

# INTRODUCTION

**LARRY\*:** My job at Honeywell International these days is to restore the discipline of execution to a company that had lost it. Many people regard execution as detail work that's beneath the dignity of a business leader. That's wrong. To the contrary, it's a leader's most important job.

This particular journey began in 1991 when, after a thirty-four-year career at General Electric, I was named AlliedSignal's CEO. I was accustomed to an organization that got things done, where people met their commitments. I took execution for granted. So it was a shock when I got to AlliedSignal. Sure, I knew it would be in rough shape, but I wasn't prepared for the malaise I found. The company had lots of hardworking, bright peo-

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\*Throughout this book, coauthors Larry Bossidy and Ram Charan will provide insights written in the first person. Larry talks primarily from his experience as a senior executive at General Electric, AlliedSignal, and Honeywell International. Ram speaks from his wide-ranging thirty-five years of experience as an adviser to business leaders and boards of directors around the world.

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ple, but they weren't effective, and they didn't place a premium on getting things done.

Viewed on the surface, AlliedSignal had the same basic core processes as GE or most other companies: it had one for people, one for strategy, and one for budgeting or operations. But unlike the processes at GE, those at AlliedSignal weren't yielding results. When you manage these processes in depth, you get robust outputs. You get answers to critical questions: Are our products positioned optimally in the marketplace? Can we identify how we're going to turn the plan into specific results for growth and productivity? Are we staffed with the right kinds of people to execute the plan? If not, what are we going to do about it? How do we make sure the operating plan has sufficiently specific programs to deliver the outcomes to which we've committed?

At AlliedSignal, we weren't even asking those questions. The processes were empty rituals, almost abstractions. People did a lot of work on them, but very little of it was useful. The business unit strategic plans, for example, were six-inch-thick books full of data about products, but the data had little to do with strategy. The operating plan was strictly a numbers exercise, with little attention paid to action plans for growth, markets, productivity, or quality. People were holding the same jobs too long, and many plants were run by accountants instead of production people.

AlliedSignal had no productivity culture. It measured cost-per-man-hour in its plants but had no companywide measure for real productivity growth. It lacked learning or education. Individual businesses were allowed to have their own identities instead of being joined under the AlliedSignal name. I was told, "We've got a chemical culture, an automotive culture, and an aerospace culture, and

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they don't like each other." "We've got one stock that investors buy," I replied. "We need one brand."

Most fundamentally, the three core processes were disconnected from the everyday realities of the business, and from each other. Leading these processes is the real job of running a business. The leader has to believe in them and be actively involved in them. But the former CEO hadn't been deeply involved with them. He saw his job as buying and selling businesses.

Our new team conducted the processes with rigor and intensity. By the time I retired—after the merger with Honeywell in 1999—we had tripled our operating margins to almost 15 percent, raised our return on equity from just over 10 percent to 28 percent, and delivered an almost ninefold return for shareholders. How did we do it? We created a discipline of execution.

Putting an execution environment in place is hard, but losing it is easy. Less than two years later, the picture had changed again. The company didn't deliver the results investors expected, and the stock price was down. After the proposed merger with GE fell through, Honeywell's board asked me to spend a year getting the company back on track.

Certainly the distraction and uncertainty of the merger effort had taken a toll. Good people had left or were leaving. But the discipline of execution had unraveled. The intensity of the core processes had waned. Honeywell wasn't getting things done.

Before I left the company, for example, we had developed a turbogenerator product that I thought was a very promising entry into the market for standby power. It would be perfect for small businesses such as 7-Eleven stores. On returning, I found the product had been built incorrectly—it was too small for the market and would

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run only on natural gas, when we needed to offer both oil and gas alternatives. Sales were pathetic. People expected that I'd find some way to salvage the product—after all, I had been the instigator. But when I looked at the situation, I saw it was too far gone. We'd be better off spending the money on something else. So we closed it down.

When a company executes well, its people are not victims of mistakes like this. If Honeywell had had an execution culture, either the turbogenerator would have been built correctly from the outset, or it would have been fixed soon enough to be successful.

And when a company executes well, its people are not brought to their knees by changes in the business environment. After the tragic events of September 11, we had to tear up our aerospace operating plan for 2001. But we put together a new one in ten days. We identified as best we could the shortfalls of revenue, and we decided what we'd have to do to offset them with cost cuts. We also put a team in place to coordinate and ramp up all of our security products, and we reenergized our defense marketing folks.

**RAM:** There aren't many companies where leaders would produce a new operating plan for a major part of the company in ten days. More often there'd be a lot of talk and off-site conferences but no action. That's one distinction between companies that execute and those that don't.

Too many leaders fool themselves into thinking their companies are well run. They're like the parents in Garrison Keillor's fictional Lake Wobegon, all of whom think their children are above average. Then the top performers at Lake Wobegon High School arrive at the University of Minnesota or Colgate or Princeton and find

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out they're average or even below average. Similarly, when corporate leaders start understanding how the GEs and Emerson Electrics of this world are run—how superbly they get things done—they discover how far they have to go before they become world class in execution.

In the past businesses got away with poor execution by pleading for patience. “The business environment is tough right now” is one typical excuse; or “Our strategy will take time to produce results.” But the business environment is always tough, and success is no longer measured over years. A company can win or lose serious market share before even it realizes what has hit it. Johnson & Johnson, for example, pioneered the stent, a mesh tube that is inserted surgically and is used to support clogged arteries. In 1997 and 1998 it lost 95 percent of the \$700 million market it had created to competitors who offered better technology and lower pricing. Only recently has it begun a comeback, introducing new versions with clear performance advantages.

