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TIME



TALENT



ENERGY

*Overcome Organizational Drag &
Unleash Your Team's Productive Power*

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An Organization's Productive Power—and How to Unleash It

The common wisdom these days is that the business world is moving at lightning speed. That's certainly true in some respects. Technologies of all sorts evolve rapidly. Brash upstarts disrupt long-established businesses. The litany of examples is familiar.

But when you spend time inside the steel-and-glass offices of most large corporations, an entirely different phenomenon strikes you. Forget lightning, internet time, and all the other metaphors of speed. Here, things move *slowly*. Meetings drag on. Emails pile up unanswered. Delays are endemic, decisions postponed. To be sure, people seem impossibly busy. They stare intently at their computer screens and tap purposefully on their keyboards. They take meeting after meeting and call after call, often grabbing a quick lunch at their desks. They spend long hours in collaboration with colleagues who may be

half a world away, which can mean coming in early or staying late. But their output, the actual work they get done, is far less than it should be.

Economists would point to data indicating that overall productivity growth has declined appreciably since 2007 and, in some sectors, has barely kept pace with the rate of inflation.¹ White-collar productivity is likely to be part of this sluggish trend, though we can't say for sure because nobody compiles separate statistics on office workers. But you hardly need statistics to know that something is amiss in the corporate world. Ask any executive about his or her company's workforce and you are likely to hear concerns like these:

"We're supposed to have great people on board, but you wouldn't know it from the output we get."

"Too much of our people's time gets wasted. Meetings, email, IM—it's crazy."

"We hire some terrific people, but if they stick around here long enough they seem to lose their edge."

"There's too much bureaucracy in this company—people can't get their work done."

Nor do the gripes come only from the top. Front-line employees and midlevel managers tell us that they are constantly frustrated—by their company's procedures and rules, by the endless meetings and countless emails, by the layers of management that separate them from their unit's ultimate boss and from the customer. "You can't get anything done around here" is a common refrain. There seems to be an unbridgeable gap between what people at every level think they ought to be producing and what they are actually able to do.

The few existing data points support the image of organizations mired in the mud. According to recent studies by CEB, a research and advisory firm, the time and effort required to complete many critical business tasks grew significantly between 2010 and 2015. Hiring a new employee took sixty-three days in 2015, up from forty-two days just five years earlier. Delivering an office IT project took more than ten months, up from less than nine months in 2010. Entering into a B2B sales contract took 22 percent longer than it did five years earlier. And in many cases, it's not just the amount of time that grew—the number of people required to complete these tasks increased as well.²

The implications for the economy are immense. Estimates by management scholars Gary Hamel and Michele Zanini suggest that corporate bureaucracy costs the US economy more than \$3 trillion each year. Deriving their data from US Bureau of Labor Statistics figures, Hamel and Zanini estimate there are 12.5 million surplus supervisors bogging down the economy and sapping workforce productivity. They further estimate that there may be as many as 8.9 million “paper-pushing subordinates” carrying out chores of dubious value on behalf of these superiors. Redirecting these 21.4 million people into value-creating work could, in Hamel and Zanini's estimates, unleash \$3 trillion or more in annual US GDP. Similar bureaucracy undermines the performance of the United Kingdom, Germany, and most other developed economies.³

Today's companies thus face a new kind of strategic threat. On the one hand, the external environment is speeding up. A fast-changing digital world presents exactly the right kind of environment for nimble upstarts to displace slow-moving incumbents. On the other hand, the metabolic rate of many incumbents is slowing down. A sluggish organization, one

that can't make quick decisions and take quick actions, leaves itself unusually vulnerable, at risk of being left in the dust, outpaced by leaner, fitter, and more innovative competitors.

So here's the situation: talented people show up for work every day, but then something happens and they can't get as much done as they believe they could or should. We think of that something as organizational drag, a collection of institutional factors that interfere with productivity yet somehow go unaddressed. Organizational drag slows things down, decreasing output and raising costs. Organizational drag saps energy and drains the human spirit. Organizational drag interferes with the most capable executive's or employee's efforts, encouraging a "What's the use?" attitude. While the level varies, nearly every company we've studied loses a significant portion of its workforce's productive capacity to drag. It's time for companies to confront this productivity killer head on.

The outliers

These all-too-common observations, however, presented us with a puzzle. We knew things didn't have to be this way.

