

The Last Competitive Advantage

THE ADVANTAGE

By Patrick Lencioni

All the competitive advantages we've been pursuing during our careers are gone. That's right. Strategy. Technology. Finance. Marketing. Gone.

No, those disciplines have not disappeared. They are all alive and well in most organizations. And that's good, because they're important. But as meaningful competitive advantages, as real differentiators that can set one company apart from another, they are no longer anything close to what they once were.

That's because virtually every organization, of any size, has access to the best thinking and practices around strategy, technology and those other topics. In this age of the internet, as information has become ubiquitous, it's almost impossible to sustain an advantage based on intellectual ideas.

However, there is one remaining, untapped competitive advantage out there, and it's more important than all the others ever were. It is simple, reliable and virtually free. What I'm talking about is organizational health.

The Healthy Organization

A healthy organization is one that has all but eliminated politics and confusion from its environment. As a result, productivity and morale soar, and good people almost never leave. For those leaders who are a bit skeptical, rest assured that none of this is touchy-feely or soft. It is as tangible and practical as anything else a business does, and even more important.

Why? Because the smartest organization in the world, the one that has mastered strategy and finance and marketing and technology, will eventually fail if it is unhealthy. Trust me, I've seen it happen again and again. But a healthy organization will always find a way to succeed, because without politics and confusion, it will inevitably become smarter and tap into every bit of intelligence and talent that it has.

So if all this is true—and I am absolutely convinced that it is—then why haven't more companies embraced and reaped the benefits of organizational health? For one, it's hard. It requires real work and discipline, over a period of time, and it must be maintained. On top of that, it's not sophisticated or sexy. That means it doesn't excite a group of executives who are looking for a quick fix or a silver bullet, something that they will be reading about in the *Wall Street Journal* or *Bloomberg Businessweek*. Moreover, in spite of its power, organizational health is hard to measure in a precise,

accurate way. It impacts so many disparate areas of an enterprise that it is virtually impossible to isolate it as a single variable and quantify its singular impact on the bottom line.

But the biggest reason that organizational health remains untapped is that it requires courage. Leaders must be willing to confront themselves, their peers, and the dysfunction within their organization with an uncommon level of honesty and persistence. They must be prepared to walk straight into uncomfortable situations and address issues that prevent them from realizing the potential that eludes them.

The Four Disciplines

What exactly does an organization have to do to get healthy? There are four simple—but again, difficult—steps. They include:

1. **Build a Cohesive Leadership Team** - The first step is all about getting the leaders of the organization to behave in a functional, cohesive way. If the people responsible for running an organization, whether that organization is a corporation, a department within that corporation, a start-up company, a restaurant, a school or a church, are behaving in dysfunctional ways, then that dysfunction will cascade into the rest of the organization and prevent organizational health. And yes, there are concrete steps a leadership team can take to prevent this.
2. **Create Clarity** - The second step for building a healthy organization is ensuring that the members of that leadership team are intellectually aligned around six simple but critical questions. Leaders need to be clear on topics such as why the organization exists to what its most important priority is for the next few months, leaders must eliminate any gaps that may exist between them, so that people one, two or three levels below have complete clarity about what they should do to make the organization successful.
3. **Over-Communicate Clarity** - Only after these first two steps are in process (behavioral and intellectual alignment), can an organization undertake the third step: over-communicating the answers to the six questions. Leaders of a healthy organization constantly—and I mean constantly—repeat themselves and reinforce what is true and important. They always err on the side of saying too much, rather than too little. This quality alone sets leaders of healthy organizations apart from others.
4. **Reinforce Clarity** - Finally, in addition to over-communicating, leaders must ensure that the answers to the six critical questions are reinforced repeatedly using simple human systems. That means any process that involves people, from hiring and firing to performance management and decision-making, is designed in a custom way to intentionally support and emphasize the uniqueness of the organization.

In addition to these four steps, it is essential that a healthy organization get better at the one activity that underpins everything it does: meetings. Yes, meetings. Without making a few simple but fundamental changes to the way meetings happen, a healthy organization will struggle to maintain what it has worked hard to build.

Can a healthy organization fail? Yes. But it almost never happens. Really. When politics, ambiguity, dysfunction and confusion are reduced to a minimum, people are empowered (oh, I hate to use that word!) to design products, serve customers, solve problems and help one another in ways that unhealthy organizations can only dream about. Healthy organizations recover from setbacks, attract the best people, repel the others, and create opportunities that they couldn't have expected.

At the end of the day, at the end of the quarter, employees are happier, the bottom line is stronger, and executives are at peace because they know they've fulfilled their most important responsibility of all: creating an environment of success.

About Patrick Lencioni

Patrick Lencioni is the author of ten business books including the new release, *The Advantage: Why Organizational Health Trumps Everything Else in Business*, and the national best-seller, *The Five Dysfunctions of a Team*. He is founder and president of The Table Group, a management consulting firm focused on organizational health.