The true measure of leadership, according to John Kotter, is the ability to achieve “useful change.” He believes this is what distinguishes leaders from managers, who do other important things such as setting and dependably meeting goals.

Michael Beer and Nitin Nohria tell us that only about 30% of all major change efforts are truly successful. It’s no surprise. Major changes in direction are extremely difficult to achieve. They foster uncertainty and fear of the future. They are viewed as costly, both on a personal and an organizational level. But Beer and Nohria point to an additional culprit when they conclude: “The reason for most of those failures is that in their rush to change their organizations, managers end up immersing themselves in an alphabet soup of initiatives.” It’s a case of achieving less with more initiatives.

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Why do 7 out of 10 major change initiatives fail? What are steps that successful leaders follow to ensure sustainable improvement in business performance? Leading Service Profit Change describes both the process and model required to lead a turnaround that creates a platform for future growth.

There are various ways of achieving change. But we have learned a lot about what works and what doesn’t. At its heart, leading change requires what Beer terms an excellent “model” and “process.” Our “model,” the strategic value vision, and “process,” the service profit chain, would be academic without leadership. The first thing that successful leaders do is to make sure that there is adequate dissatisfaction with the status quo. If the discomfort isn’t there, it has to be created.

Archie Norman, who took over as CEO of ASDA in 1991, provides a great example of just how to take advantage of an atmosphere of discomfort. The company, founded as a retail grocery chain by English dairy farmers, was close to insolvency. After a period of rapid internal growth in the decade of the 1970s, it had fallen into a pattern of slow sales growth and declining profits, saddled with over a billion pounds of debt, which had resulted in part from diversification into such businesses as carpet and furniture retailing. The culture had become more bureaucratic and hierarchical, with minimal communication between departments. And yet employees at the store level were puzzled by the company’s poor performance; they had been given little information to lead them to believe otherwise.
In his first meeting with employees, Norman, who would later become a member of the UK Parliament, told employees that “today is Day Zero in our recovery program.” He went on to point out that there would be no “sacred cows” or “magical solutions.” He said that the Company would be reorganized to shorten lines of communication, with everyone close to the stores. He stressed that the Company needed cash, that stores had to be returned to the original core values of primarily serving working class customers, and that the business would be refocused on making existing stores profitable. By the time the meeting was finished, no one could doubt the urgency of the work ahead.

1. Building the Case for Change: Confronting the Brutal Gaps

When Mayor Rudolph Giuliani appointed Bill Bratton Police Commissioner in 1994, New York City was considered one of the most dangerous big cities in the U.S. It wasn’t hard to make the case for improved safety. But transformation required changing vision, culture, goals, and operating strategy in an organization aggrandized in a popular TV drama of the time, NYPD Blue, and operated almost like a secret society. Change would be hard to sell. Not only did Bratton sell it, he would see it implemented so successfully that New York would become one of the safest U.S. cities in the short span of about three years. And even though Bratton had only about 24 months in which to accomplish service profit change before his departure from the NYPD, the effects and results of the changes he and his team implemented continue to make New York a relatively safe city today.

Dissatisfaction with the status quo had to be created before any progress could be made. Bratton and his leadership team had to take steps to combat a proud policing tradition at the NYPD, to break through the “thin blue line” that united policemen even against their superiors, and to expose seeds of discontent in the organization. And they had to do it without alienating people they most needed for the change effort. They could, of course, use crime statistics. But in the early 1990s they were pretty ugly for any major city. Worse yet, civil service regulations provided a high level of job security to members of the Department.

As a result, Bratton elected to go at the challenge one person at a time. Among other things, he engaged an outside consultant to conduct a “cultural diagnostic” consisting in part of one-on-one interviews with a large number of police personnel. The interviews were designed to draw out concerns about the Department and to break through a curtain of denial regarding past failures. They elicited responses such as “this place is not on the level” and “our bosses don’t want to fight crime.” When asked to identify the most important aspects of their jobs, patrol officers cited “writing summonses” as most important. “Fighting crime,” Bratton’s first priority, was seventh on the list. Patrol officers hated the cultural diagnostic. They hated even more being confronted with its results. The seeds of discontent were planted.

At Irving Oil, the wake-up call came from two directions. By 2003, the Convenience Retail (CR) business had succeeded in creating a significant footprint beyond Atlantic Canada into northern New England. But this expansion had come at a cost, and the year ended with the Division missing its economic profit targets as capital charges outpaced net margin performance. The first brutal ‘gap’ was clear—the business had to turn around its financial performance. Harry Hadiaris, the general manager of the CR business, characterized the situation for us:

> The business needed to produce the type of return on capital that we were being asked to achieve by our executive officer. Number one, we were not generating enough economic profit; we weren’t generating the type of return required.

The second brutal ‘gap’ required facing a new competitive reality. With over 250 convenience retail stores and several hundred dealers, Irving Oil was competing across a larger geography with formidable competitors. Lou Beam, Director of Operations at the time, describes the situation.

> All of a sudden we had competitors that we never imagined would be our competition. And they offered great opportunities for their, and our, customers. We knew that unless we did something different, and we weren't sure what that had to be, we were going to be a victim. We may not survive. Confronting the brutal gaps is, for leaders of change, like step one in a twelve-step drug rehabilitation program. Nothing happens unless it gets done first.

2. Establishing the Vision: Getting Believers in the Right Jobs

The primary issue desired by “customers” (Bratton’s
term for citizens) of the NYPD was reduction in major crime. It had been set forth in a Safe Streets, Safe City initiative launched to hire additional police officers. But at the time Bratton assumed his job, the NYPD was at its best in responding to 911 emergency calls for assistance. As he put it, “we were very good at getting to the scene of a crime 30 minutes after the perpetrators had left.” Being a student of management, he knew that great strategies are built on achieving results, not just creating products or services. Worse yet, it would have to be achieved with no increase in budget for a cash-strapped city. As a result, it would require a new look at assignments and allocation of effort, training, information, support systems, policies, and procedures. In other words, “pain relief” for citizens would generate a lot of pain within the Department. Not everyone felt that the effort was worth the pain.