The two of us have a combined experience of nearly fifty years in consulting, much of that with Bain & Company, and we have worked with hundreds of large organizations. During that time, we have seen clients and other companies that have mastered the secrets of human-capital productivity. Like AB InBev, these companies don't let anyone waste time; on the contrary, they create all sorts of tools and procedures that cut through bureaucracy and encourage quick action. Like Netflix, they attract great people and put those people's talents to the most productive use. Like DaVita, they engage and even

inspire their employees. Look at nearly any industry and you are likely to find outliers like these: Nordstrom in retail, Ford in manufacturing, Spotify and Salesforce.com in the web-based economy.

What accounts for the difference between such outliers and the rest of the pack? To find out, we embarked on a multiyear study of organizations. We conducted a series of organizational audits on twenty-five global corporations. We surveyed managers to understand what elements they believed most affected productivity at their company. We benchmarked the capabilities of each organization relative to best-in-class companies to determine whether it had the people, processes, and technology required to execute its strategy efficiently and effectively. We used people analytics, data mining, and other tools to assess how these organizations spent their collective time. We combed through calendar, email, IM, crowdsourcing, and other data, compiling and analyzing the implications for each company. We also examined external information from Gallup, Glassdoor, and other sources to understand how employees described working at their company in order to assess the level of engagement and advocacy of each company's workforce.

Parts of this research led to articles in *Harvard Business Review* and elsewhere. As far back as 2004, Michael Mankins advised senior leaders to “Stop Wasting Valuable Time” (September 2004). More recently, Michael and partners from Bain wrote about how most companies use and (sadly) squander their employees' precious time in “Your Scarcest Resource” (May 2014). Michael and others also examined the impact of teaming and deployment on productivity and performance, showing how the best companies are “Making Star Teams Out of Star Players” (January–February 2013). The popularity of

these ideas with readers led to a series of digital articles for HBR, including, “Engaging Your Employees Is Good, But Don’t Stop There” (December 2015). But there was more to be done: we wanted to study and quantify the overall impact of human-capital management on a company’s productive power. So we commissioned the Economist Intelligence Unit, the business-to-business arm of The Economist Group, to mount a survey of more than three hundred executives from large companies worldwide.

The survey probed deep into people’s assessments of their companies’ practices. We started with basic questions, such as, “How many hours a week does the average employee in your organization work?” and “On average, how much work is conducted via teleconference and/or video conference?” Then we asked our respondents to diagnose their organization’s strengths and weaknesses: “How much of your organization’s productive power is lost due to inadequate employee skills, poor teaming and deployment, or lackluster leadership?” “How much is lost to insufficient automation or ineffective collaboration?” “What differences in productivity do you notice between employees who are merely satisfied and those who seem truly engaged or inspired?” We also asked respondents to share the best practices they had put in place to improve workforce productivity. We then compared the survey results with the experiences of our clients over the last thirty years.

It’s the organization

If we were to sum up the premise of this book in a few sentences, they would read something like this: It’s not your employees’ fault that they are not as productive as they could

or should be; it's your organization's fault. Workforce productivity is primarily an organizational problem and so requires organizational solutions. Unless companies identify and remove the organizational obstacles to getting things done, they will never generate great results.

To understand what this means, start with the basics. An organization is a collection of individuals with unique skills and talents. It is also a collection of hours, meaning the time that these individuals devote to the company. Both of these resources are inherently scarce. Talent? Warm bodies are readily available, but talented leaders are hard to find and a skilled workforce can take decades to assemble. Time is in even shorter supply, since no amount of money can buy a twenty-five-hour day. As for energy—the dedication, focus, and creativity each employee brings to every hour he or she spends at work—demoralized or frustrated employees, people who feel they are spinning their wheels, don't bring much energy. Those who feel they can accomplish great things typically bring a lot. The more energy people bring to the workplace, the higher the quality of output they produce.

Taken together, the three factors—time, talent, and energy—determine an organization's productive power, its ability to generate output from a given number of people. What the outlying companies have learned is this: you have to *manage* all those resources to produce great results. This task is different from simply hiring good people or keeping a lid on head count, because an organization is far more than individuals performing specific tasks according to some predetermined timetable. Unleashing the productive power of a company's workforce requires looking at the totality of the organization. You wouldn't invest your financial capital without an overall

plan and without analysis that shows you how each investment fits into that plan. So it is with human and organizational capital: you have to look at the big picture. And you have to invest in a way that helps to change the entire organization rather than slapping a bandage on this or that aspect of the problem.

