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The passive-aggressive organization

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Converting consensus into action

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The passive-aggressive organization

Introduction

So congenial as to seem conflict free, the Passive-Aggressive Organization breeds a culture of simulated compliance where "everyone agrees but nothing changes." Building a consensus to make major changes is no problem; it's implementing the changes that can prove impossible. Entrenched, underground resistance from the field often defeats Corporate's best efforts. Lacking the requisite authority, information, and incentives to undertake meaningful change, line employees tend to ignore mandates from headquarters, assuming "this too shall pass."

Do you recognize this organization? Or worse, do you work there? If so, you are not alone. The passive-aggressive organization is the most common organizational profile among the seven we've identified in decades of client work and research (*see "Seven Profiles," next page*). More than a quarter of the 21,000 respondents who have completed Strategy&'s Org DNA Profiler® assessment tool describe their companies as passive-aggressive. It doesn't matter whether the company is big or small, a manufacturing or a service concern, European or American . . . passive-aggressive profiles dominate the corporate landscape around the world. This reality is particularly sobering, since passive-aggressive behavior is inherently unhealthy, inviting inaction and, ultimately, competitive marginalization.

Curing the passive-aggressive patient

How can these ailing organizations be revived? Clearly, cosmetic changes alone will not effect a cure. The treatment must go to the very marrow of the passive-aggressive company and transform its underlying DNA. Only then is the patient likely to see results.

Passive-aggressive cultures are by definition resistant to change and are therefore uniquely difficult to heal. Incremental remodeling is a futile exercise with negligible impact. To make changes stick, companies need

Seven profiles

Passive-Aggressive is one of seven organizational DNA profiles developed and tested by Strategy&. Of the seven types, three are healthy (Resilient, Just-in-Time, Military), while four (Passive-Aggressive, Outgrown, Overmanaged, Fits-and-Starts) are unhealthy and cannot effectively execute their strategies. For more information on Org DNA or to determine your own organization's profile, visit the Org DNA Profiler® at www.orgdna.com.

to rebuild the basic machinery of their organizations — their structures, decision rights, information flows, and motivators. Because all of these elements of the passive-aggressive organization's DNA are compromised, remedies must be holistic and sweeping. Although the action plan itself may be designed around a series of small steps that build on one another, the intent and outcome of this organizational redesign should be nothing short of a wholesale transformation.

Identifying symptoms and determining root causes

The first step toward solving a problem is characterizing it accurately, and here Strategy&'s Org DNA Profiler® can be a useful and enlightening tool. A 5-minute survey comprising 19 simple questions, the tool uses a multi-step algorithm to "diagnose" companies based on the symptoms they manifest.

For example, our experience and analysis of Profiler results confirm a strong correlation between a defined set of symptoms and the passive-aggressive profile (*see Exhibit 1, next page*).

Not every company that fits the passive-aggressive profile will demonstrate every one of these symptoms, but all will show some of the basic signs, which can be traced to the same root causes. In general, passive-aggressive organizations strive for the mean. In fact, mediocrity is not only quietly accepted, it's often promoted. Decision-making authority is murky at best, and once made, decisions are often second-guessed. The herd mentality runs rampant through the organization, trampling innovation and ownership. Further, information is "locked down," inaccessible to those who need it most. *Exhibit 2, page 7,* sheds more light on these causes of passive-aggressive organizational behavior.

Taking the medicine

By identifying and addressing root causes, passive-aggressive organizations can see their way clear to sustainable solutions. Although the specifics of the transformation agenda will differ from company to company, a few broad imperatives apply universally:

