and all 20 bakery colleagues won helicopter trips.

Keeping the best: Metrics can help companies identify who *isn't* rowing all-out, while not demotivating those who are. At one major US restaurant chain, general managers' bonuses are based on financial results, measurements of how well patrons rate their overall dining experience and staff turnover rates. In the casual-dining segment of the restaurant business, an entire staff can turn over twice in one year. The company looks at turnover among the top 20% of performers, the middle 60%, and the bottom 20%. Managers are rewarded for their success in retaining that top 80% and encouraged to help poor performers to improve or seek other opportunities. Since 2000, turnover among hourly associates has dropped from 146% to an industry-leading 84%, evidence not only that managers are more motivated to hold on to their teams, but also that the teams, minus poorer performers, are more stable. Last year, the chain's same-store sales growth rose 4.8 percentage points.

By keeping these principles in mind, managers can get all the oars in the water, pulling in the same direction.

Philippe De Backer
Partner

WHO HAS THE "D"?

"Your organisation can become more decisive—and strategic—if you know where the bottlenecks are and who's empowered to break through them."

Paul Rogers
Partner
Bain & Company

"Good decision making depends on assigning clear and specific roles. That may sound simple enough, but many companies struggle to make decisions because too many people feel accountable—or no one does."

Frédéric Debruyne
Manager
Bain & Company

In business, every opportunity seized or missed is the result of a decision that someone made or failed to make. No matter how clever your company's strategy is, if the right decisions aren't made effectively—and executed quickly and consistently—your business will lose ground.

A Bain & Company survey of more than 350 global organisations suggests that only about 15% of companies practice effective decision making. Many score well on the big decisions—which markets to enter or exit—but high performers truly shine when it comes to critical operating decisions requiring consistency and speed—driving product innovation, positioning brands or managing channel partners.

Even in companies respected for decisiveness, ambiguity about who is accountable often stalls the decision-making process at one of four common bottlenecks: global versus local, centre versus business unit, function versus function or inside versus outside partners.

We use an approach we call RAPID—recommend, agree, perform, input and decide—to help companies develop clear decision-making guidelines. As you'll see, the roles aren't carried out lockstep in that order; we took some liberties in creating a useful acronym. Nor is the process a panacea—an indecisive decision maker can ruin any good system—but it's an important start in clearing bottlenecks.

To see how it works, consider what happened at Wyeth Pharmaceuticals when it looked to establish a leading position with a promising new drug called Enbrel. Competitors were also working on the same class of drug, and Wyeth needed to move quickly to expand production capacity by building a plant in Ireland.

By any standard, the issues were complex. Input typically filtered up through a gauze of overlapping committees, progressing slower than the competitive situation demanded. Eager to find a better way, company executives turned to RAPID. They started by identifying those people best suited to recommend a course of action—either by making a proposal or offering alternatives—and pushed certain responsibilities down to the business units, where knowledge was greatest.

Others then were asked to agree to a recommendation before it moved forward. In this case, Wyeth's top executives retained veto power (they had to agree) over many important proposals. With RAPID, however, if someone exercises a veto, that person must offer an alternative or escalate the issue to the person with the "D." And only a few should have such veto power: legal counsel, for certain decisions, or the head of an affected unit.

Those with input responsibilities provide relevant information—effective decisions, after all, are grounded in evaluating facts rather than seeking opinions. The recommender has no obligation to act on the advice but should take it into account, since the people who will implement a decision are typically among those providing input. Consensus is a worthy goal but can be an obstacle to action or a recipe for lowest-common-denominator compromise.

In the end, it comes down to one person who must decide—the single point of accountability that commits the organisation to action. He needs good business judgment, a grasp of the trade-offs and an awareness of the group that will execute the decision. Many decisions about Enbrel, for instance, lay with Cavan Redmond, executive vice president and general manager of Wyeth's biotech division, after he and his team gathered input from other managers.

Finally, responsibility for executing Wyeth's plan rested firmly with the business unit. The people who perform have a crucial role: A good decision executed well often beats a brilliant one implemented poorly.

No single lever turns a company that struggles to make and execute good decisions into a decision-driven organisation, of course, but you'll know your company is on track when managers realise they're spending less time in meetings wondering why they are there. And when one person has the "D," bottlenecks will disappear.

By taking some practical steps, any company can become more effective, beginning with its next decision.