As intuitive as this approach to performance may be, nobody really thinks about it this way. Most of the research and writing on output and productivity focuses on actions individual employees can take to improve their personal productivity, or on steps companies can take to improve efficiency. Much of this advice is helpful, but its effects are often circumscribed by the organization. Employees are coached to copy the habits of highly effective people, for instance, but they're typically told very little about how to make these practices work when they run counter to the habits of the organization. Executives learn to restructure and reengineer in order to improve efficiency, but they don't learn how to change the cultural factors that often have a bigger impact on output than the processes themselves. And, of course, talent management gets a lot of attention. But many common techniques for identifying, appraising, developing, deploying, and teaming difference-making talent are rooted in out-of-date human resources practices that have failed to deliver the intended results. Frustrated with these tools, some executives have led a backlash, reflected in a slew of articles explaining "why we love to hate HR." But what's left has an "execute or execute" flavor to it. When a star player fails to accomplish a herculean business goal, overcoming any number of organizational obstacles, executives are advised to replace the failure with someone who can get the job done.

Quantifying the possibilities

The survey research enabled us to create a quantitative model of three critical concerns: how much productive power companies lose to organizational drag; to what extent they can compensate for that deficit through astute talent management; and how much productive capacity can be further enhanced by tapping into the discretionary energy of their workforce. This allowed us to assess the gap between the most successful companies and their average-performing peers. The model shows the big picture that we think organizations need to consider. It also allows us to estimate the numerical effects of the various factors that come into play, thereby assessing whether it's really worthwhile to invest in changing things. To be sure, the data is based on self-reported estimates and so must be treated with some care. But the survey numbers generally fit closely with estimates based on our own experience. They also match specific productivity studies conducted by our colleagues at Bain and by our clients. And they certainly indicate the orders of magnitude that a company has to deal with as it considers reshaping its organization to unleash workforce productivity.

So here's what we found, in broad terms:

Organizational drag wastes time and undermines productivity. The average company loses more than 20 percent of its productive power to organizational drag—all the practices, procedures, and structures that waste time and limit output. Organizational drag is an inevitable and sometimes invisible force that slows the metabolic rate of a company and affects its health. It's a chronic illness like high blood pressure—

you have to manage it all the time or it will get the best of you. Because of organizational drag, most companies have a productivity deficit. They produce far less than they could or should.

This deficit may in fact be significantly more than 20 percent. In our work with clients, for example, we typically find that 25 percent or more of the typical line supervisor's time is wasted *just in unnecessary meetings or e-communications*. If you're that supervisor, you're spending more than a day a week doing nothing but needless interaction. You're in meetings that should never have been scheduled or that you shouldn't have been invited to. You're responding to emails that should never have been sent or that shouldn't have reached your inbox.

Good talent management can compensate for some of the productivity that's lost to organizational drag. As if acting on instinct, companies often try to make up for lost productive power by hiring, developing, and retaining better talent, and by deploying that talent in ways that boost productivity. But we found that the typical company makes up less than half the productive power lost to organizational drag through talent management alone.

Of course, great talent—the individual who is significantly more skilled or inspirational than others—is much more productive than average or mediocre talent. So it isn't surprising that the top companies we studied have a slightly better-than-average mix of great people. Beyond the raw mix, however, we found that the best-performing companies focused their best talent in a few critical roles. In essence, these companies have more “difference makers” *and* they assign these exceptional individuals to roles where they will have the biggest impact on the company's performance.

The most productive companies are also far more disciplined in how they assemble and deploy teams. They aren't afraid to create all-star teams when they're confronted with mission-critical initiatives. They take steps to ensure that all of their teams can collaborate efficiently and effectively to get things done. In short, the outliers recognize that teaming is *more* important than simply bringing in great talent, because most work gets done in teams.

Employee engagement and inspiration can make up more of the lost productivity. Most companies have tried hard to engage their employees. Some have even set out to inspire their workers. This is how companies hope to release the discretionary energy people bring to work.