Bratton had to act overtly to identify those among his 76 precinct commanders in charge of frontline operations who were willing to be held to performance goals for results (crime reduction), not just effort (rapid response to emergency 911 calls). In a series of one-on-one conversations, he confirmed his previous experience (and ours) when he asked them the amount by which they thought major crime could be reduced in their respective precincts in the coming year. Roughly a third, citing research by sociologists and others about the major influences of the economy and general social conditions on the incidence of crime, responded that crime reduction was largely out of their control. Another third, while agreeing that it might be possible, cited the many obstacles that would have to be eliminated and the doubt that they had the resources and the necessary energy to do it. The final third actually suggested percentage reductions that they thought their precincts could achieve. Eventually, all but 25% of the precinct commanders were moved to jobs (under civil service regulations protecting their employment) where they could not be an impediment to change.

The Commissioner portrayed the new vision of the Department as “taking the City back from criminals one block, one street, and one neighborhood at a time.” The force and the public would hear it repeated over and over as if it had just occurred to the speaker.

At Irving Oil, the process of establishing the vision began by defining the Irving Promise. Lou Beam’s boss at Irving Oil, Harry Hadiaris, reflects on what the path they chose as he came into the leadership role.

The first thing I did was to understand what our financial performance was, and how big the mountain was. Then I had our executive team clarify our strategy. How were we going to win and how are we going to gain the customer’s preference? And that was the Irving Promise business case. We weren’t going to do it on product innovation, we weren’t going to do it on price. I think we got there quickly because our company was founded in 1924 on the value of a customer means to an organization and how you treat customers. There are certain things in our DNA that led us to this. We felt that that was our most likely chance to really execute a strategy in such a way that we would steal customers from other companies.

The Irving Promise business case was compelling. If executed successfully, the Consumer Retail (CR) business would be back on its planned financial trajectory within 12 to 18 months. As Mike Crosby describes it:

The Irving Promise is our strategy around our core competency of customer service. It is our promise to our customer. It includes everything it takes to deliver that promise to that customer across the entire business. It starts with a customer and you work your way back through the entire organization so every individual, every business process, everything we do inside the system, everything we do must be in line to make sure we’re driving that intentional consistent and differentiated customer experience, every day, in every store, at every occasion, three shifts a day, seven days a week, 365 days a year.

But getting to that clear, succinct definition wasn’t immediately obvious. The CR leadership team committed to several weeks of executive education and planning around the service profit chain and what it would take to effectively lead and manage the change effort, including a benchmarking visit to the Ritz-Carlton Hotels that had a profound impact on the team’s view of what was possible. As Mike Crosby recalled:

We took the Convenience Retail team down to the Ritz Carlton. Some people thought we were a little bit nuts. We’re talking about Irving Oil—we pride ourselves on clean washrooms in gas stations—going to the Ritz Carlton where we have ladies and gentlemen serving ladies and gentlemen? It was a little bit of a stretch for us, but I can tell you when the team came back from that
Confronting the Brutal Gaps at ACNielsen

In 1996, the global leadership team of ACNielsen led by Bob Lievense CEO, Maury Pages President Americas and Steven Schmidt who led the US business adopted the Service Profit Chain as their model for leading the change effort ahead. Focusing on the US, Steve Schmidt started by confronting the brutal gaps:

“In 1996 we launched our first measurement of employee satisfaction. That first year I’ll never forget—we had a score of a 42 (out of 100). And we had all kinds of issues at that time. It was a business going through massive transformation, a business that was losing money, a business that was in somewhat of an upheaval and a significant turnaround situation. And I really used the service profit chain as the springboard for that turnaround.”

ACNielsen went on to stage an impressive comeback. After being spun off from Dunn & Bradstreet and laying off almost a third of the work force, Steve Schmidt hit the road and met with every single employee in the organization. He explains his approach:

“There were tremendous skeptics, but in a turnaround situation people need brutal honesty, they need leadership, and they need people that can make certain commitments and live up to those commitments. The first thing I did was I went around and personally visited with the management team and with every single associate in the company, went to all meetings with every single associate in the company. We did that for about a month to six weeks. And we basically told them exactly where we were at and what the situation was. Then we also told them what we had to do and showed them the amount of money we were losing. People said ‘if we don’t do something different, none of us are going to have a job.’ And that was really the message. So I think it was just brutal honesty, visibility, the fact that we were bringing a credible story, and the fact that we were able to not only tell them what the issues were but what action we had to take. But then we came back very shortly thereafter and said, ‘OK, now that we’re a different company, different size, here are the commitments that we’re going to make to you.’ We then launched the service profit chain, launched the values, and launched the commitments that we had to our associates fairly soon after those layoffs occurred. Then it was a matter of proving that we could deliver and that we were truly a different leadership team, and a different management team, who were going to run the business a very different way.”

Steve required that every manager review their department’s Associate Satisfaction scores with their teams, and receive input into their action plans which he collected and personally reviewed. Associate Satisfaction was then added to manager incentive compensation to the tune of 25% of their bonus. Both effective leadership and communications surfaced as two clear gaps. Steve responded with aggressive programs to re-engage the employees. He guaranteed 40 hours of training for every single associate in the company and held the associates accountable to determine what their developmental needs were, with their managers, and then created customized training and development program for each individual. He then put in place a communication plan so that every single associate in the company
Like Bill Bratton, Mike Crosby and Harry Hadiaris had to make some tough changes:

Either people got on board or they didn’t get on board, and if they didn’t get on board they exited. We changed a third of our store managers in 18 months, and you have to be prepared to go through that kind of transition. As an organization, we were fully committed to train everybody, to put all the resources in place to make sure everyone was successful. To the credit of many of the people that were with the company at the time, some people said, “This is not for me. I do not feel that I am capable, like I don’t want to lead a line up. I don’t want to manage to this scorecard.” You know there were things that they just didn’t want to do anymore, so they said, “Time out. How do we help these individuals? How do we manage their transition?” And there’s other people from a performance standpoint that wanted to do it, but they weren’t capable. You change their role and move them to a different role. If you can’t find them a different role, then you

He reflects on his communications plan at the time.

“I required that people at least think about what they would change, and as long as they submitted their issue with what they would do to change the issue then I guaranteed a response to them within 48 hours. I personally responded. Also, myself and my entire executive leadership team guaranteed that we would personally visit with every associate in the company twice per year in new town hall meetings, because we thought it was critical to get the management team in front of the associates to tell them what was going on, where the business was at, and what was happening on the client side. Again, we felt face-to-face communications were critical. Finally, I visited every single one of our top 50 clients personally in the first 6 months. But the whole focus was on our associates. And I really didn’t talk a lot about clients initially, I simply talked about our associates. I talked about how critical they were and how we were going to win or lose at the end of the day based on them. By putting the focus on them and their understanding that I was putting my money where my mouth was, we demonstrated that the organization was absolutely committed to this and they would only believe it once they saw the behavioral changes. During the first year I also published to every single associate in the company our objectives for the year built around the service profit chain. We had associate satisfaction, and then we listed four or five or six other things that the leadership guaranteed we would do that year. Then we had client satisfaction, what were the things we were going to do, and then we showed the value related to the financial targets and objectives that we had to achieve.”