Case study: Getting decisions back on track

Claps and whistles drifted up from below. Great, thought Sam, the game has kicked off. More than anything, he wanted to be downstairs in the Sports bar, cheering on his team in soccer's World Cup. Instead, he was in a private conference room, locked in tense debate with Greg, the head of product development, and Michelle, the head of HR.

They had no choice. Optix's sunglasses operation was stumbling badly, recording a €160 million loss for the year. The problem was product development. "We've been late with the sunglasses line three seasons in a row, and we're being outsold by our competitors," said Michelle. "We're spending more and more on product development, but the new designs keep flopping. What's going on?"

A huge cheer erupted from the floor below. Sam shook his head—an early goal, and a good one, judging by the noise.

Optix's issue, Sam knew, was a breakdown in decision making. As head of global marketing, he tried to make sense of who had responsibility for making critical decisions about product development. Decisions got postponed or were made by the wrong people. When they did reach decisions, they often had trouble making them stick. Even after critical deadlines, so many decisions were revisited that people had stopped believing in the process. Sam shared some of that frustration.

"Things have gotten out of hand with colours," Greg was saying. Tall and broad, Greg was a practical engineer with little patience for the softer side of marketing. "I mean, in the last launch, the colour palette changed six times, and we ended up with 25 colours."

"Colours are part of the Optix brand," said Sam. "You know that."

"Yeah, but the feedback from customers is that our colours don't grab them. They tell us that 25 colours are too many—they find it confusing," Greg said. "And the added complexity pushes our costs up. We have to get better fast at picking the right colours."

Sam felt his frustration deepening.

"Listen, Greg," he began, "there's no mystery about what our customers want. The marketing team decided on a range of colours back in January. But your team came up with a different set in March, and there was no time for us to react."

Greg's face darkened as he leaned forward in his seat. "We had no choice," he shot back. "Once we got to pilot manufacturing, it was obvious that the colours you wanted cost too much."

"Wait a minute," said Michelle before Sam could respond. "Who actually has the authority to make this decision? It can't be both of you."

For a moment, the three stared at one another.

"I thought this might be a problem," Michelle said. "So I did a bit of informal asking around." She pulled a piece of paper out of her briefcase. "We asked the product development team who they thought had the right to decide on colours, and 77% said product development did. When we asked the same question to marketing, 68% believed the decision rested with them." Michelle looked up. "No wonder we can't seem to make a joined-up decision."

* * *

Twenty minutes into the second half, a knock at the door brought their heads up sharply. It was Robert, Sam's deputy. "Thought you'd want to know," Robert said, "England one, Argentina nil. And Beckham's just been sent off." The door closed. Sam stared at it.

"Look," said Michelle, "let's sort this out. We'll break out each step in the colour decision and agree what role will be played by whom."

"I came across a tool called RAPID in the *Harvard Business Review*," said Sam, brightening for the first time. "It helps assign accountabilities for making decisions and making them happen."

"RAPID?" Greg raised an eyebrow.

"The letters in RAPID match the primary roles in a decision: recommend, agree, perform, input and decide—the 'D'. Only one person can have the 'D' for any given decision. That person has to make sure all the relevant facts have been taken into account—but then has the authority to break through any deadlocks and commit the organisation to action."

As they talked it through, Sam, Greg and Michelle realised that decisions about colour could be broken down into two key steps—first, choosing a colour palette, then deciding which specific colours from that palette would strike the best balance between customer needs, complexity and cost.

"Marketing should have the D on the colour palette," said Sam.

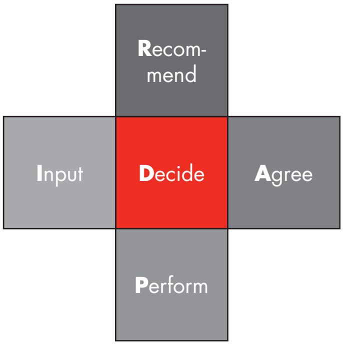


Figure 1:

The RAPID framework identifies a company's critical decisions and assigns one—and only one-—ultimate decision maker for each.

"Makes sense to me," agreed Greg. "You've got the customer connection. But product development should have the D on balancing complexity and cost, since it requires technical expertise at the pilot stage."

"Sounds right," said Sam, pausing, "as long as we commit to take input from each other before deciding. But once a decision is made, we'll also commit to sticking by it. What do you think?"

"I agree," said Greg, smiling. Michelle smiled, too.

The door opened again, this time without a knock. It was Robert. "The game's tied one-all, just going into extra time," he said. "I thought you might like to watch the last 30 minutes."