And it's true: these steps can often have a tremendous impact on productivity. Our research suggests that an employee who is satisfied with his or her work is 40 percent more productive than an unsatisfied one. But an engaged employee is 44 percent more productive than a satisfied worker, and an employee who feels inspired at work is nearly 125 percent more productive than a satisfied one. In short, an organization would need about two-and-a-quarter satisfied employees to produce as much as a single inspired worker. The higher the percentage of engaged and inspired employees in your organization's workforce, the higher its productive power.

As we noted, time, talent, and energy taken together explain an organization's productive power. But companies concerned with their organization will have to face a sad truth: all but the very best companies lose so much of their productive power to organizational drag that they can only just make up for the loss through talent management and employee engagement.

The productive power index

To understand the magnitudes involved, it helps to think of an organization’s productive power as an index. We assume that a company starts with 100—the output it should produce with an average mix of largely satisfied employees who can devote 100 percent of their time to productive work. That’s the top line in figure 1-1.

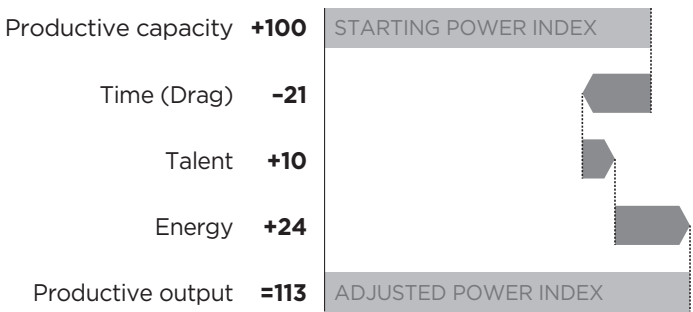
From this base of 100, we subtract the productive power lost to organizational drag—all the factors that waste time and prevent employees from being as productive as they could be. That’s the next line in figure 1-1. As you can see, the average company loses 21 percent of its productive power to organizational drag. The index plunges to 79.

Now let’s add the gains (or losses) that organizations realize from their mix of talent, collaboration practices, and

FIGURE 1-1

The average company barely offsets organizational drag through its talent and energy

Productive Power Index: Companies in the Bottom Three Quartiles (%)



Source: Bain/EIU research

approaches to teaming and deployment. The average company gains back 10 points on the index from talent management, bringing the index score up to 89.

Finally, we add (or subtract) the productivity impact of having more (or less) satisfied, engaged, and inspired employees. This is a powerful factor: the average company gains another 24 points from its employees' level of engagement. Even so, look at the overall result. On an indexed basis, the average company barely pokes its head above water. Its productive power index stands at 113, compared to a starting point of 100.

Now let's examine the difference between the best companies—the top quartile in our survey sample—and the rest, meaning the average of the remaining three quartiles. That gap is stunning, and it's a good indication of how top players like Netflix or AB InBev outstrip the competition by running a better organization.

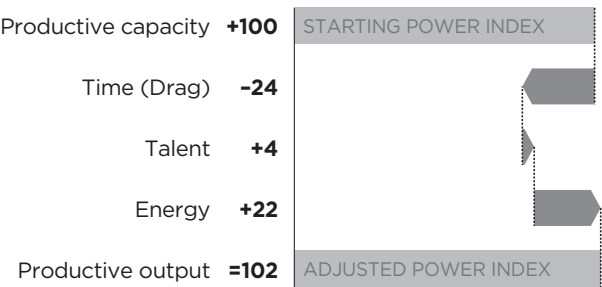
Look closely at the upper graphic in figure 1-2. Using the same procedure as in figure 1-1, we calculate the effects of organizational drag, talent management, and the energy generated by the companies' levels of engagement and inspiration. As the graph shows, the bottom three quartiles in our sample manage time, talent, and energy to generate a productive power index of just 102. Talented people come in the door, sure. But the organization drags them down, and the companies' leaders can't compensate either through better talent management or through higher levels of engagement and inspiration.

