

BRAINS, BONES, AND NERVES

The Only Three Things an Enterprise Leader Should Focus On RAJEEV PESHAWARIA

Leadership is all about harnessing energy—your own energy, and the energy of those in your organization.

True leaders, those who have incredible clarity of vision and purpose—people like Howard Schultz of Starbucks and Jacqueline Novogratz of Acumen Fund—rely on massive amounts of energy, harnessed on three levels:

- **Individual:** leaders must find the source of their personal energy in order to persevere despite obstacles and setbacks.
- **Team:** leaders must harness the energy of team members toward a shared vision.
- **Organization:** leaders must galvanize the energy of the entire organization in order to sustain long-term success.

Of the three, the third one—galvanizing the energy of the organization—is the most challenging. Here, I will provide a framework that will allow you to harness the energy of a large number of people by focusing on the **Brains, Bones, and Nerves** of the organization. These are the only three things an enterprise leader should focus on.

When you're an enterprise leader—when the number of people under your command is so large that it's not possible for you to have a close one-to-one relationship with everyone—the things you did to energize yourself and your team no longer apply. Whether you are leading 100 employees or 100,000, you cannot possibly manage everything yourself—you must delegate control.

As the enterprise leader, your primary job is no longer to produce results—it's to facilitate the success of others. So, what should you focus on personally? What are the most important aspects of the business?

Brains—Bones—Nerves

Your full-time job now should be to create conditions in which your people can do their work successfully. You need to put in place a few important frameworks within which a large number of people can operate in a way that maximizes their energy.

The key is to control and shape the three most important levers of sustainable business growth—the Brains, the Bones, and the Nerves.

- The Brains of a business are its vision and strategy, and here the enterprise leader must shape and set direction.
- The Bones are the organizational architecture, and here the enterprise leader must design the organization in order to execute the strategy.
- The Nerves refer to the culture and climate of the organization, and here the enterprise leader must foster a culture of long-lasting excellence.

Just as the human body needs all three systems—the brain, bones, and nerves—functioning in perfect harmony to maximize longevity and performance, a business needs its strategy, architecture, and culture to work in harmony in order to maximize results. As an enterprise leader, you should focus on these three as your most important focus areas and everything else must be delegated.

As I describe the three pillars of sustainable growth to executives in my seminars and training programs, every now and then someone raises their hand and asks, “So what’s so new about focusing on vision and strategy, organization design, and culture? As senior leaders, don’t we already know that this is where we need to start?”

Agreed, there is nothing new about focusing on the three pillars. However, the key is in staying focused on them. A common mistake bosses make is to think that setting direction, designing the organization, and defining the culture are only periodic activities. They assume that setting direction (vision and strategy) is something you do once every year or once every few years. They believe organizational design is also an activity that happens only at the start of a business or at the time of a major shift in business conditions. Similarly, they think once cultural values have been defined, they are done with the “soft” issue of culture.

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Nothing could be further from the truth. The best leaders know that to drive long-term growth, they need to manage the brains, bones, and nerves of their business all year long, every year. They understand that this is their full-time job. It is not just where you start as leaders, it is where you stay as leaders.

Here are a few simple but powerful ideas about how to lead a large workforce by shaping and managing the brains, bones, and nerves of your organization.

Wiring the “Brains”

For an organization to successfully reach a desired destination, the first step is to decide what route to take. In other words, the organization must clearly articulate its objectives, and make choices about how it will go about achieving them. This sounds obvious, but in my years of coaching senior executives, I have found that the smartest people tend to overlook or underperform at this primary work of leadership. The ones that create the most efficient and effective “brain” of a business do so by focusing on two elements:

1. A compelling vision and strategy articulated with elegant simplicity.
2. The ability to achieve acceptance and understanding of the vision and strategy.

The task of setting a compelling vision and strategy boils down to answering four questions:

1. What do we want to be?
2. Who are our stakeholders?
 - a. What do we want to do for each?
3. How will we get there?
 - a. What is the conventional business model?
 - b. What needs does this model fulfill?
 - c. What needs are yet unfulfilled?
 - d. What new needs are likely to emerge in the future?
 - e. What should we do differently compared to the traditional model?
4. Why will we succeed?
 - a. What will our differentiating capabilities be?

This template requires you to state your objective (the “what”), list your stakeholders (the “who”), and explain how you will surpass the competition, or create something that does not exist (“how” and “why”).