"Absolutely," said Sam. He and Michelle stood up and headed for the door.

"Come on, Greg," Sam said over his shoulder. "I've got the D on this one. Let's head down together."

ORGANISATION: DECISION-BASED DESIGN

We continue the tour of the Bain toolkit, exploring its six dimensions. In this issue of *Results* we are highlighting the organisation capability.

Description

Decision-based organisational design helps companies structure their company around the decisions that have the largest potential to create value. Good decision making is the single most important element of organisational effectiveness. Bain helps clients determine what the most critical decisions are and who will make them.

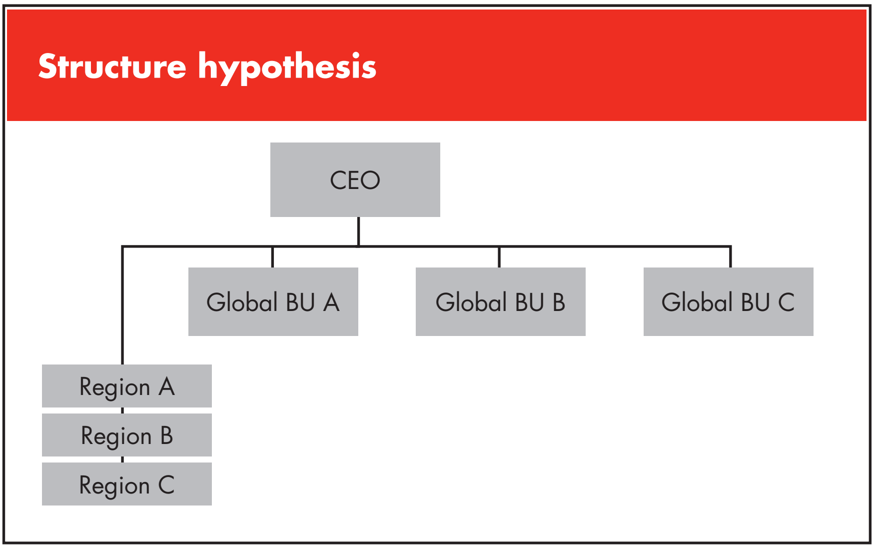
Bain's differentiation

Our approach to decision making is practical and simple. We've found that removing ambiguity and making accountability clear unleashes productivity and delivers significant payoffs. We apply that principle to all aspects of the organisation, focusing first on issues surrounding the major sources of value.

Bain's approach

Our approach involves six steps: First, we run a diagnostic test to uncover the company's critical issues. We identify "where the money is" for the business, as well as the current organisation's strengths and constraints in pursuing those key sources of value. Second, we help management agree on a set of guiding principles for the organisational design. Third, we sketch out various structure options—should the structure be global or local, centralised or decentralised, or a combination?—evaluating each option against the principles. Fourth, once the principal structure has been determined, we use the RAPID (recommend, agree, perform, input, decide) framework to assign who will play what roles in making decisions. Next we finalise the job responsibilities and reporting lines. Finally, we create the detailed blueprint for implementing the new decision-making structure.

Decision Roles	Process				
	Sub-process				
	Decision 1	Decision 2	Decision 3	Decision 4	Decision5
CEO	D				
COO	R	D			
CFO	I	R			
VP, business unit A	I		D		
VP, business unit B	I				
Sales director	I		I	D	
Regional brand director			R	R	D
Country brand director			I	I	R
HR director		I			



PRESSING FOR SUCCESS

A talk with Pascal Leurquin, Chief Executive Officer, Evadix Group

Just because his business is based on the printing press does not mean Pascal Leurquin is a stranger to new media. On his personal website, "Entreprendre: Rêves et cauchemars," the energetic Evadix CEO shares his insights in regular blog entries. Lately, his main subject has been the company's impending IPO, which should prove a success only six years after Leurquin engineered a management buyout of key parts of the Casterman publishing business. In 2002, the newly created Evadix took over the bankrupt Casterman printing operation and quickly turned it into a profit maker. "My job now", he says, "is projecting the right image of the company." True, but that's only part of it. We talked with him in his Tournai office about his strategy for transforming businesses.

How did you turn Casterman around?