As a result of Steve’s service profit change efforts, the US business turned a profit by the end of 1997. Steve recalls, “I actually sent every single person in the company a laminated $1.00 bill in light of the fact that we had returned to profitability.” By 2000, they had improved their market share by 12 points as a result of winning new clients and solidifying their current client relationships. ACNielsen’s success began with a Service Profit Change leader who confronted the brutal ‘gaps’ and then engaged the entire organization in staging a powerful turn around.
A key to Irving Oil’s success was Crosby’s and Hadiaris’ decision to take one of their top areas sales managers, Al Bugby, out of his job to lead the Irving Promise full time. They gave him everything he needed to lead the program including people, training, communications and technology. Bugby hired seven internal Irving Promise “coaches”, some of the most respected operators in the company, combined with another seven external coaches to guide the implementation of the program across the organization.

With a clear burning platform for change and the right people in the right roles, the next step in our process for effective service profit change is to define a winning game plan that can take advantage of the organization’s strengths.

3. Design A Winning Game Plan that Can Scale

With the identification and installation of his 76 precinct commander “believers,” and the selection of his top management team (eight bureau commanders), Bratton was ready to move on several fronts at the NYPD to develop a strategy that would support scalable functional operations. The first major move was to transform the management of the Department from a “top down” philosophy to one in which primary responsibility for results was assigned to the 76 precinct commanders with direct reporting responsibility to Bratton’s team, after the elimination of a layer of management.

At the same time, twelve teams comprising 300 members of the Department, were organized into a reengineering effort designed to identify ways of leveraging results over operational effort and costs. These included such things as building community partnerships, geographical vs. functional organizational structure, precinct organization, supervisory training, in-service training, productivity, paperwork, integrity, rewards, and career paths. Just one example of the hundreds of changes that were produced by this effort was the finding that police overtime associated with an arrest was 12 hours, primarily because officers had to appear in person at trials whose schedules were in the hands of district attorneys. As a result, video technology was introduced allowing officers to interact with district attorneys from their precinct desks, reducing the arrest-to-arraignment process for officers from 14 to 2 hours (with no overtime expense) while improving the quality of their jobs.

Ideas from the reengineering teams were distilled into small booklets containing six strategies, reflecting the results sought by the NYPD’s “customers.” They were titled: (1) Getting Guns Off the Streets of New York, (2) Curbing Youth Violence in the Schools and on the Streets, (3) Driving Drug Dealers Out of New York, (4) Breaking the Cycle of Domestic Violence, (5) Reclaiming the Public Spaces of New York, and (6) Reducing Auto-Related Crime in New York.

After several executive education and planning sessions, Irving Oil built a comprehensive implementation plan with two simple goals: (1) Increase the number of customer visits by 10%, and (2) Increase spend per visit by 50 cents. Success on these two goals would significantly increase the Consumer Retail business’ bottom line.

The plan to make this a reality was multi-phased and comprehensive. It included:

- Conducting segmentation, customer satisfaction, and loyalty driver research
- Re-branding from Irving Mainway to a new brand concept called “Blue Canoe”
- Upgrading point-of-sale technology
- Design and implementation of a balanced scorecard
- Internal communications
- Irving Promise training targeted at behavioral change for senior leaders, area sales managers, store managers, and front line employees
- Performance management system improvements for recruiting, on-boarding, training, appraisal, recognition, and a variable pay program based on store quarterly performance
- Interactive voice response-based customer satisfaction measurement system
- Facilities upgrading to the new “Blue Canoe” concept
- Product merchandising
- Marketing communications

Some activities were planned in sequence, and some occurred concurrently. For example, as part of the executive education work, a sub-team began work on a balanced scorecard that would have everyone manage the business differently. At the same time, the organization worked with external consultants to conduct extensive market segmentation and to identify the most important drivers of customer and employee satisfaction and loyalty. The result of this research led to the redesign of the customer experience that included testing...
three different customer experience themes and associated elements. Five pilot stores tested eleven different concepts including:

- Headsets to improve team communications between store team members
- The ‘Service Ranger’ – a new role dedicated to work at the gas pumps to greet customers and keep forecourt traffic moving
- High end restrooms – Irving was already known for its clean bathrooms; this test element moved this to the next level

After several weeks of testing, the pilot store managers met with members of the CR leadership team and one of us to discuss the pilot results and which elements would be part of the final customer experience design going forward. After much discussion of the impact from each element and what we believed the customer, employee and financial impact would be, one store manager called a “time out”. Her message was clear and direct:

I realize what we are doing here is trying to decide what to keep and what not to keep. I just want you to understand something. My employees love everything we’ve done. So you can decide whatever you want – but let me tell you – regardless of what you decide here today, this is how I am running my store.

It was a defining moment for the Irving Promise team. Harry Hadiaris, General Manager of the Consumer Retail business, describes the momentum they had created that helped influence this sort of leadership behavior:

When we (the management team) left the Ritz-Carlton visit in July there was no hesitation. There was no ‘We can’t do it’. There was really 100% commitment. Once we went into it, it was full boar, it was fast, and it wasn’t going away. We made it the priority, we talked about it in all of our meetings, we started to live it, and I think our people saw that was 100% commitment all the way throughout the company, through all the senior levels.

Al Bugby, the Irving executive dedicated to leading the implementation for a year and a half, had perhaps the closest line of sight around the impact of the implementation plan. When you ask Bugby what he believes the impact has been from the Irving Promise, here is what he tells you:

Enormous! The Irving Promise has given our business true differentiation in the marketplace. Our customers look forward to that experience when they come in our stores. They know that when they come into our stores they’re going to be treated differently than they would if they go to another gasoline convenience store. Also, if you look at our New England business same store sales compared to the rest of the industry for 2006, we achieved significant improvement. Our fuel volumes and our inside sales are up.

As we have said, success achieved by organizations like Irving Oil and the NYPD didn’t come about without a winning game plan, and every winning game plan must achieve some ‘early wins’ that engineer self-sustaining momentum.

