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The Passive-Aggressive Organization

by Gary L. Neilson, Bruce A. Pasternack,
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Healthy companies are hard to mistake. Their managers have access to good, timely information, the authority to make informed decisions, and the incentives to make them on behalf of the organization, which promptly and capably carries them out. A good term for the healthiest of such organizations is “resilient,” since they can react nimbly to challenges and recover quickly from those they cannot dodge. Unfortunately, most companies are not resilient. In fact, fewer than one in five of the approximately 30,000 individuals who responded to a global online survey Booz Allen Hamilton conducted describe their organizations that way.¹ The largest number—over one-quarter—say they suffer from the cluster of pathologies we place under the label “passive-aggressive.” The category takes its name from the organization’s quiet but tenacious resistance, in every way but openly, to corporate directives.

In passive-aggressive organizations, people pay those directives lip service, putting in only enough effort to appear compliant. Employees feel free to do as they see fit because there are

hardly ever unpleasant consequences, and the directives themselves are often misguided and thus seem worthy of defiance. Making matters worse, senior management has left unclear where accountability actually lies, in effect absolving managers of final responsibility for anything they do. Those with initiative must wait interminably for a go-ahead, and their actions when finally taken are accompanied by a chorus of second-guessing, a poor but understandable substitute for the satisfaction of accomplishing the task at hand. (See the exhibit “What Kind of Company Is Yours?”)

When employees’ healthy impulses—to learn, to share, to achieve—are not encouraged, other harmful but adaptive conduct gradually takes over. It is no wonder that action of any kind becomes scarce and that erstwhile doers find safety in resisting unpromising efforts. The absence of confrontation at such places is only a disguise for intransigence.

As a general rule, companies that are not healthy suffer from either too much control at

the top or not enough. Either can cripple performance: in the former case, by failing to devolve authority, share information, and reward constructive decision making; in the latter, by allowing individuals and business units to work at cross-purposes or do little. The passive-aggressive corporation, due to the peculiarities of its evolution, can exhibit the drawbacks of both too much control and not enough.

In such organizations, people with authority lack the information to exercise it wisely or the incentives to serve the company's strategy and interests or the personnel that will carry out their directives. Conversely, people with the incentives and information necessary to make good decisions lack the authority to execute them or oversee their execution by others. As a result, many in senior positions operate under the false impression that they control things they actually do not. At the same time, many think they cannot control what they actually can.

Of course, there is no such thing as a pure exemplar of the passive-aggressive corporation, any more than there is a firm somewhere that has never suffered from the syndrome. Even high-performing organizations harbor pockets of resistance, while semiautonomous pockets of excellence lift up poorly performing ones. These areas of excellence can be the levers by which good managers show to the rest of the firm that action is possible. Nonetheless, we've found that the passive-aggressive organization is the hardest to change of the seven types we studied because such companies have generally had more time than the others to accumulate and institutionalize dysfunctions, and their people are the most cynical about reform attempts.

Before bursting into full flower, passive-aggressive organizations are dotted with frustrated world-beaters who cannot understand why their most promising projects can't gain traction. After a couple of years, such individuals either quit or become demoralized into ineffectuality by the thanklessness and futility of effort. Still, it would be wrong to say that organizations displaying passive-aggressive behavior must have lots of passive-aggressive people in them. The passive-aggressive organization is not one where bad outcomes can be attributed to the hostile or perverse intentions individ-

uals bring to the job. It is, in fact, a place where mostly well-intentioned people are the victims of flawed processes and policies.

To some venerable observers, the employees of such companies bear a passing resemblance to the "organization man" of 1950s sociology and literary fiction. In the postwar era, when U.S. corporations dominated their domestic markets and enjoyed stable market shares, personal initiative and risk taking were understandably seen as disruptive rather than opportunity seeking. But what may have been innocuous and even suitable behavior for its time can, in today's world of global markets and unfettered competition, bring a company to the brink of failure. Indeed, some of the companies today that find security and comfort in inertia are the very ones that dominated markets 50 years ago.

