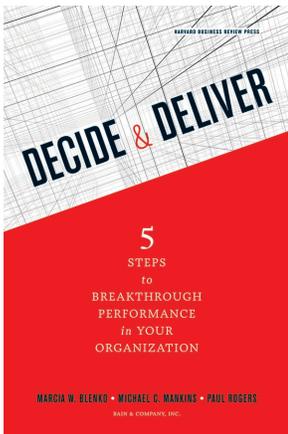


# Decision Insights

**Boiling-frog affliction and other ills:  
Using combination therapies to improve organizational performance**

By Michael C. Mankins and Jenny Davis-Peccoud



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Companies trying to fix an underperforming organization typically try first one remedy and then another, hoping to find something that will work. But organizations are complex, and their problems rarely respond to a single solution. The most effective treatments usually involve several different therapies at once.

A company’s first job, of course, is to diagnose where and how its organization is failing, thereby narrowing the treatment options. To help in the process, we studied the trajectories of more than 1,000 organizations between 2006 and 2012. The research identified five common clusters of ailments, all of which undermined financial performance and employee engagement in one way or another (*see the sidebar, “Diagnosing sick organizations”*).

We then created a set of 164 before-and-after cases, looking at what companies had done to address their organizational ills and the ultimate results. Some companies had tried single-dimension therapies—fixing an inadequate structure, for instance—while others

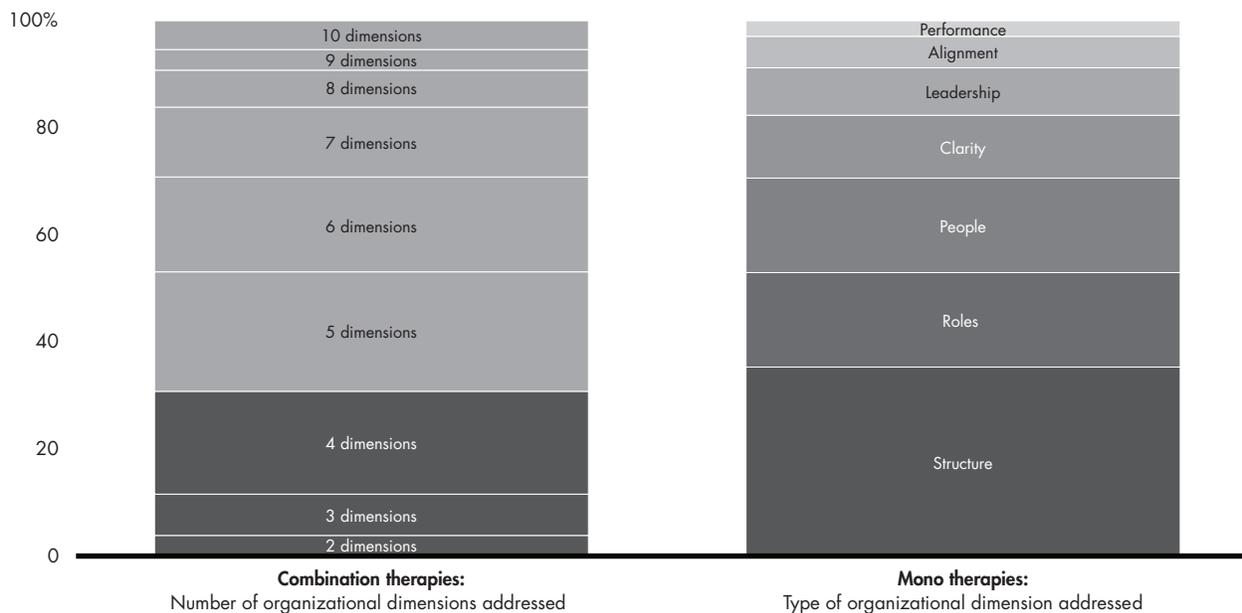
pursued “combination therapies,” addressing multiple dimensions at once (*see Figure 1*).