"First, we looked at the strategy in terms of products. Casterman had 40% of its gross sales in the phone directories from Belgium and maybe 30% in printing comic books. It lost the contract for the directories, and it had sold off the publishing business. So there were no more gross sales, in fact. We said, OK, we have big volume machines, and people who have experience working with light, thin paper. We went to see all the customers who needed these products and ended up winning contracts for phone directories for South Africa, for Kenya, for Israel, for Slovenia. After two years all our machines' capacity was filled 100%. Casterman was exporting 20% of its work before it went bankrupt. We are now exporting 75% of our production. Secondly, we re-engineered the processes, to see where all the bottlenecks were, and streamlined, to increase productivity. Thirdly, we looked at all the costs and started renegotiating everything—even the fire insurance!"

How do you set yourself apart from your competitors?

"Customer service is the biggest department in all of our businesses. Those people take care of the interface between production, the customer and sales. When a customer comes with a job, the sales department hands it over to customer service, which handles all the follow-up. That makes a big difference. That means customers really are followed by a specific team. You could ask anybody in our company what our commercial rules are, and that employee would tell you: (1) we don't lose customers; (2) we do more with the customers we have; and (3) we go get new customers."

The Evadix Group is one of the leading players in the fields of printing, direct marketing production, advanced logistics and technological integration and e-business. The company has an annual turnover of 40 million euros and about 400 employees.

You're doing a lot of business in Romania. What are the opportunities for growth in an emerging market like that?

"I'm personally spending one week out of every two in Romania. Because by next year we want to be one of the two or three leaders in all of our markets in Romania. In the business we took over there, printing on plastic film, the opportunity is huge. I'm always focusing on customer service, productivity and profitability. It requires a lot of energy. We hired a lot of good young people there, and we're bringing them to Belgium to learn our processes. If we can turn around a business in Belgium, where the competition is quite strong, we can do the same thing there, where the competition is weaker. We have an opportunity to be a leader in a growing, 22 million person market."

What do you look at when you're buying a business?

"The first thing I look at is the people. The people are what will make the difference. So for example in Romania, the business we bought there had old machines. What I really wanted was the people—to start from scratch and then to try to find 30 people with all this knowledge would have been impossible."

What's the most important insight you've had recently?

"When we bought the machines from Casterman after the bankruptcy, they were old. They were in good shape, they produced good quality, but in terms of productivity, they didn't pay back very much. We decided to invest in new equipment. What I learned is that the return on investment from new, good quality material is a lot greater than on lower quality, old material—even if you get the old equipment for free. That was really a surprise to me. "

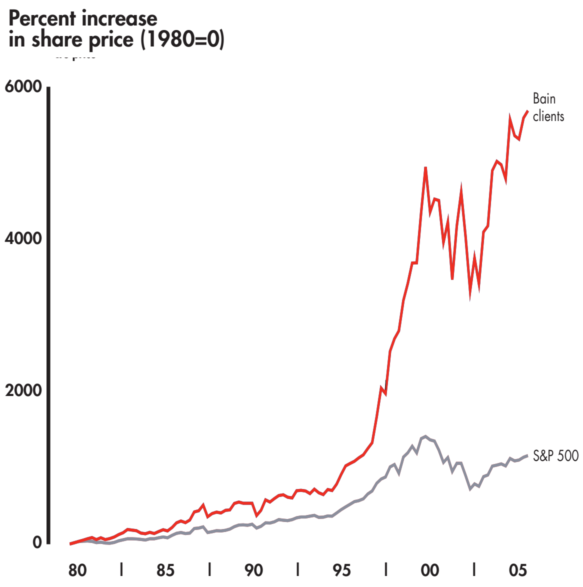
Interview conducted by Craig Winneker

Pascal Leurquin

- Founder and CEO of Evadix Group since 2000.
- From 1997 to 1999 he was CEO of Casterman Distribution and chief financial and administration officer of the Casterman Group.
- Fellow lecturer at the Solvay Business School since 2000.
- Mr. Leurquin holds a M.Sc. in management from the Solvay Business School.
- Personal blog: www.pascalleurquin.be

Making companies more valuable

Bain clients outperform the market 4 to 1.



Note: Methodology and data are attested by PricewaterhouseCoopers through December 2005

Bain & Company is one of the world's leading global business consulting firms, serving clients across six continents on issues of strategy, organisation, mergers and acquisitions, performance improvement, information technology and change management. It was founded in 1973 on the principle that consultants must measure their success in terms of their clients' financial results. Bain's clients have outperformed the stock market 4 to 1. With offices in all major cities, Bain has worked with over 2,700 major multinational and other corporations from every economic sector, in every region of the world.

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