4. Engineering Self-Sustaining Momentum Through Early Wins

Both cosmetic and strategic changes were designed at the NYPD to create and sustain momentum. Early wins attributed to the “cop’s commissioner” and his team were the introduction during his first week on the job of weapons with larger 15-round magazines instead of the non-automatic weapons that had become a source of resentment among police officers. These were followed quickly by improved bullet-proof vests and new, more authoritative, uniforms.

More important was the introduction of the “Broken Windows” philosophy that maintained that broken windows, if left unfixed, lead to further neglect and deterioration. One example of the NYPD version of this was an increased effort to apprehend and arrest “fare jumpers,” who literally jumped over subway turnstiles to avoid paying fares. Long regarded as a non-essential use of time, it was discovered that many fare jumpers also carried weapons, often illegally, a discovery that took hundreds of weapons off the streets. In addition, existing laws were used, to arrest graffiti “artists” who spray-painted municipal and other property, as well as slumlords who had allowed their properties to fall into a state of disarray.

Frequent measurement and feedback was expanded to include both professional excellence (results) and the ability of each professional to meet behavioral expectations (process quality). Those unwilling, or unable, to live and work in a more open culture that fosters teamwork and listening behaviors with frank and frequent feedback are either asked to leave the organization, or they leave of their own accord. More importantly, be-
cause of an improved selection process, they aren’t hired in the first place.

At Irving Oil, several aspects of the Irving Promise implementation represented early ‘wins’ that have also achieved tremendous reinforcing momentum. Perhaps most notable have been the balanced scorecard, the Irving Promise Daily Line-Up, and the customer satisfaction measurement system. Lou Beam describes the importance of the balanced scorecard on how they manage the business:

The scorecard became incredibly important as we saw how it impacted the service profit chain. It all centers around competency, and all of a sudden that competency impacts operational efficiencies, employee loyalty, and customer loyalty. To be able to take and build a scorecard around the Irving Promise, and to see how those various metrics impact results, and be able to give that information back to our employees and show them the power of it was an incredible tool. It’s basically what we live by today.

The following graphic describes several of the critical goals and measures that are part of the CR Management System. This scorecard provides a clear story of the relationships between the links of the service profit chain, starting with people and continuing through to the results that the business is working to achieve.

Today, the CR scorecard enables everyone in the organization, from store manager to the head of the business, to see, at a glance, that ‘real time’ dashboard status of Green, Yellow or Red performance on any of the scorecard measures. Two area sales managers describe the impact of the “portal” that was developed based on the scorecard.

It’s developed a life of its own now. Since we’ve had the web portal you can just go every week and see your business and how you’re doing. We’re getting more sophisticated – so now with the dashboard, the Voice of the Customer, and the daily interaction with our managers, the scorecard just takes care of itself.

The Irving Promise Daily Line Up was a best practice adapted from the site visit to the Ritz-Carlton and became synonymous with the new form of two-way communication, empowerment, and leadership behaviors Irving was working to reinforce. All managers across the CR business were trained on how to deliver the Daily Line Up and Irving Promise coaches worked in the stores to observe and provide further coaching to improve the quality of the Daily Line Ups. Conducted at the beginning of every shift, the agenda of the line-ups include:

- Information sharing about people, products, process or environment
- Customer feedback from the previous week’s VOC (Voice of the Customer) scores
- Customer behavior impact from the balanced scorecard along with other store business results

The Daily Line Up is supported by a weekly email communication called the “Line Up Leader” that reports weekly results of the business, WOW! stories that have been collected from the previous week, and VOC score highlights.

The Voice of the Customer System provides weekly feedback to store managers through an interactive voice response system. The invitations to participate are based on a random selection process generated from the store’s point-of-sale System. Customers call into a 1-800 number and provide feedback around things such as the friendliness of staff, variety of products and services offered, and overall satisfaction. Since launching the program company-wide in 2004, Irving’s “top box” performance on overall satisfaction has increased significantly. Harry Hadiaris describes how he and his team drove these three early wins:

VOC scores are as important to us as our current financial numbers. We’ve got to stay in the game, but also the long term score is about the VOE (Voice of the Employee)/VOC performance and knowing where you are on that continually. We are fanatical about VOC. We talk about it every week—that, coupled with the commitment to the Daily Line Ups. The leaders are going out every week on Sunday night and giving people ideas for that week. And the stores just knowing that: line ups, line ups, line ups. I ask managers: “How are your line ups? How many people in your site can give line ups? Are they high quality?” You talk and they give you feedback from your people. Then at 10:30, when you go through the store I ask, “How was your line up today, and what did you cover?” The balanced scorecard, the Daily Line Up, the VOC—through action, through commitment and never letting up on it, I just made it clear that those three things are the key to what we’re doing right.
now and I never, never let it go.

The key insight about these ‘early wins’ is not just about the confidence and momentum that they create in the organization to more fully embrace the change effort. The real power is how they lay the foundation for a fundamentally new way of operating, one based on the links of the service profit chain. Because it is in the development of these links, that the seeds of ‘unbeatable’ competitive advantage are sewn.

5. Creating a “Cycle of Success” for Employees and Customers

Bratton and his team exhibited a clear understanding of service profit change—the need to create a cycle of success capitalizing on more effective relations between police officers and the communities in which they were assigned. For example, in response to rising levels of crime, many cities (including New York) had instituted “community policing” initiatives designed to get more police (often the youngest) out of their cruisers and onto the streets. It led to some successes and failures. For example, some neighborhoods were so crime-ridden that the young officers placed in them couldn’t cope with the challenge. In others, residents expected to see “their policemen” on every street corner, an expectation impossible to meet given budget, hiring, and training constraints.

However, by giving precinct commanders authority to deploy resources in their precincts and stand responsible for results, pieces were put in place for a “cycle of success” based on the service profit change thesis that change begins from within. More personnel were assigned to become involved in community organizations, to get to know those responsible for what went on in the community, and to establish allies in a preemptive crusade against crime. As a result, morale levels improved among police officers, community members expressed greater satisfaction with the rising levels of safety in their communities, policing job quality improved, and the cycle of success repeated itself.

The Cycle of Success at Irving Oil really represents the foundation on which the Irving Promise is built. Irving Oil has scrutinized and reformed most of its HR practices to ensure they are attracting, developing and retaining the best people. They have built a clear value proposition for both employees and customers and have worked hard at driving referrals from high performing employees. Cate Rafferty, CR’s head of human resources, describes the way they frame working at Irving to a potential new employee.

