

RESULTS

Keep What's Good, Fix What's Wrong and Unlock Great Performance

GARY NEILSON and BRUCE PASTERNAK

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MAIN IDEA

In just the same way as DNA forms the basic building blocks of all living organisms in nature, business organizations are similarly built as unique combinations of four basic building blocks:

The building blocks of organizational DNA	▶ 1	Decisions	The mechanics of how decisions actually get made and who makes them
	▶ 2	Motivators	The incentives, culture, career options and values which drive behavior
	▶ 3	Information	Who has access to the most accurate information and how it is passed on
	▶ 4	Structure	The overall organizational model, including the designated lines and boxes

Taken together, these four components effectively act as the organization's DNA in that they strongly influence the way each individual employee acts on a day-to-day basis. Whatever an organization achieves – or fails to achieve – is the combined result of the daily decisions made by the individuals. Thus, an organization's DNA determines whether it will consistently deliver on expectations and commitments or whether it will fail to meet expectations.

Once you understand the key components of organizational DNA, you then have the key to generating improved performance in the future. Achieving more is a matter of making adjustments and enhancements in the way your organization makes decisions, shares information, motivates its people and structures itself. As simple as this may sound, getting everything just right is incredibly challenging and this is the reason why so few companies genuinely excel over an extended period of time.

"In our experience, most management teams do not fully appreciate the role the four building blocks of organizational DNA play in improving performance. Many leaders inherit organizational models, and lack the time or resources to develop a detailed perspective on how they really work. Any attempt to address a business weakness or strategic opportunity must explicitly address the underlying organizational reasons the current strategy is not working. The attempt cannot begin, as many traditional approaches do, with the conclusion the problem lies in the strategy itself, and immediately concentrate on refining the aspirations or vision for the company. That difference in starting point, coupled with the recognition that the task is difficult, represents an opportunity to create an enduring competitive advantage. The most resilient and successful organizations have discovered the devil is in the details of organization."

– Gary Neilson and Bruce Pasternack

1. The four building blocks of organizational DNA Pages 2 - 3

To create a winning organization, all you have to do really is assemble together four key components:

- The right people who can make great decisions quickly and effectively.
- A culture and business environment based on appropriate values and shared culture.
- Everyone having access to every piece of relevant market information which is available.
- Making sure everyone in the organization is motivated by the right incentives.

The fundamental challenge of business is to align all these building blocks in such a way the individual's self-interest will coincide with the organization's agenda. The difficulty lies in the fact none of these building blocks stands alone. They are all interdependent on each other and tinkering with one will usually have flow-on effects on the other three. There is no universal prescription for how to bring these four elements together coherently. The only imperative is for these four building blocks to work together rather than at cross purposes.

2. The seven organizational types Pages 4 - 8

Based on a two year survey of over 35,000 different organizations, it is clear there are seven different types of business organizations based on different combinations of organizational DNA. These organizations can be classified in terms of their market strength in this way:

Strong, Healthy	▶ 1	Resilient	Fires on all cylinders and does things well
	▶ 2	Just-in-Time	Occasional breakthroughs but then apathy
	▶ 3	Military Precision	Highly structured but not very adaptive
	▶ 4	Passive-Aggressive	Everyone agrees, but nothing ever changes
	▶ 5	Outgrown	Stuck with what worked in the good old days
	▶ 6	Overmanaged	So many layers of management action stalls
	Weak, Unhealthy	▶ 7	Fits-and-Starts

Armed with this information, the key challenge is to adjust and integrate your own organization's DNA (decisions, motivators, information and structure) in such a way that you can build a stronger, healthier organization which will lead to improved performance.

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