Our conception of the passive-aggressive company and the other six organizational types in our seven-part schema grew out of our decades of experience advising firms in a wide variety of industries and locations on organizational issues. Over and over, we saw certain classic behavioral patterns occur, which, we began to notice, correlated with certain objective features of those companies, such as size and age. To explain the emergence of these patterns, we postulated the existence of a limited number of underlying forces in every organization. After isolating what we determined to be the four most basic ones, we studied how each operated and interacted with the others to shape the seven organizational types. As we came to understand what made each type of organization function well or poorly, we were able to refine our definitions. When we tested the soundness of our schema in the online survey, we found that the organizational portraits the responses painted corresponded closely to the seven types we had identified.

The Slide into Passive-Aggressiveness

Most passive-aggressive organizations don't start out full of entrenched resistance. Problems develop gradually as a company grows, through a series of well-intended but badly implemented organizational changes layered one upon another. Passive-aggressive organizations are, therefore, most commonly large, complex enterprises whose seeds of resistance

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were often sown when they were much smaller.

While each organization takes a unique path, we have seen a particular development pattern recur. A company is founded on a healthy core business. The large amount of cash it throws off finances a series of acquisitions, increasing organizational complexity and confusion. As it grows beyond about \$1 billion in revenues, the firm becomes too large and complex to be run effectively by a small, hands-on senior team. So it begins to experiment with decentralization in ways that are ill planned, because it is inexperienced at integration or growing too quickly, and halfhearted, because the founders have trouble genuinely letting go. To regain control, the founders add layers of

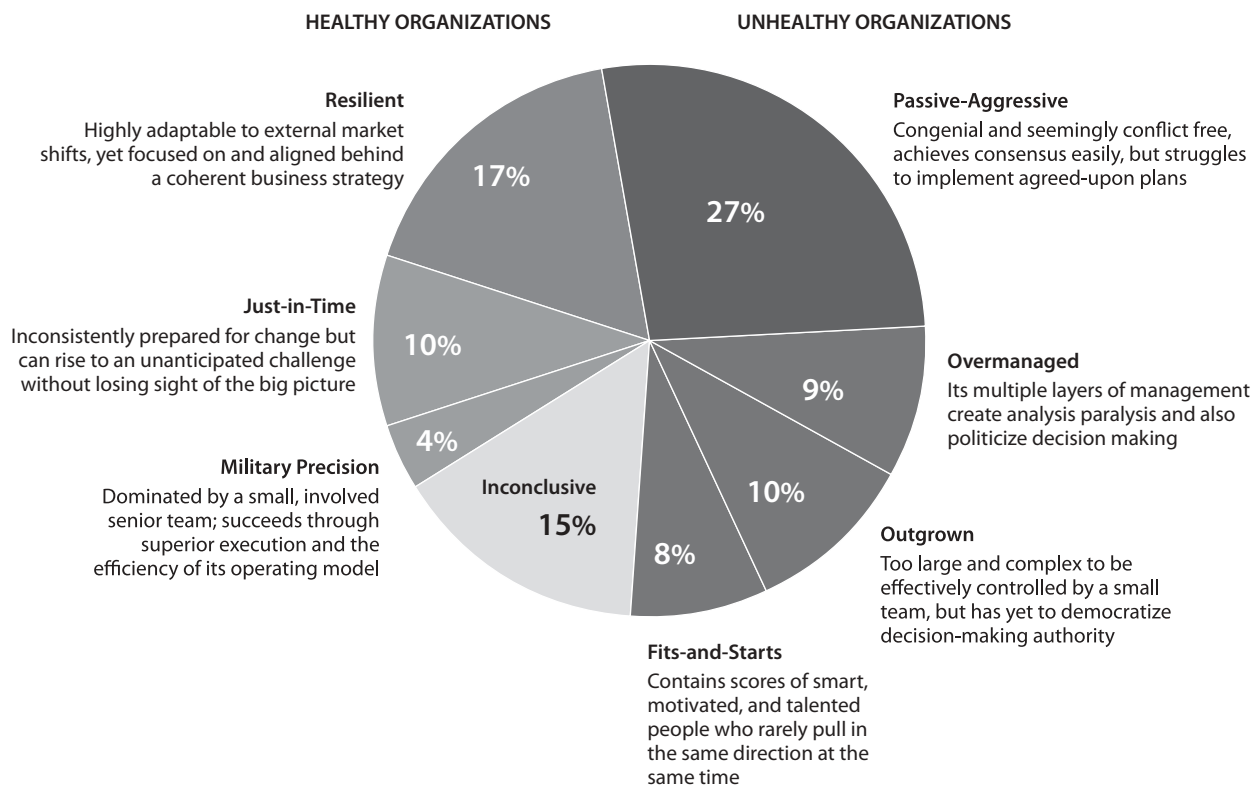
managers to oversee the line managers whose performance has disappointed them. The additional layers make it difficult for people in the organization to understand who bears responsibility for specific results. Some managers become reluctant to make decisions, and others won't own up to the ones they've made, inviting colleagues to second-guess or overturn them. An already passive-aggressive organization grows increasingly so as its people become more certain of the acceptability of such conduct. Resistance becomes entrenched, and failure to deliver on commitments becomes chronic.