The results? Single-dimension therapies typically didn’t work. A poor structure, for example, is rarely the root cause of poor business performance. And even when structure does get in the way, as it did in some of the cases we studied, a reorganization alone is seldom sufficient to turn things around. It’s much the same with people, processes, decision accountabilities and the other elements of an organization: You usually need to fix more than one. In fact, in more than 85% of the cases we examined, successful treatment of organizational underperformance required some form of targeted combination therapy (*see Figures 2 and 3*).

A case in point is Ford Motor Company. When Alan Mulally became CEO of the company in 2006, Ford was losing market share and its finances were shaky. It had too many unrelated brands, too little commonality across its models, too many financially troubled suppliers

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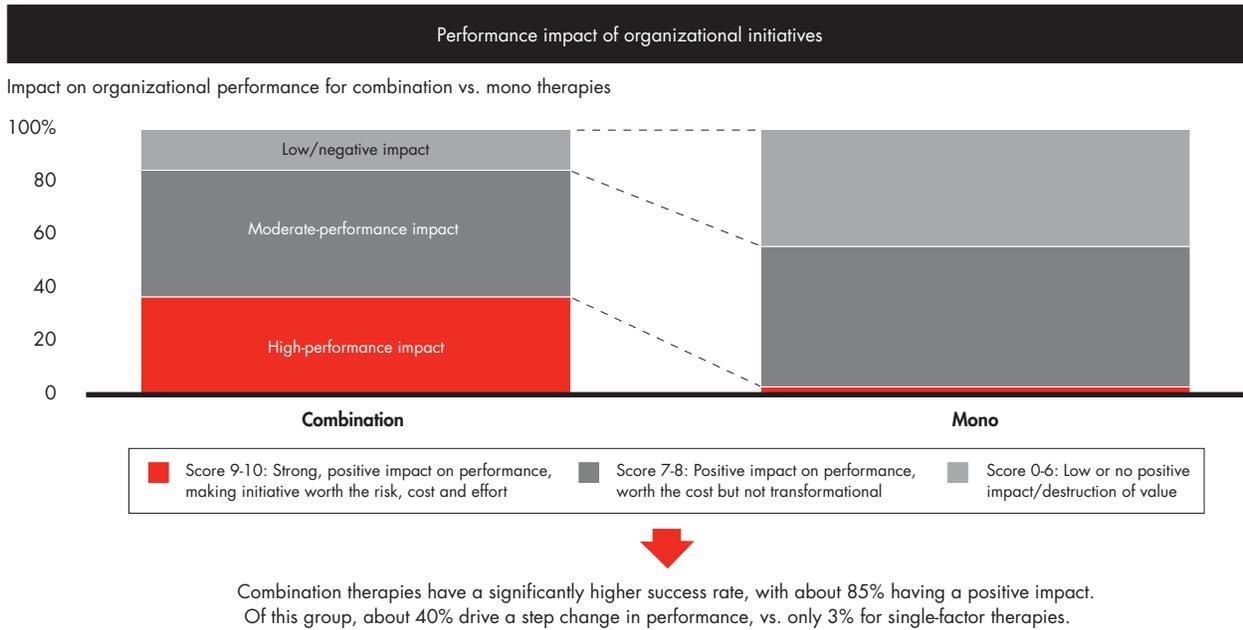
**Figure 1:** Combination therapies address multiple organizational dimensions, mono therapies just one



Source: Bain internal survey, May 2013 (n=164)