At its simplest form, the management team should get together and discuss each of these questions. But ideally, management should involve as many people in this strategy-setting process as possible. I suggest forming multiple teams of people within the organization and asking each one to create their version of the answers. Once each team has had the time to develop their version of the strategy, each one should present their work to the entire group. From there, combine the best teams into one final strategy for the business.

Once you’ve established the vision and strategy, you must fulfill the second element of wiring the Brains—achieving acceptance and understanding throughout the organization. The key is packaging—you should be able to articulate the vision and strategy in 15 minutes or less, and on no more than one to two pages. Everyone involved in the strategy formulation should be able to articulate it in a consistent way, and then it can be cascaded to the entire organization. The goal is to create such widespread acceptance of the vision and strategy that everyone in the organization understands it as second nature and can articulate it in the same way.

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Building Strong “Bones”

Now that vision and strategy have been established, it’s time to create an organizational framework that enables top-quality execution of that strategy and long-term excellence. This framework has two aspects—bones and nerves. “Bones” refer to the organizational design of the company, which should deploy resources in ways that best support the strategy. This is the formal organizational structure and the division of work among individuals and groups. “Nerves” are the informal setup, the culture of the organization. Bones create a structure for executing a strategy, and nerves create a culture that enables long-term excellence.

In order to building strong bones, leaders must:

- 1. Create an organizational structure that enables flawless execution of strategy.
- 2. Ensure each job is filled by the right person.
- 3. Create supporting systems and processes that drive performance.

There is no perfect formula for **(1) creating the organizational structure** (size and design of an organization)—it’s a matter of keeping the big-picture strategy in mind while making resource allocation decisions. You must look at your overall business strategy, look at where your resources are currently allocated, make a few assumptions, and design an organization based on what is more or less important. For example, if the lifeblood of the business is R&D, the question leaders must ask is, “Are we providing enough resources to this important function? If not, where can we reduce resources to fund this area?” Once an organizational structure is agreed on, **(2) jobs need to be filled with the best available talent**. It’s almost impossible to get all recruiting right the first time. No matter how much you try, some of your hiring decisions will prove to be wrong over time. So to get this right, the following tips should help:

→ **Define performance expectations for each job.** Clarity around expected outcomes will highlight the skills and experience required for each job. If strategy has been laid out thoughtfully, this should not be difficult. Way too many people are hired every day without enough clarity on what is expected of them. The chances of success in such a case are limited. I have also seen the reverse, where too much detail is specified about a job and complex competency models are used to guide hiring.

Hire for desired performance outcomes. Instead of focusing on generic personality traits, look for evidence that suggests a person might have the skill and will to achieve the particular desired outcomes. If job descriptions focus on expected outcomes, both the hiring manager and the candidate can make more informed decisions before filling a position. The hiring manager can probe the candidate for ideas on how they might go about achieving the outcomes, and the candidate can make a realistic assessment of his or her own capabilities and interest in working on those outcomes. Instead of describing expected outcomes, most job descriptions describe competencies and most hiring managers probe for past experience alone.

→ **Be prepared to admit mistakes and rectify them.** No matter how careful you are, hiring mistakes will happen. Once it becomes clear that a person you hired is a misfit for a particular role, you need to act quickly. You should either find them a role that might be a better fit for them or ask them to leave. This sounds harsh, but it is your job as a leader to ensure that all key jobs are staffed with the best people. Tolerating nonperformance sends the wrong signals to the rest of your organization, and overall performance level falls. When you ask leaders soon after they've let someone go if they did it too soon or too late, they almost always say too late. While it is hard to confront a person to tell them they need to go, it is the right thing to do both for the organization and for the individual. If you are convinced someone will not be successful in your organization, it is better to tell them sooner rather than later so they can find a job that is a better fit for them before it is too late.

Once the (1) organizational structure has been designed and (2) the right people placed in key jobs, **(3) appropriate systems and processes** should be created to encourage desired behavior. Two important systems to think about here are the performance-management and promotion systems.

Performance Management

It is said that what gets measured gets done. Adequate thought must therefore be given to how performance will be measured. In most organizations, people are expected to achieve a set of commercial goals related to revenue, production, or processing. In addition, employees are also expected to live and behave according to the company's cultural values.

However, most performance measurement systems measure performance only against commercial goals. To enable measurement of both commercial goals and values, individual performance must be defined on two levels: commercial goals and values. At the commercial goals level, a manager and employee agree on what needs to be achieved during a performance period. At the values level, they agree on how it will be achieved. A simple example: Commercial goals specify a revenue, market share, service, or volume target. Values goals set guidelines for how to achieve those targets, e.g., by always keeping the customer's long-term interest in mind even when it means short-term loss of revenue.