Pay for front line staff is competitive and the company offers a variable pay plan that’s unique, if not to the industry, certainly unique to their area. In the plan, the success of the store’s quarterly results translates into money into the pocket of their frontline team. It’s a combination of customer and financial metrics, and everyone in the store is rewarded on the performance of the store. As a company, Irving is committed to personal development. People get reviews regularly on their performance, and they post every job opening in the company. Those postings go out to the sites and they do look to hire from within. People who are looking for a career, or who didn’t even necessarily know they were looking for a career, have an opportunity to be successful. Part of that is the opportunity to move up.

The place where Irving really excels, however, is around training. Like all service profit chain leaders, the company investment is training is far greater than the ASTD (American Society of Training Directors) best-in-class benchmarks. When a person starts at the site, the store trainer spends the equivalent of about three days with the new hire, orienting them to the job, company and tasks. Then there is the Irving Promise training. The manager does a specific orientation about their specific expectations. During the initial orientation, the manager goes through the performance management system. There’s a one page planner that outlines how the employee’s performance will be evaluated. Within 90 days, the new employee will receive feedback on how they are performing on the job, how they are managing as part of the team, how they are doing the job functions, and if they are delivering on the Irving Promise.

The last thing we’ll emphasize is the way Irving supports its front line people in service recovery. Again, Cate Rafferty explains their approach:

When we talk about the Irving Promise we talk about latitude with limits—meaning do what you need to do to satisfy the customer
in the moment that seems reasonable to you. In the olden days, prior to the Irving Promise, a pretty typical reaction to a customer service problem was, “I’m sorry you have a problem. My manager is in on Tuesday and someone will call you back.” So the difference now is that you are a reasonable person, a bright person, and we’ve hired you with the expectation that you know how to handle this, so go for it. I think there was initially a bit of fear around this, that people were going to give people $100 out of the till, but it was quite the opposite. We told them to give away a cup of coffee...really, give it away. People had a really proprietary feeling about the stores. These were their stores and they didn’t want to be giving it away. So there’s some give and take, but ultimately we’ve landed in a place where people feel they can do what they need to do, and that is a wonderful thing.

Each of these three organizations learned early on in the change effort that the cycle of success—the investment they would make in the employees’ capability to produce results for customers—would mean dividends in the long run. And in each case, this investment has not only paid off, but they have sustained it over time.

6. Rebuilding a Culture That Performs

Recognizing that culture starts from the top, Bill Bratton acted in ways calculated to discourage emphasis on effort vs. results, the dodging or delaying of decisions by leaders, non-productive work habits, and corruption. Although he had a reputation as a commissioner who backed up his police force, he went out of his way to act publicly to condemn unacceptable behaviors. In one action shortly after he took over, he disciplined several offices convicted of corruption by calling a news conference and retiring their badges so that “no one would ever have to wear badges with those numbers again.” This led to the development of a seventh strategy: “Police Strategy No. 7: Rooting Out Corruption; Building Organizational Integrity in the New York Police Department.”

Bratton recognized that the remaking of the culture required that the Department start with new recruits. As a result, extra efforts were implemented to weed out applicants who were attracted to the Department primarily because of their desire to carry a gun or wield power over others, a not uncommon phenomenon in policing circles.

Cultures are based on values and behaviors. But if measures don’t follow, little often happens. At the NYPD, measures of performance included both hard measures of reductions in crime and soft measures emphasizing community activities, reductions in the frequency of corruption, and other desired behaviors.

Culture was critical to reenergizing Irving Oil. The Company already had a strong culture, but the Irving Promise put a laser beam focus on both what being customer-driven meant, and raised the bar in terms of what exceptional performance actually looked like. The demands required to deliver at a new level were inconsistent with the somewhat paternal culture of old, so the culture needed to be re-built. As with the NYPD, much of that re-building was shaped by leaders. Cate Rafferty explains:

If we are building a culture of customer service that’s not being run by people who understand customer service themselves, it’s just lip service. If you were to talk to our senior leaders, they would see themselves as customer service professionals in service to the people who work for them. That is the model that they live by, and I think that’s foundational for us.

In any change effort as comprehensive and challenging as the one the CR team at Irving Oil took on, there are going to be mistakes, some bigger than others. And when those happen, the values of the organization need to act as your compass. Cate Rafferty describes just such a situation:

When I think about the company values, I think about how they have guided us in tough times. For example, we messed up the fourth quarter variable pay. We determined some people had been underpaid, and some people had been overpaid. Senior people on the team got together to talk about it and asked, “What is the right thing to do here?” First, we need to make whole anybody who wasn’t paid correctly. The next thing was how to deal with the people that were overpaid. Since we made the mistake, at first we felt that they should keep the money. But as we dug a little deeper and compared to our values, we realized that didn’t fit our values, because it was random. If everybody got an extra $20, you could live with it. But if one person got an extra $1,000, and another got an extra $20, and a third didn’t get anything, and she was the best per-
former out of the three—well, it just wasn’t right. So the harder decision, but one that matched our culture and values was to go to you and say, “We made a mistake. We gave you $1,000 that you weren’t entitled to and we are going to take that back.” It was excruciating, but it was the right thing to do. So part of living our values was that our senior managers went to every single site and met with the people, and told them it was really uncomfortable, and it was really unfortunate, we know it stinks, here’s how it happened and here’s how we’ll tell you it won’t happen again, but you weren’t entitled to this. And in 80% of the cases it was fine.

Irving Oil’s values are: “We believe in demonstrating commitment; keeping our word; respecting people as individuals; and providing the best for our customers.” The Irving Promise didn’t change these values, but it brought them to life in a new way, in a way that took a strong culture, and made it more agile and focused. Now the challenge for Irving, and our other two examples in this article, was how to stay that way.

## 7. Locking In Continued Success

Little of the transformation at the NYPD, including its continued high performance, would remain today without Comstat, a program developed by Bratton’s eccentric, spats-wearing associate, Jack Maple. A sartorial history buff, Maple couldn’t have been more different from the buttoned-down Bratton. But Bratton recognized Maple’s genius to diagnose long-term challenges and develop strategies for dealing with them.

Comstat was an acronym for a computer-driven information system that first identified, and then tracked, statistics reflecting behaviors correlated with high crime rates, such as gun ownership, drug dealing, and previous individual crime records. It made these statistics available, along with those reflecting results, to all 76 precinct commanders. They were asked to gather every Monday morning at 7 a.m. prepared to discuss either outstanding results and how they had achieved them, or poor results and what they were doing about them. The meetings, chaired by Deputy Commissioner Maple and Police Chief Louis Anemone, were conducted as problem solving sessions, with all precinct commanders encouraged to suggest improvements to each other. Delegations of police officers from other cities were regular observers.