Step back and look forward

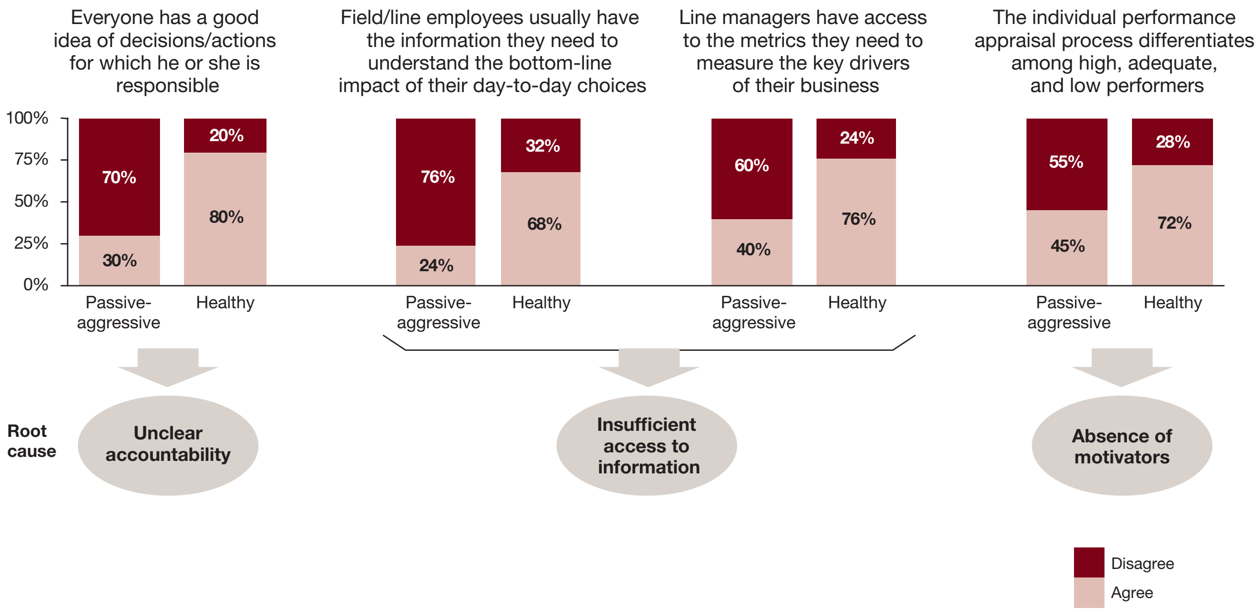
To undertake the complete overhaul required, passive-aggressive companies must step back before they can move forward. Top management must first identify the key concerns and dysfunctions of the organization and determine how they have stymied the

Exhibit 1
Diagnosing the passive-aggressive organization

	Symptoms of passive-aggressive organizations
Inability to execute	– The organization is extremely resistant to change – Reaching consensus is easy, but actions are not implemented – Employees often ignore strategic edicts from management – Lack of ownership and accountability leads to inaction or irresponsible behavior
Ineffective decision making	– In centralized organizations, line managers second-guess headquarters decisions – In decentralized organizations, senior managers micromanage their subordinates – Decisions are often ill-considered, because accountability is unclear – Key decisions are often ignored/overlooked because decision rights are not well defined
Information disconnect	– Line managers and senior managers are rarely “on the same page” regarding key business indicators – Line managers make suboptimal choices because they do not understand their bottom-line impact – Headquarters is not apprised of important competitive information and, thus, is slow to respond – Different divisions/functions/regions operate as silos – Poor horizontal communication leads to inefficiencies and conflicting messages to the market
Inconsistent/ conflicting motivators	– Incentives do not promote the best interests of the firm – The firm frustrates strong performers and fails to weed out poor performers – Firms fail to attract and retain talent – Complacency takes hold because career advancement and compensation are not closely tied to performance – Ineffective appraisals result in individuals’ advancing beyond their capabilities

Source: Strategy&

Exhibit 2
Roots of passive-aggressive organizational behavior



Source: Strategy& Org DNA® Profiler, July 2004 (total responses: 20,000)

Classic example: British Airways[1]

"During the 1980s, Colin Marshall, then CEO of British Airways, clearly recognized the need to transform the airline, nicknamed 'Bloody Awful' by its passengers, into an exemplar of customer service." Before he could build "the world's favourite airline," however, he had to pry employees' fingers from "the functional silos they clung to" and instill a desire to please passengers rather than just bosses. Marshall and his executive team conducted a detailed diagnosis of the organization's challenges. Only after stepping back did the senior team lay down a clear plan that identified what and how things would change and set explicit goals and priorities for the transformation. The change was executed over a period of 4–5 years.

company's progress. Then, management can look forward, drawing up a comprehensive blueprint to break the bottlenecks. There is no substitute for C-Suite leadership in designing and executing this transformation. Delegating change management on this scale to personnel further down in the organizational ranks not only undermines the entire program but also further jeopardizes the health of an already diseased organization. Senior management must lead the charge, with enterprise teams following closely, working the issues and designing the model over a year or more.