During my time at American Express, performance was measured both against business goals and against leadership behaviors, which were described by way of thirteen leadership competencies such as setting direction, giving feedback, and listening to employees' concerns. The size of compensation (particularly bonus) depended equally on business goals and leadership performance, which made it abundantly clear to us that the company was serious about our leadership behavior or the lack of it. Just talking about values is not enough.

Promotion

Almost everyone working for a large organization wants to be promoted at regular intervals. When they are up for promotion, employees are very receptive to feedback. This is an excellent time to reinforce the desired values. If someone is performing very well on commercial goals but not living the values enough, making promotion contingent upon improvement at the values level is an excellent tool to shape behavior.

Many companies now require seeing a track record of values-based behavior before promoting people to key positions. This is easier said than done; typically, your biggest commercial producers show scant regard for values, and it is hard not to promote your cash cows for fear of losing them to competition. A good way to deal with this dilemma is to let the commercial producers know they are being considered for promotion, but don't give it to them in the first year of consideration. Use the opportunity to explain to them why they did not make it, and help them to demonstrate desired behaviors in the following year. To reduce the chances of losing them to competition, pay them well that year and load up on deferred compensation. If they show noticeable improvement during the following year, promote them.

If designed in the manner described above, the bones will support overall vision and strategy in the best possible way. While getting this right is a matter of trial and error, keeping the basic principles of sound organization design—having the right people in key jobs, designing and maintaining a nimble and efficient organization structure, and establishing supporting systems like performance measurement—is helpful.

Developing Cultural “Nerves”

Over years of consulting and talent-management work, I have found that if managed proactively and effectively, culture can be a huge source of competitive advantage. Look at Goldman Sachs and Lehman Brothers over the past ten years. Both recruited from top colleges around the world, compensated their employees competitively, offered the same products and services to their clients, and operated in the same market cycles. If there were one overarching difference between the two, it was the way they managed culture.

For a business leader, a simple way of looking at your organization’s culture is: Culture is what your people do when no one is looking.

This is an important definition because as organizations grow in size and complexity, it is simply impossible to monitor day-to-day individual performance. Once strategy and objectives are set, it is important that employees conduct themselves every day in a way that helps achieve those objectives. So as leaders, you need a mechanism that ensures that people do the right thing every day, even when no one is looking. At the end of the day, you have to clarify performance expectations, create conditions that enable success, and trust that people will behave in a way that best supports overall strategy. This is where culture comes in.

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So how do you go about creating the culture you want?

Define

The first step is to define the desired culture. Here, leaders articulate a set of behavior guidelines for everyone to follow. A simple way of determining such guidelines is to engage in the following exercise.

Imagine it is a year or two from the time the vision and strategy were set. Imagine also that the new strategic direction was executed flawlessly and the organization has been very successful in meeting its stated objectives. With this backdrop, list behaviors that made this success possible. Then envision failure, and list behaviors that interrupted or deflected the course of success. After sufficient discussion, finalize a short list of behavior guidelines you think are critical to the mission. It is extremely important that every single member of senior leadership buys into these behavior guidelines. Ultimately, senior leaders will need to hold the entire organization accountable for living the guidelines—starting with themselves. Halfhearted attempts at defining behavior guidelines will go nowhere—you must be personally energized about behaving according to the guidelines.

Socialize

The next step is to socialize the behavior guidelines. Here, leaders lead by example, and must demonstrate the guidelines or values through their own behavior. Humans are hierarchical beings. Leaders who lecture about the importance of teamwork and collaboration in normal times, but blame others when something goes wrong, send a very clear signal to their people—that the most important thing here is to watch your back. So this second step of socializing—communicating and demonstrating the importance of the cultural values you want to establish—should not be underestimated.

Leaders need to take every opportunity to communicate the guidelines and make people understand why they are important.

Effective socialization happens in three primary ways. The most powerful is through **actions rather than words**. Very early in my career when I was a frontline employee at American Express Bank, I was working late one evening after most people on my floor had gone home. A phone was ringing repeatedly a few desks away, but since it was after hours, I ignored it. A minute or so later, Jim Vaughn, the country CEO who also happened to be working late, was on his way out of the building when he heard the same phone ring again. I will never forget when he walked up to the phone and asked the caller what he could do to help. Without telling the caller that he was the CEO, Jim took down a detailed message and assured the caller that it would be communicated to the intended recipient as soon as possible. Before hanging up, he thanked the caller for calling American Express. For me, a twenty-two-year-old employee, it was a lifelong lesson about customer service. Leaders should use every opportunity to exhibit desired guidelines or values in their own behavior.

