

Turning Strategy into Performance: Part 3 October 2012 Newsletter

Reward the fire marshals. Not the fire fighters.

Cultural norms that promote dysfunctional behavior will torpedo your organization's ability to execute.

Leslie Perlow, a professor at Harvard Business School, studied a Fortune 500 corporation that regularly struggled to deliver engineering projects on time and on budget. The reason, she discovered, was that engineers didn't have sufficient *uninterrupted* time to work on their projects and drive them forwards.

The constant interruptions stemmed from the company's habit of rewarding firefighting. Individual heroics (long hours and sacrifice of one's own work) in solving high-visibility crises led to the provision of more engineering resources, better performance evaluations, and bigger raises. In other words, the company rewarded the firefighters who handled crises, not the fire marshals who prevented problems from arising in the first place.

“ The crisis mentality and the system of rewards based on individual heroics further perpetuated this pattern of constant interruptions. The constant interruptions, in turn, perpetuated the crises and the perceived need for individual heroics. ”

This is a perfect example of the way that cultural norms create a vicious circle undermining effective execution: the engineers' very behavior was the source of the crises, and it was the constant crisis management that prevented them from getting products to market on time and on budget.

Contrast this norm with the one at Toyota, where individual heroics aren't seen as noble. Rather, they're evidence of systemic problems that require eradication. Handling the immediate crisis is far less important than identifying the root causes and improving the system to prevent that problem from ever occurring again. Root cause problem solving is what's most highly valued at Toyota. Not coincidentally, Toyota is able to manufacture cars with fewer man-hours than any other company, and its overall development cycle is the shortest in the industry.

Questions to answer:

- **What behaviors do your performance reviews value?**
- **What behaviors are informally praised and rewarded?**
- **Does your company distinguish between crisis management and system improvement?**