But the top quartile is quite different, as shown in the lower graphic in the same figure. Companies in this group lose far less to organizational drag, only 13 points as compared to 24 for the other three quartiles. They also make up far more of that loss through talent and energy. These companies have better people. They team and deploy those people more effectively,

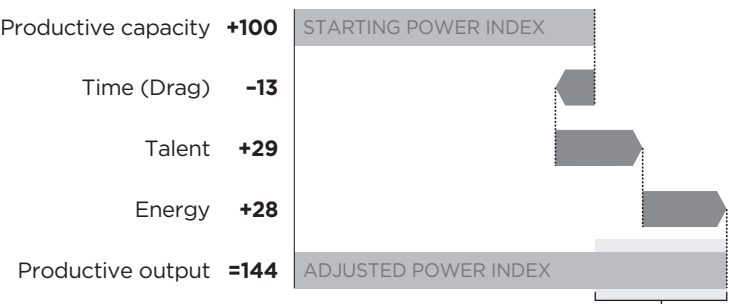
FIGURE 1-2

The best versus the rest

Productive Power Index: Companies in the Bottom Three Quartiles (%)



Productive Power Index: Companies in the Top Quartile (%)



The best can produce 1.4 times as much with the same resources, and this difference compounds every year.

Source: Bain/EIU research

and they foster better collaboration. They also engage and inspire employees to invest more of their discretionary energy in the company’s success. That’s how they generate a productive power index of 144, or over 40 percent more than the average of the other three quartiles.

In short, the best companies are nearly half again as productive as the rest, purely as a result of the way they manage their organization's scarcest resources—time, talent, and energy. These companies get more work done by lunchtime Thursday than the rest accomplish all week, and with higher quality. They don't have to worry about cutting head count to boost efficiency, simply because they are so productive. They outpace the competition year after year. The size of the prize is enormous.

How productive is your organization?

This diagnostic test will help you create a quick qualitative assessment of your organization's productive power, along with the factors that most affect it. It is not intended to be an in-depth assessment of time, talent, and energy, only an indicator. For a full diagnostic of your company, please visit our website: www.timetalentenergy.com.

TIME

The term “productive output” as defined here means work conducted by employees to advance specific objectives that produce business results. If employees were to work productively and efficiently for 100 percent of their time, they would generate productive output of 100 percent. In reality, an employee typically faces constraints that impinge on 100 percent efficiency. Several factors that can cause loss of productive output are:

- Employees lack sufficient direction to know what to do.
- Employees lack the skills and capabilities required to best do their work.

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- The organization lacks the systems, processes, and tools to enable people to do their work efficiently.
 - The organizational structure gets in the way and results in work taking more time than it should (e.g., bureaucracy and hierarchy).
 - People work together in ways that are inefficient and ineffective (e.g., poorly managed meetings).
 - The culture leads people to work on tasks that do not advance a specific business outcome and/or do not produce business results (e.g., a culture of overpreparedness, excessive stakeholder management, or risk aversion).
 - People are not satisfied with their job or the workplace and therefore do not devote their energy and attention to doing their work efficiently and effectively.
 - Other.
1. How many of the factors listed do you experience at your organization?
 - a. 0 or 1 factors
 - b. 2 or 3 factors
 - c. 4 or more factors
 2. On average, how many hours do you or members of your team spend in meetings each day?
 - a. Less than 3 hours
 - b. Between 3 and 6 hours
 - c. More than 6 hours

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3. How many layers of management are there between front-line employees and the CEO at your organization?
 - a. Fewer than 6 layers
 - b. Between 6 and 8 layers
 - c. More than 8 layers

TALENT

Talent refers to the capabilities of the people in the organization, how they are deployed, and how they are teamed. Please answer the following questions with white-collar workers in mind.

4. What percentage of your workers are high performers or “A-level” talent (that is, among the very best available in their industry or field, not just in your company)?
 - a. More than 25 percent
 - b. 10 percent to 25 percent
 - c. Less than 10 percent
5. How effective is your organization at identifying the company's difference makers and placing them in roles where they can make the greatest difference?
 - a. We are great at identifying the difference makers and placing them in mission-critical roles.
 - b. We know who the difference makers are and which roles are mission critical, but we don't always get the right people in the right roles.
 - c. We lack the processes to identify difference-making talent or we don't have a clear articulation of the mission-critical roles.

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6. In your experience, when your organization has launched a new initiative that was critical to business success, how has it approached forming a team to drive the initiative?
 - a. The organization generally creates a team made up entirely or predominantly of high performers.
 - b. We typically pick a high performer to lead the team and let the rest fall into place.
 - c. The organization generally creates teams composed of people who were available.

ENERGY

Energy refers to whether people are engaged and inspired by their job, the organization they work for, and the people they work with, and is reflected in how much they are willing to contribute to their company. Please answer the following questions with white-collar workers in mind.