The second way to socialize the desired culture is through **training**. At American Express, every employee had to attend training to fully understand the essence of the American Express brand, and how to live the blue-box values every day. Senior leaders of the company routinely showed up at these training sessions to show employees how important the values and brand were. It was hard to be at American Express and not believe in them. At Coke, too, the brand is a religion, and employees regularly receive training on the value of the brand.

The third way to socialize is through **ongoing communication**. A basic rule of communication is that you can never do too much of it. A common mistake I have observed among leaders is that they communicate something once or twice and believe the message got through to people. The only way to ensure that a message has been absorbed consistently is to communicate it repeatedly using different methods (like speeches, presentations, e-mails, videos, intranet tutorials). Don't worry about sounding repetitive. Use every means possible, and do it as often as possible.

Reinforce

The final step toward changing or creating a culture is to reinforce the desired behavior guidelines or values. In essence, what leaders do here is bring home the point that living the values is important. This is by far the hardest of the three steps, one in which most organizations fall short. Ultimately, if you want to make sure people indeed behave according to stated guidelines and live the values, you must answer the “what’s-in-it-for-me” question. The three most important levers at your disposal as leaders here are performance management, compensation, and promotion. Controlling these three levers can ensure values are not just bullet points on a poster or in training modules, but are important elements for personal success on the job.

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To summarize, the proactive management of your organization’s nerves is extremely important. Your culture can be the one strength your competitors cannot easily copy. In describing her own transition to enterprise leadership, Jacqueline Novogratz of the Acumen Fund said, “When I moved from being a founder to being a CEO, I realized that my title should be the chief culture officer. Now, besides fund-raising and managing the board, I spend most of my time storytelling—to constantly remind people about our mission, vision, and values.”

Brains, Bones, and Nerves (B-B-N): The Only Framework Required to Energize Your Business

Ultimately, the job of the leadership team is to set direction, design the organization, and create a culture of long-lasting excellence. From time to time, leaders must step back and assess how they are doing at these three primary tasks of enterprise leadership. An excellent way to do this is to ask their employees to complete this B-B-N survey, ranking their level of agreement with the statements below on a scale of 1 to 5. Then convene a meeting of the leadership team to discuss the results. Strong leaders keep the lines of dialogue open—just as they are consistently communicating with employees about a vision for the company, they are also constantly asking for feedback and are not afraid of uncovering areas that need improvement.

Setting Direction (BRAIN)

- We have a compelling vision for future success.
- We have a clearly differentiated strategy to achieve our vision.
- Vision and strategy are so clear that they guide resource allocation and decisions.
- We have clearly recognizable core capabilities that give us our competitive edge.
- Everyone in the organization can clearly and consistently articulate our value proposition to clients or customers.

Designing the Organization to Execute Strategy (BONES)

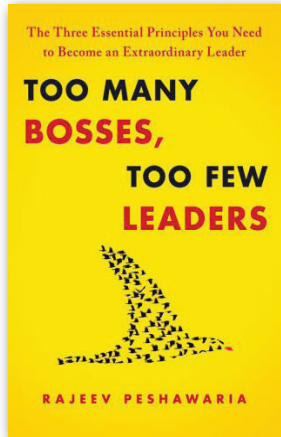
- We have top quality talent with the right skills and experience in all key jobs.
- Our supporting systems and structures (e.g. performance management, promotion processes) encourage desired performance.
- Roles, responsibilities, and decision rights are defined as clearly as possible.
- Our people and resources are deployed in a way that best supports strategy.
- The formal organizational structure enables the building and strengthening of our core differentiating capabilities.

Creating a Culture of Long-Lasting Excellence (NERVES)

- We have a well-defined cultural philosophy, and it is understood by everyone.
- Our compensation and rewards practices encourage behaviors in line with cultural philosophy.
- Through their actions, our leaders proactively creates a culture of collaboration and teamwork.
- We focus both on short term success and long-term capability building.
- Our culture is one of listening, learning and constant renewal.

If this survey highlights the need for action, invite your team to own the solutions.

Remember that your team members are your co-leaders. 🗣️



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