### Figure 1 - Service Profit Chain Scorecard

<table>
<thead>
<tr>
<th>Products/Services</th>
<th>Goals</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimize stock risks</td>
<td>Actual sales vs. expected sales by product</td>
</tr>
<tr>
<td></td>
<td>Increase sales of top-selling product categories</td>
<td>Revenue by category</td>
</tr>
<tr>
<td></td>
<td>Maximize utilization of inventory assets</td>
<td>Inventory turns</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Experience</th>
<th>Goals</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase customer satisfaction</td>
<td>CSI Score: Top Box Score to Top Box Score of your most recent experience at Irving/Mainway</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Behaviors</th>
<th>Goals</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase number of store visits</td>
<td># of transactions per month</td>
<td></td>
</tr>
<tr>
<td>Increase size of spend per visit</td>
<td>Average $ size per transaction</td>
<td></td>
</tr>
<tr>
<td>Increase word of mouth referral</td>
<td>CSI Score: Top Box Score to &quot;Willingness to recommend Irving/Mainway to others&quot;</td>
<td></td>
</tr>
<tr>
<td>Increase customer loyalty</td>
<td>CSI Score: Top Box Score to &quot;Likelihood to return to Irving/Mainway&quot;</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Business Results</th>
<th>Goals</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase store profitability</td>
<td>Enhanced coverage ratio</td>
<td></td>
</tr>
<tr>
<td>Increase fuel volume sold</td>
<td>Actual fuel performance</td>
<td></td>
</tr>
<tr>
<td>Increase market efficiency</td>
<td>Actual expenses to budget</td>
<td></td>
</tr>
<tr>
<td>Increase site profitability</td>
<td>Actual expenses to budget</td>
<td></td>
</tr>
<tr>
<td>Increase net operating contribution</td>
<td>Actual expenses to budget</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>People</th>
<th>Goals</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase employee satisfaction and engagement</td>
<td>CSI Score: Top Box Score of &quot;Friendly and empowered staff&quot; averaged from 8 survey questions</td>
<td></td>
</tr>
<tr>
<td>Recruit and retain talent</td>
<td>Inventory turns</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Processes</th>
<th>Goals</th>
<th>Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimize people utilization</td>
<td>Revenue per employee hour</td>
<td></td>
</tr>
<tr>
<td>Meet operations standards</td>
<td>Performance on store audit</td>
<td></td>
</tr>
<tr>
<td>Meet Marketing’s operational standards</td>
<td>Site evaluation on key marketing criteria</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goals Metrics</th>
<th>Requirements</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>recruit talented people</td>
<td>our people consistently create a great customer experience</td>
<td>% of % of % of</td>
</tr>
<tr>
<td>employee retention</td>
<td></td>
<td>% of</td>
</tr>
<tr>
<td>employee satisfaction and engagement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Without Comstat, the NYPD would have been tempted to slip back into its old ways. Comstat serves to lock in continued success. It has been so successful that it has been emulated around the world as a way of institutionalizing efforts to reduce crime. But—without changes in hiring criteria, the development of results-based goals, the reengineering of processes, and other components of service profit change—Comstat would be just another information dashboard. At NYPD, it was made part of a measurement, problem-solving, and recognition process that fit with other elements of Bill Bratton’s service profit change initiative.

We touched briefly on the importance of the voice-of-the-customer satisfaction measurement system and the balanced scorecard web-based portal at Irving Oil. Today, with a strong service profit chain platform at work, they are employing technology to drive new levels of innovation that will revolutionize the gasoline/convenience store buying experience. But locking in sustained performance improvement has less to do with technology than with the management system that supports it. The CR Leadership Team’s weekly and monthly management review process, based on data reported from their web-based dashboard, guide management and leadership actions that make a difference that customers can see and feel every day.

Service profit change of the kind practiced by Bill Bratton, Mike Crosby, and their colleagues is only one means by which change is achieved. But it is the most effective we have experienced. The leaders whose efforts we describe here rarely call it by the name we have given it. Nor do they implement it “by the numbers”; they have preferred methods for doing it. But they nevertheless subscribe to it by their actions. What else do they do to facilitate change?

The Role of Leadership

In the business press, organizations often are personified by their CEOs. New visions or definitions for the business are attributed to them as if they spring from the mind of one person. Of course, it’s not true. But the process of rethinking an organization’s vision is the responsibility of a leader. How successful leaders carry out this part of their jobs is important to understand. We’ve been fortunate to observe some of the best at close hand.

The things they are especially good at are (1) maintaining a steadfast vision for change, (2) listening while others volunteer new ideas while simultaneously buying into the process, (3) getting people who are receptive to change into the right jobs, (4) making sure that measurement and other means of ensuring accountability are in place, (5) recognizing others for wins; and sharing responsibility for losses, (6) becoming chief campaigner for the new vision, and (7) creating a culture of constant improvement.

Maintaining a Steadfast Vision for Change

Leaders achieve change through a number of means. Several are suggested by Michael Beer, who has created a simple formula for successful change. It says:

Probability of Success in Achieving Change = D x M x P > C, where:

D = the level of dissatisfaction in the organization with the status quo
M = the quality of the model for change advanced by Leadership
P = the quality of the processes for change advanced by leadership
C = the perceived costs of change in the organization

It is important to note in this formula that if any one of the values of D, M, or P are low, the chances of success are low as well. This creates a strong rationale for a balanced change effort.

Creating a “Burning Platform”

If the level of dissatisfaction with the status quo is low, how does one go about raising it? Commissioner Bratton’s “cultural diagnostic” at the New York Police Department helped accomplish this in an organization with a high level of arrogance and a low level of morale.

In particularly intransigent organizations, it may be necessary to create a “burning platform.” For example, when he was CEO of ASDA, the large English supermarket chain eventually acquired by Wal-Mart, Archie Norman encountered a situation in which the organization assumed that much of its organic growth would come from the opening of new stores. After all, the company had a large inventory of inactive real estate that had been designed for just that purpose. In order to refocus energies on building sales at existing sites and improve ASDA’s cash position, Norman sold off the excess real estate. As he put it:

“We had to be black and white. The only thing that mattered was making the existing stores work. By selling off store sites we made it clear there was no future in new stores and this made us very focused. It was
Bill Bratton created the burning platform at the NYPD by announcing a goal to his precinct commanders that some felt was unattainable.