Execution is now tested on a quarterly basis—and not just by the numbers. Securities analysts look to see whether a company is showing progress toward meeting its quarterly goals. If they think it isn't, their downgrades can wipe out billions of dollars in market capitalization.

Most often today the difference between a company and its competitor is the ability to execute. If your competitors are executing better than you are, they're beating you in the here and now, and the financial markets won't wait to see if your elaborate strategy plays out. So leaders who can't execute don't get free runs anymore. Execution is *the* great unaddressed issue in the business world today. Its absence is the single biggest obstacle to success and the cause of most of the disappointments that are mistakenly attributed to other causes.

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As an adviser to senior leaders of companies large and small, I often work with a client for ten or more consecutive years. I have the opportunity to observe corporate dynamics over time and to participate directly in them. I first began to identify the problem of execution more than three decades ago, as I observed that strategic plans often did not work out in practice. As I facilitated meetings at the CEO and division levels, I watched and studied, and I saw that leaders placed too much emphasis on what some call high-level strategy, on intellectualizing and philosophizing, and not enough on implementation. People would agree on a project or initiative, and then nothing would come of it. My own nature is to follow through, so when this happened, I'd pick up the phone, call the person in charge, and ask, "What happened?" In time I saw a pattern and realized that execution was a major issue.

Here is the fundamental problem: people think of execution as the tactical side of business, something leaders delegate while they focus on the perceived "bigger" issues. This idea is completely wrong. Execution is not just tactics—it is a discipline and a system. It has to be built into a company's strategy, its goals, and its culture. And the leader of the organization must be deeply engaged in it. He cannot delegate its substance. Many business leaders spend vast amounts of time learning and promulgating the latest management techniques. But their failure to understand and practice execution negates the value of almost all they learn and preach. Such leaders are building houses without foundations.



Execution is not only the biggest issue facing business today; it is something nobody has explained satisfactorily.

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Other disciplines have no shortage of accumulated knowledge and literature. Strategy? So much thinking has gone into strategy that it's no longer an intellectual challenge. You can rent any strategy you want from a consulting firm. Leadership development? The literature on it is endless. Innovation? Ditto. Nor is there any shortage of tools and techniques that can help leaders get things done—approaches to organization structure and incentive systems, business process design, methodologies for promoting people, guides to culture change.

We talk to many leaders who fall victim to the gap between promises they've made and results their organizations delivered. They frequently tell us they have a problem with accountability—people aren't doing the things they're supposed to do to implement a plan. They desperately want to make changes of some kind, but what do they need to change? They don't know.

So we see a great need for this book. Execution is not just something that does or doesn't get done. Execution is a specific set of behaviors and techniques that companies need to master in order to have competitive advantage. *It is a discipline of its own.* In big companies and small ones, it is the critical discipline for success now.

Execution will help you, as a business leader, to choose a more robust strategy. In fact, you can't craft a worthwhile strategy if you don't at the same time make sure your organization has or can get what's required to execute it, including the right resources and the right people. Leaders in an execution culture design strategies that are more road maps than rigid paths enshrined in fat planning books. That way they can respond quickly when the unexpected happens. Their strategies are designed to be executed.

Execution paces everything. It enables you to see what's

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going on in your industry. It's the best means for change and transition—better than culture, better than philosophy. Execution-oriented companies change faster than others because they're closer to the situation.

If your business has to survive difficult times, if it has to make an important shift in response to change—and these days just about every business does—it's far, far more likely to succeed if it's executing well.

Leading for execution is not rocket science. It's very straightforward stuff. The main requirement is that you as a leader have to be deeply and passionately engaged in your organization and honest about its realities with others and yourself.

This is true whether you're running a whole company or your first profit center. Any business leader, at any company or any level, needs to master the discipline of execution. This is the way you establish credibility as a leader. By the time you've finished this book, you'll understand how to do it. Your know-how of the discipline of execution will be a competitive advantage. If you then proceed to put it into action in your business, we know you'll generate better results.



In part 1, chapters 1 and 2, we explain the discipline of execution, why it is so important today, and how it can differentiate you from your competitors. Part 2, chapters 3 to 5, shows that execution doesn't just happen. Fundamental building blocks need to be in place, and we identify and describe the most important: the leader's personal priorities, the social software of culture change, and the leader's most important job—selecting and appraising people.

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Part 3 is the how-to section of the book. Chapters 6 to 9 discuss the three core processes of people, strategy, and operations. We show what makes them effective, and how the practice of each process is linked to and integrated with the other two.

Chapter 6 covers the people process, which is the most important of the three. Done well, it results in a leadership gene pool that can conceive and shape executable strategies and convert them into operating plans and specific points of accountability.

Chapters 7 and 8 cover the strategy process. We show how effective strategic planning can bring you from conceptual thinking at 50,000 feet down to reality: this process develops a strategy building block by building block, testing its executability. It also links back to the people process. If the strategy proposed and its backup logic are clearly in sync with the realities of the marketplace, the economy, and the competition, then the people process has worked. The right people are in the right jobs. The problem with many so-called strategies is that they're too abstract and shallow, or else they're really operations plans, not strategies. The leadership and its capabilities may be mismatched: for example, a leader may have great skills in a business function like marketing or finance but may not be a strategist.

In chapter 9 we show that no strategy delivers results unless it's converted into specific actions. The operations process shows how to build, block by block, an operating plan that will deliver the strategy. Both the strategy and operations plans link with the people process to test the match between organizational capabilities and what is required to execute the operating plan.