More specifically, we've seen organizations descend into the passive-aggressive state through one or another of three classic failings,

What Kind of Company Is Yours?

Of the seven major organizational types we've observed, the healthiest is the resilient organization, which as its name implies is the most flexible and adaptable. Our online survey shows, unfortunately, that the most common is the far-from-healthy passive-aggressive type, in which lines of authority are unclear, merit is not rewarded, and people have learned to smile, nod, and do just enough to get by.

The type of organization respondents' answers most closely describe



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Source: Org DNA data set, 30,000 observations; Booz Allen analysis

as the following examples demonstrate:

Unclear Scope of Authority. One consumer products company we studied was founded by a California entrepreneur who began by selling a single snack food throughout the western United States. That product became the company's first national brand. The founder made virtually every major decision not only about strategy but also about marketing, sales, and operations. When a couple of companies in Latin America became available for purchase, the company pounced. The founder put a vice president in charge of overseeing both acquisitions, assuring the VP that his door would always be open.

The VP believed that product development should be tailored to local markets and kept close to home. The founder reluctantly agreed to a pilot program in which a formulation of the snack food modified for the Latin American market would be developed in Brazil, with "periodic" oversight from headquarters. But as development progressed, the founder became increasingly involved, flying to Brazil almost weekly. More often than not, he overrode the local development team's recommendations. The final product, representing the founder's wishes, met with lukewarm demand.

Not wanting to thwart regional initiative, the founder turned the pilot process into established practice. All the people involved in regional product development, however, recognized that they really weren't calling the shots. Nevertheless, they continued to pretend to be in control while never insisting on actually having it.

Misunderstandings and misrepresentations concerning who really has control over which decisions are often the first signs that an organization is slipping into passive-aggressive territory. Instead of vesting authority in the units and holding them accountable for results, management teams like the one in this company tighten the reins. Weakened divisional managers who are already unclear about the boundaries of their own authority, and fearful of losing what is left of it, come to take little personal responsibility for the success of the enterprise.

Misleading Goals. A new CEO of an American housewares company decided that empowering people further down in the organization would enhance initiative and boost profits. Worldwide, salespeople were given

more authority to respond to customers' wishes while being measured on revenues. Country-based marketing teams were given the authority to develop local campaigns and were measured on the basis of market share. Plant managers were given the authority to make operating decisions and were held accountable for their costs.

The program had an impact, but not the one the CEO had intended. Salespeople increased volume through heavy discounting, so margins fell. The increased volume taxed the plants' capacity, so quality problems emerged. On-time delivery rates plummeted, but since plant managers were being judged on costs, they declined to introduce expensive overtime shifts. Regional management found itself telling plant managers, "You were supposed to lower costs by 7% this year, but we'll make an exception when reviewing your year-end results because making on-time deliveries is more important right now."

The legacy of this initial failure to properly align the incentives and goals of the organization was an unmistakable signal that metrics and plans weren't really binding. Failing to deliver on commitments became acceptable as long as one had a reasonable excuse.

Agreement Without Cooperation. A decade later at that same company, headquarters had become focused on delivering profits by reducing the cost of both operations and staff. The managers of the European division, however, believed that the future of the business lay in gaining market share.

Shortly after his appointment, a new CEO launched a complexity reduction program. In his view, a lack of standardization in machinery and processes was creating unnecessary costs. At one of the company's quarterly meetings, the CEO, the regional VPs, and the function heads discussed the problem. The CEO invited an executive from another firm to come and tell the story of how such a program had succeeded at his company. As the CEO went around the table, every individual endorsed the program, including the head of Europe, though he warned against eliminating complexity that served big customers having special requirements and the willingness to pay for them. Everyone agreed that this advice was sensible.