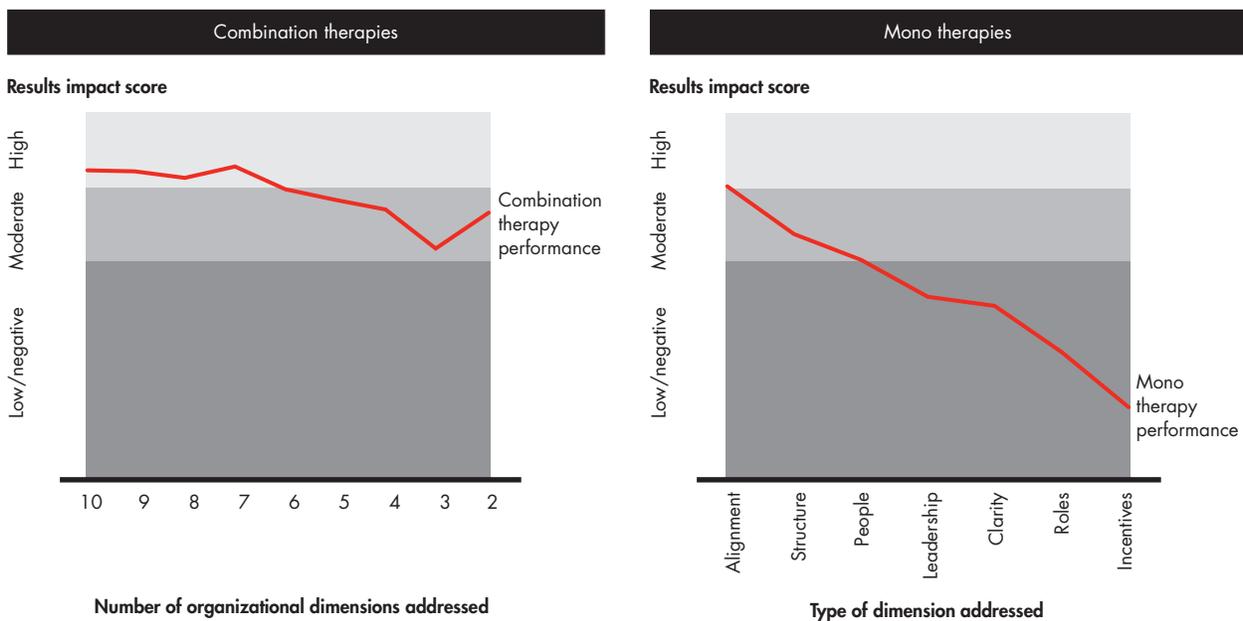
Boiling-frog affliction and other ills

Figure 2: The success rate of combination therapies is far higher than the success rate of mono therapies



Source: Bain internal survey, May 2013 (n=164)

Figure 3: Impacts vary depending on how many—and which—organizational dimensions are addressed



Source: Bain internal survey May 2013 (n= 164)

## Diagnosing sick organizations

Underperforming organizations rarely suffer from a single malady. Analysis of the most troubled companies suggests that ailments tend to come in clusters, with different elements of the organization affected simultaneously (see figure below). That's why combination therapies are so effective—identifying the relevant cluster helps determine the right treatment. Here are five major pathologies we found, along with the percentage of those in the troubled-company subgroup suffering from each one. See if any are infecting your organization:

**Boiling-frog affliction (34%):** No imminent life-threatening maladies, but many minor issues and bottlenecks across the organizational system. A company suffering from this common cluster is often like the proverbial boiling frog, not noticing it is in trouble until the condition is serious.