Raising the Excellence of the Model and Processes for Change

As we saw earlier, the model for change, encompassing a vision for the future, has to focus on goals to be achieved as well as ways in which they will be met. This requires an identification of targeted customers and their needs, solutions to those needs, ways of leveraging results over costs to yield sufficient margins and profits, and the infrastructure needed to achieve all of this. This model is likely to be the product of a few top managers, in contrast to the process for achieving change, which will need to involve large numbers of people in the organization.

Reducing the Perceived Cost of Change

Bill Bratton had to find ways to reduce the perceived cost of change at the NYPD. He did it by concentrating on some initiatives that were designed to make jobs easier, such as the use of technology and procedural changes to allow more convenient and efficient ways of enabling police officers to testify in court cases.

Questioning and Listening vs. Telling

As one moves up in an organization, more and more time is devoted to asking questions and giving opinions, or “telling.” As a result, too many of those in leadership positions today have forgotten how to listen. And yet it’s the listening and responding that enlists others in a change effort. Truly effective leaders ask good questions, and get out of the way as ideas come pouring forth from others.

A. G. Lafley, CEO at Procter & Gamble, is a case in point. He has been characterized as “soft spoken,” one who “listens more than he talks.” As he put it himself, “I’m not a screamer, not a yeller. But don’t get confused by my style. I am very decisive.”

One the primary things that Archie Norman emphasized in his first message to the employees at a failing ASDA organization was that the Company needed a culture centered around listening, learning, and speed. He went about leading its development as the Company’s performance turned around dramatically.

Steve Odland, CEO of Office Depot, does not stand out in a group of his colleagues. One of our students who had accepted a job at the company didn’t know that the man who had just congratulated her was the CEO. When he joined the organization, facing the need to get a stalled company moving again, he spent much of his time organizing two initiatives: one intended to reduce costs and one intended to come up with new business ideas. Through these initiatives, goals would be set for the company’s performance—not by Odland, by the teams doing the work. Although he attended the meetings of the two groups, he let others chair them as he sat back, watched, and listened as the two teams went about their work, all the while getting a better idea of the talent he had to work with. We call this “getting people in the right seats.”

Getting the Right People On “The Bus” and In the Right Seats

One of Jim Collins’ more memorable analogies in his book, Good to Great, is that of the “bus” and its passengers, and the importance of getting the right people on the bus and the wrong people off. Everywhere we look, the second of these tasks is one of the most difficult faced by leaders.

Leadership positions at ING Direct, the largest direct banking organization in the U.S., are reserved for people who are “orange.” That means that they have to believe enthusiastically in a crusade to return the highest possible interest rates to savers. For them, it is a matter of good (ING Direct) vs. evil (high interest-charging credit card issuers). Work groups, such as call centers, are kept small at ING Direct, in part to insure that team members’ belief in the “orange” philosophy and act like it.

Leaders at Southwest Airlines have to be team players. That’s because its results are delivered by teams. They are selected in part on the basis of their empathy for others. Initial training contains a healthy dose of practice in teamwork. Planes are turned around as fast as any in the industry by teams of people able and willing to perform any job except flying the plane. Team members themselves quickly identify colleagues who are not willing or able to identify what needs to be done and to do it without being told. Those who don’t fit don’t last long at Southwest Airlines.

One of Bill Bratton’s first efforts as incoming Police Commissioner for New York was to interview each of his 76 precinct commanders to determine whether they believed that they could have an impact on reducing major crime in their precincts. Many didn’t. They subscribed to conclusions of various students of crime that it was a by-product of economic, sociological, and other conditions beyond the control of the police department. As they saw it, the best they could do was...
respond to crime, not control it. They were reassigned to less critical positions.

Baptist Health Care’s CEO Al Stubblefield likes to reference his copy of Jim Collins’ book *Good to Great.* One page is especially dog-eared:

*It’s where he describes how you’ve got the wrong person in the seat on the bus and everybody knows it. You go home and talk about it to your spouse. And you sit around hoping it’ll get better or hoping they’ll leave on their own. And finally you have to do something about it. And everybody says, what took you so long?*

Ensuring that people are in the right seats on the bus is a multi-step process. But every step requires communication and counseling, time-consuming tasks to which only true leaders are willing to give the highest priority. Those who have made the highest marks devote more time to it than to anything else. For example, A. G. Lafley, CEO of Procter & Gamble, is said to devote most of his Sunday nights to lengthy continuing reviews of 200 of the company’s most senior managers with P&G’s head of human resources.11 The purposes are both to evaluate their contributions but more importantly to determine job assignments to help them prepare for broader responsibilities. What kinds of broader responsibilities? It’s hard to know without conversations with each individual, also an important part of Lafley’s job. It’s not by chance that the head of human resources has a work space situated next to Lafley’s at P&G’s Cincinnati headquarters. In part as a result of this effort, Lafley in his first few years on the job replaced most of his senior colleagues on the leadership team, and passed over others, to dig more deeply into the organization for new talent with an emphasis on diversity.

**Ensuring Measurement and Accountability**

Measurement and accountability are important at all levels in an organization. For example, at P&G when you know the CEO is tracking your performance personally if you are one of the 200 most senior executives, you can sense it strongly.

It is easier to track people’s performances when the number of things they are asked to do is concentrated on a special few. For example, while Lafley’s predecessor bombarded associates with a constant flurry of new initiatives, Lafley sought ways to simplify assignments by asking operating managers to expand existing brands—return to the customer-driven days of the past—rather than spend their time searching for new ones. Certain functions, such as information processing, were outsourced to other companies.

Lafley has something else going for him in this effort. The senior management at P&G has always been a tightly-knit group of people who have risen from inside the organization. As a result, few secrets are possible. Peer pressure for performance is high, thereby ensuring a high sense of accountability.

**Campaigning for the Vision, Culture, and Ultimate Purpose**

Peter Drucker once identified the Girl Scouts of the USA, under Executive Director Frances Hesselbein, as one of the best-managed organizations, for-profit or not-for-profit, in the country.12 Among the many things for which Hesselbein was known was her repeated insistence on “managing for the mission” of helping girls. She described the organization as “mission-focused,” “values-based” (defined by the Girl Scout Promise and Law that many former Girl Scouts we know can still repeat), and “demographics-driven,” her term for diversity of membership. She would repeat these three terms over and over in every group with which she met in a way that sounded as if it had just occurred to her. As she put it:

*The power of language is so important in this job. People often refer to us as a traditional organization. I try to remind them that we’re a contemporary organization with a great tradition. When people, including those in our own organization, refer to cookie sales as a business activity, somebody has to remind them that it’s a girls’ program activity. All of us have to constantly remind ourselves that the bottom line in this organization is changed lives.*

Steve Odland begins each of his meetings at Office Depot with a group recitation of the Company’s vision, “Delivering Winning Solutions That Inspire Worklife.” Does it sound corny? Maybe. But he is serious. The vision is trademarked. And the group also recites the five values that influence leadership behaviors: integrity, innovation, inclusion, customer focus, and accountability. Odland believes that only by making all of this second nature will leaders alter what had sometimes been dysfunctional behaviors prior to his arrival on the scene.