European management understood the program to be something corporate cared about,

When employees' healthy impulses—to learn, to share, to achieve—are not encouraged, other harmful but adaptive conduct gradually takes over.

but it fell somewhere around tenth place on the division's strategic agenda. The Europe VP appointed a middle manager who had been working on special projects for the previous two years to take the lead. At the CEO's next quarterly review, the VP reported on Europe's progress: The division had appointed a leader, staffed the team, sent out a communication, and started a project. It all sounded fine. But for all intents and purposes, Europe was ignoring the initiative. Its VP never talked about the program or asked how it was going when he brought his regional team together or visited the plants. He didn't add it to any management meeting agendas and never put his name to it; instead, he let all communications concerning the project come from the project manager. The implicit message in Europe was that the program didn't really matter. But by leaving an impression of compliance with headquarters, European management made it

much harder for corporate to see the program's lack of progress and its even dimmer prospects.

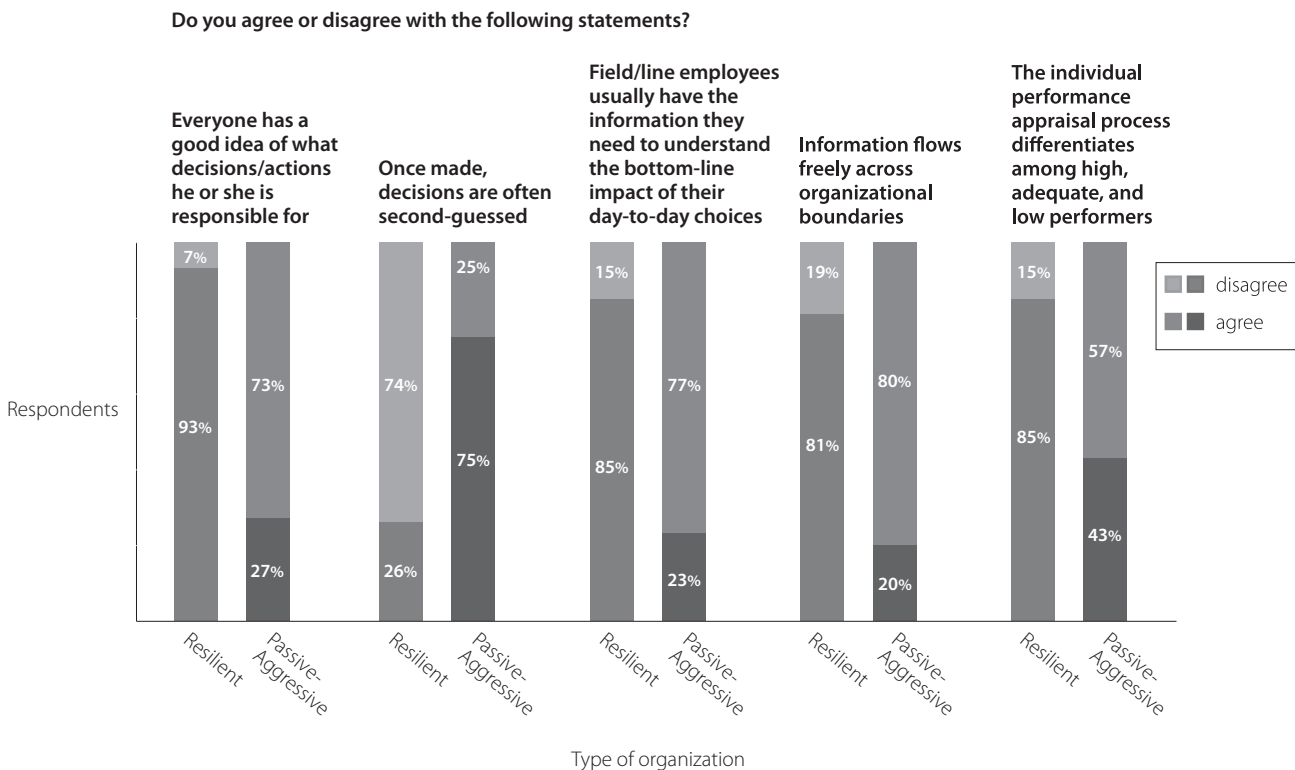
Regardless of how they arrived where they are, passive-aggressive organizations are usually the sum of a series of ad hoc decisions or events that made sense in the moment but have the effect of gradually blurring decision rights. Over time such shotgun arrangements outlive their individual rationales, and the organization loses all vestiges of a coherent overall plan.