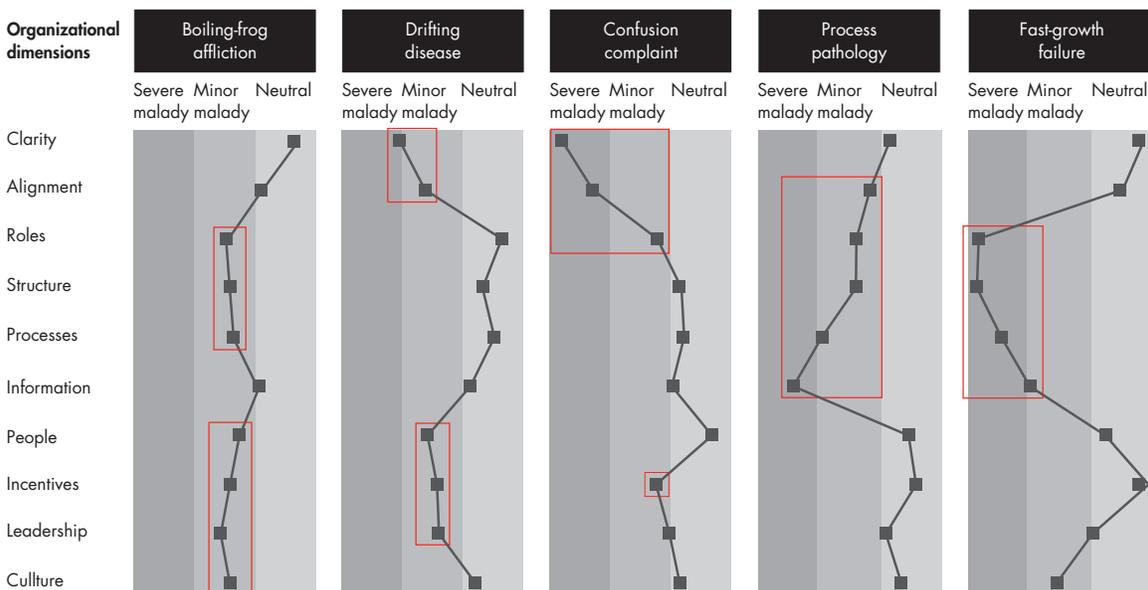
**Drifting disease (29%):** Lack of vision and direction, further worsened by talent and leadership challenges—a common cluster among mature companies that have begun to drift and now require fresh visionary leadership.

**Confusion complaint (16%):** Lack of alignment and clarity on strategic priorities, creating role uncertainty and blurred performance objectives. Confusion of this sort is common after a change in leadership or strategy.

**Process pathology (12%):** Unfit systems, ineffective metrics and duplicative, complex processes, all of them impairing people's ability to cooperate effectively. This cluster is common in industries such as financial services, where rapid growth, globalization and complicated regulations have introduced additional layers of complexity over time.

**Fast-growth failure (9%):** Malfunctioning hardware, with a misaligned structure, unclear accountabilities and weak governance system, all undermining employee engagement. Rapidly growing companies may suffer from some or all of these ills.

### Diagnosing sick organizations: The most common clusters of pathologies among underperforming companies



Source: Bain & Company

## Boiling-frog affliction and other ills

and dealers, and too much reliance on big SUVs and trucks. Though Ford had decades of internal analyses and consulting studies documenting these difficulties, the organization seemed unable to address them. Like about 12% of the organizations in our sample, the company was a victim of process pathology. It had many talented executives but lacked good processes and clear decision roles, so it couldn't get things done.

Mulally recognized that Ford's situation required multiple therapies. He started by reorganizing the company, moving from a regional business unit structure (which discouraged common global platforms) to a global matrix. Equally important, his team created a process—weekly business plan review meetings—for making key decisions, and clarified the roles executives would play in each one. A simple system of color-coded charts ensured that senior leaders had an accurate view of which decisions were on track and which were running into obstacles. Soon Ford was on the move. It divested or eliminated brands and reduced the number of vehicle platforms. It accelerated the development of new models, reduced the number of available options and increased the proportion of common parts from less than 10% to more than 50%. By 2010 it was earning \$6.6 billion in profits, its highest net income in more than a decade.

Like Ford, the companies in our study that employed tailored combination therapies to treat their organizational ills showed dramatically better results. In fact, companies that pursued combination therapies were 12 times as likely to see a step change in performance as those that relied on rifle-shot therapies.

Structural change and other one-shot remedies appeal to many executives because they are simple. But those remedies almost always fall short. Success in addressing organizational ills requires leaders to diagnose their organization's ailments, understand which of the five pathology clusters are most prevalent in their company and then employ targeted combination therapies. As the case of Ford suggests, such an approach can produce remarkable results. 

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