Make decisions . . . and make 'em stick

One of the hallmarks of the passive-aggressive organization is the inability to take decisive action. While occasional decisions may be made, these are almost always second-guessed or vetoed and only rarely implemented. One of the top priorities in rendering a passive-aggressive organization more effective is to allocate and clarify firm "decision rights." These rights should be delegated to those equipped with the pertinent information and most able to effect the desired outcome, which often means front-line employees. Merely drawing up a grid to assign decision-making authority, however, is insufficient; passive-aggressive organizations must institutionalize accountability for those decisions, tying appraisals and incentives to successful execution. Moreover, senior management must take steps to streamline the decision-making process, removing obstacles such as second-guessing and pocket vetoes.

Classic example: Intuit[2]

After Steve Bennett took over as CEO of Intuit in January 2000, he reduced the inefficiencies of endlessly iterative processes and multiple rounds of deliberation on key decisions, such as the budget, by declaring them "non-negotiable." He also "hammered home the theme of a shared vision," which helped galvanize the company and reduced the amount of second-guessing in the organization.

Spread the word . . . and the data

Clearly, effective decision making is predicated on timely and efficient access to relevant, accurate information . . . not a hallmark of the passive-aggressive organization. Therefore, while decision rights are being articulated and assigned, information barriers must be systematically eradicated across the organization. Then, management must construct systems to arm decision makers with easy access to key information inputs. That means streamlining the reporting process to ensure that top management has its finger on the pulse of the market and customers. It also means facilitating the flow of data down the organization to line managers, who are in the best position to use it to serve customers. Passive-aggressive firms should pay particular attention to breaking down the functional and regional silos across the organization and to instituting suitable incentives to encourage efficient sharing of information. Finally, top management must establish mechanisms to ensure that all information going to the market is consistent and clear. Metrics need not be numerous but should provide a clear view of the impact of decisions and progress toward objectives.

Classic example: Merck[3]

In 1996, Merck's CEO Ray Gilmartin addressed the broken information flows in his organization by elevating communication from an HR function to a "management priority." In fact, communication became one of the four leadership principles considered critical to the company's success and was used as a metric in performance evaluations. This change helped restore a culture of information sharing in the organization and made decision making much more efficient and effective.

Classic example: IBM[4]

When Lou Gerstner undertook the turnaround of the "lumbering elephant" IBM in 1993, he realized that if his strategic decisions were to be executed as planned, the employees had to be more accountable and had to think and act like owners. He therefore changed the incentive system from "one that paid little attention to exceptional performance — whether good or bad" — to one that rewarded or penalized employees commensurate with their performance. He also used direct stock ownership and options to align the goals of employees with those of the firm.

Ring in the bell curve

Passive-aggressive companies are conspicuously bad at communicating what is expected of employees and where performance falls short; as a consequence, sub-par performers never "get the hint." To transform the organization, senior management must set and communicate rigorous expectations for employee performance and tie compensation and rewards directly to these criteria. In short, senior managers need to grade on a bell curve. Top performers should be recognized for their superior performance and rewarded for it, while poor performers should be periodically culled from the ranks. Performance management systems should be linked to decision rights and critical metrics (e.g., impact on operations, budget accountability, quality, and customer outcomes), and "public" consequences should be meted out for poor results. In other words, passive-aggressive companies need to become less bureaucratic, more meritocratic.

Next steps

Although these four imperatives hardly qualify as a blueprint for implementing the broad changes needed in passive-aggressive organizations, they should shed light on the task of preparing for and implementing change. Our experience suggests that applying these remedies consistently and collectively results in clearer accountability; properly directed information flows; balanced performance measurement systems; and, most important, enhanced execution. The task of transforming a passive-aggressive organization may seem monumental, but it is possible and, more important, crucial to a company's continued competitive relevance.

Endnotes

[1] Michael Beer and Russell A. Eisenstat, "The Silent Killers of Strategy Implementation and Learning," *Sloan Management Review*, July 2000, and Ronald A. Heifetz and Donald Laurie, "The Work of Leadership," *Harvard Business Review*, December 2001.

[2] Morten T. Hansen and Christina Darwall, "Intuit Inc.: Transforming an Entrepreneurial Company into a Collaborative Organization (A)," Harvard Business School Publishing, 2003.

[3] Perry L. Fagan and Michael Beer, "Merck & Co., Inc.: Corporate Strategy, Organization and Culture (A)," Harvard Business School Publishing, 1999.

[4] Richard Lambert, "Gerstner's Great Achievement Was Keeping the Company Together," *The Times*, November 15, 2002.

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