Culture can be an important influence on change. In research that one of us carried out with John Kotter in the early 1990’s, we found that the single most important factor differentiating the performance of companies with strong cultures was the degree to which the culture also fostered adaptability to changing conditions. In companies able to sustain successful performance over long periods of time, employees accepted
change as part of the culture. It is the responsibility of a leader to ensure that one of the values by which an organization is managed embraces change. Values that meet this standard include a bias toward innovation, being customer-driven, and an emphasis on what, at GE, is called “boundarylessness,” the willingness to share the best people across the organization and the best ideas wherever they can be found. For example, one of the most important by products of the penchant for continuous quality improvement that characterized the end of the Twentieth Century was its emphasis on benchmarking and best practice, both of which encouraged adaptability to a changing operating environment.

As we saw earlier, Commissioner Bratton described the primary mission of the New York Police Department as “taking the City back from criminals one block, one street, and one neighborhood at a time.” By doing this, he transformed the organization’s mission (or in his management-laden words, its “business definition”) from “crime fighting” to “crime reduction.” This was so novel among police departments that it raised the work of the Department to a level that Nikos Mourkogiannis would label a “heroic” purpose, one intended to change the world and the way we live (such as the purpose that Bill Gates instilled in Microsoft). But on a more practical level, it guided almost everything the NYPD did.

Questions for Leaders of Change: The 24-Question Test

Those who have successfully managed change tell us that the important steps include: (1) confronting the brutal gaps between desired and actual performance, (2) establishing the vision and getting “believers” in the vision in the right jobs, (3) designing a winning game plan that can scale, (4) engineering self-sustaining momentum, (5) creating a “cycle of success” for employees and customers, (6) rebuilding a culture that performs, and (7) and taking steps to lock in continued success.

Those who are particularly good at leading change exhibit a variety of behaviors. Among other things, they: (1) maintain a steadfast vision for change, (2) listen while others volunteer new ideas while simultaneously buying into the process, (3) get people who are receptive to change into the right jobs, (4) make sure that measurement and other means of ensuring accountability are in place, (5) recognize others for wins while sharing responsibility for losses, (6) become chief campaigner for the new vision, and (7) create a culture of constant improvement.

These leaders are good at one additional trait, knowing which questions to ask. Less successful leaders too often bombard themselves with thousands of questions, losing sight of the really critical ones in the process. Practically speaking, answers to just 24 questions can establish why the organization exists, how it makes money, and how it supports change at present. When projected into the future in terms of what the organization should be (and should be doing), answers to these same questions help define the gaps between actual and desired performance. And they suggest ways of closing the gaps over time. The questions comprise six groups that tie together some of the basic ideas we have explored.

One Last Word

We’ve been fortunate in being able to watch leaders in action engineering change from close range for over 40 years. They’ve taught us a lot. Some have led the achievement of service profit change in more than one organization. For example, among those that we’ve become acquainted with, Steve Odland has done it in two retailing companies, Autozone and Office Depot. Bill Bratton has helped transform the police departments of Boston, New York (both Transit Police and the entire Department), and Los Angeles. Others have led successful change in their first attempts. This group includes Chris Cahill at Fairmont Hotels and Resorts, Al Stubblefield at Baptist Health Care, Steve Schmidt formerly with AC Nielsen, a leading media monitoring and information service; Scott Cotherman at Corbett Accell, a marketing services organization serving the medical sector; Michael Crosby and Harry Hadiaris at Irving Oil, a regional retailer of petroleum and other products. Still others have helped make good organizations much better. They include Gary Loveman at Harrah’s, a leading gaming organization and Danny Weisman in the chain of stores that bears his name. They and others, whose experiences we have described, have provided us with more than a rich trove of experiences and stories. The patterns into which their experiences fall represent ways of avoiding Beer’s and Nohria’s “alphabet soup of initiatives.” That’s why they’ve had a remarkably successful record of achieving perhaps the most difficult leadership task of all.
The 24 Question Test

**Purpose:** What’s our purpose? We all practice “know how.” But what’s our “know why?” Are we living up to it as an organization?

**Culture:** What are the organization’s core values? What behaviors are associated with each? How are the behaviors measured, recognized, and rewarded?

**Vision:** What’s our strategic value vision? Who do we, and don’t we, serve? What results do we deliver? How could we improve on these results? What new business endeavors does this suggest?

**Operating Strategy:** How do we make money? What are the “deep indicators” (as opposed to symptoms or outcomes such as margins) in the business? How do we leverage results, and hence profits, over costs? Do we have the right people, organization, policies, practices, controls, and infrastructure to continue to do it? What is our employee “ownership quotient?” What is our customer “ownership quotient?”

**Benchmarks and Best Practice:** How do we compare with benchmark competitors? Why? Are those good reasons? What are the patterns in our internal performance? For example, how do the best performing units in our organization do it?

**Leadership:** How am I and my leadership team doing? Are we allocating our time correctly? What should we be doing differently to preserve our personal “leadership health?”

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Notes

3. Ibid. p. 1.
4. Ibid p. 2
5. Michael Beer and James Weber, “ASDA (A) and (B)” Cases No. 9-498-006 and 9-498-007 (Boston: HBS Publishing, 1997). Information about ASDA, which was later acquired by Wal-Mart Stores, contained in this section is drawn from this document.
15. Nikos Mourkogiannis, Purpose (New York: Palgrave Macmillan, 2006). According to Mourkogiannis’ theory, truly transformational purpose can be found in: (1) discovery, the challenge of adventure and innovation characterized by dot com entrepreneurs willing to work 24/7 in search of the new or unknown, (2) excellence, in which high standards are not compromised for short-term performance (as with Berkshire Hathaway and Warren Buffett), (3) altruism, where the primary purpose is to serve (customers, employees, etc.) first and assume that profit will follow (as at Nordstrom), and (4) heroism, typically involving grand plans to change entire industries or even the way we live (Bill Gates and Microsoft).