7. What percentage of your organization's employees are "inspired"? Inspired people are those who, because of their work, the company's purpose, and the relationships with the people they work with, are vocal advocates for the company and are committed to doing extraordinary things to contribute to it.
 - a. More than 50 percent
 - b. 25 percent to 50 percent
 - c. Less than 25 percent
8. Does your organization have a culture that drives both performance and engagement?
 - a. Yes, our culture effectively drives both performance and engagement.

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- b. Our culture drives performance or engagement but not both in equal measure.
 - c. No, our culture does not effectively drive performance or engagement.
- 9. Does your organization have a formal program to help employees become inspirational leaders?
 - a. Our organization provides significant leadership development, including inspirational leadership.
 - b. Our organization provides leadership development but does not emphasize inspirational leadership.
 - c. Our organization provides limited formal leadership development.

SCORING

Tally up your scores. All “A” answers receive 2 points, “B” answers receive 1 point, and “C” answers receive 0 points.

- 14 to 18 points: High. Your organization is likely a high performer on time, talent, and energy. We encourage you to review which area you scored lowest in and use this book to amplify your already high performance.
- 7 to 13 points: Medium. Your organization is likely an average performer on time, talent, and energy and may be losing 20 percent to 30 percent of its productive power compared to the best performers.
- 0 to 6 points: Low. Your organization is likely losing considerable productive power, up to 40 percent compared to the best performers.

Take note of your overall score and your score for each component of time, talent, and energy. Where is your organization the weakest? Where is it the strongest? The component with the lowest score is potentially the most valuable lever for initial attempts at improving your organization, but making incremental changes to your strong areas can also deliver significant value.

What you'll find in this book

All these statistics can sound pretty theoretical. But the chapters that follow will put flesh on the numerical bones.

Part One is about managing time, because if you don't manage time well, you can't do anything else. Chapters 2 and 3 trace the sources of organizational drag—all those meetings, all that e-communication, all those complex bureaucratic structures. They describe in detail how companies can manage their time better, how they can streamline their operations, and how they can rid themselves of the most common impediments to productivity. They will also share the practices that leading companies implement to liberate unproductive time. Follow these prescriptions and you'll already be ahead of the pack.

Part Two focuses on talent and teaming—the second piece of the puzzle. Chapters 4 and 5 explore the power of effective talent management. You'll get some new ideas on attracting, developing, and retaining the great people any organization needs. We'll describe how to determine where your organization needs better people—"difference makers"—in order to produce great performance. You'll also learn what seems to be hidden from too many organizations—the tremendous effect of great team-

ing and collaboration—and how to tap into its power. Hint: it's all about where and how you deploy these difference makers.

Part Three turns to the last factor that determines an organization's productive power: that sometimes squishy issue of discretionary energy. Chapters 6 and 7 take a hard-nosed look at the power (and limits) of engagement, and at the remarkable effects of inspiration. They describe the practical steps companies can take to inspire their employees, and they examine why those seemingly practical moves so often fail. The chapters also discuss that elusive concept of culture, which in some of the outliers seems to make all the difference. Culture isn't just part of the game, as former IBM CEO Lou Gerstner once wrote; it is the game. Our research and experience support this assertion.

Taken together, the actions we describe in these chapters are self-reinforcing and self-amplifying. Once built, an engaged and productive workforce becomes a company's army of advocates to customers and to prospective employees. You're essentially creating a virtuous circle: high levels of engagement make it easier to attract and retain great talent; better talent makes it easier to assemble skilled teams; these individuals and teams put pressure on the organization to simplify its structure and eliminate the time sinks that eat up their hours. When companies liberate people's discretionary energy in this way, work seems to have more purpose. An organization that accomplishes that feat doesn't just perform well; it soars.

A few outliers have already unleashed the productive power of their organizations in just this way. They have learned to manage their people's time, talent, and energy every bit as closely as they manage financial capital, and so they are leaders in today's economy. This book will show you how to join them at the head of the pack.

THE THREE KEY POINTS OF THIS BOOK

1. *Organizational drag is a killer.* It costs the typical company at least 20 percent of its productive capacity, probably considerably more. So you're already producing less than you could be, right from the start.
2. *Good talent management is the first step toward overcoming it.* You need great people—"difference makers"—in key positions in your organization. But the way you team and deploy your people is even more important.
3. *Engagement and especially inspiration can make your company unstoppable.* That's what releases the discretionary energy of your employees and creates true high-performance organizations.