The Anatomy of the Organization

In all unhealthy organizations, dysfunction is rooted in a fundamental misalignment of four basic building blocks of the organization: incentives or, more broadly speaking, motivators; decision rights; information; and organizational structure. In passive-aggressive organizations, the misalignments generally involve compli-

Diagnosing the Passive-Aggressive Organization

People working in passive-aggressive organizations feel strongly that they don't know which decisions they're responsible for, that no decision is ever final, that good information is hard to obtain, and that the quality of their work is not being accurately appraised. People in resilient organizations feel the opposite.



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Source: Org DNA data set, 30,000 observations; Booz Allen analysis

cated interactions among all four, which together conspire to freeze initiative.

Ineffective Motivators. We define “motivators” to include not just financial compensation but all the factors, explicit and implicit, that affect anything an employee cares about: whether her office has a window, whether he is promoted to a position with greater visibility or a larger number of direct reports, whether she receives a company car or is invited to important meetings or foreign off-sites. Far surpassing these in influence is some tangible evidence of the impact of one’s efforts.

Passive-aggressive organizations are exceptionally poor at providing that evidence, often failing to judge and reward individuals according to their business value to the organization—or even to distinguish better performance from worse. Fifty-seven percent of respondents working at passive-aggressive companies agreed that in their organizations the individual appraisal process fails to differentiate among high, adequate, and low performers. Yet only 15% of respondents from resilient companies agreed with that statement. (See the exhibit “Diagnosing the Passive-Aggressive Organization.”) In some cases, the rewards given to certain job titles seem incommensurate with those functions’ overall contribution to the firm. People who expect their efforts to go unrecognized or to be inadequately valued put in just enough effort to stay out of trouble, since they have no reason to believe that any extra effort or initiative will lead to additional rewards or superior results.

What’s more, incentive systems communicate to the organization as a whole what really matters to upper management. Corporate may send out countless memos about its strategy, mission, and goals, but its true values are embodied in what it is willing to pay for and otherwise recognize, which is one reason that the annual e-mail describing how bonuses will be calculated is the one everybody not only reads but remembers.

Within passive-aggressive firms, privileges and pecking order often loom larger than the realities of the marketplace. Such firms’ very size and wealth can insulate employees from competitive pressures, which register as mere symbols—the share price or numbers on a P&L statement—not as forces that will affect the company’s success. So, for example, a manager may be rewarded for the number of mar-

ket studies his department prepared in the past fiscal year, regardless of how many of those studies served as the basis for marketing campaigns that actually enhanced sales. The job of senior management is to remind everyone else of the reality behind those symbols by connecting each manager’s standing within the firm—size of office, size of bonus, access to superiors—to the firm’s standing within the marketplace.

Still, as profoundly in need of proper motivation as a passive-aggressive organization is, it would be a mistake to think that tinkering with incentives alone, without regard to the other forces at play, will coax such a company out of its doldrums.

Unclear Decision Rights. As in the California snack food company described earlier, nearly everyone in a passive-aggressive organization is unsure about where the limits of his or her own responsibilities end and those of other colleagues begin. In our online survey, only 27% of respondents from passive-aggressive organizations agreed that “everyone has a good idea of what decisions/actions he or she is responsible for,” compared with 93% at resilient organizations.

Vaguely defined roles give their occupants “plausible deniability” when things go badly. The problem can always be said to be the responsibility of the next person, who can likewise shift blame elsewhere. Meanwhile, conscientious employees may hang back for fear of intruding on someone else’s turf.

As a consequence, authority becomes fragmented. When everyone has a say in making a decision, everyone thinks he has the right to stymie or reverse it after it has been made. In passive-aggressive organizations, 75% of respondents believe that “once made, decisions are often second-guessed,” versus just 26% in resilient organizations. And second-guessing that occurs in the middle of the decision-making process can bring it to a halt.

In one company that we analyzed, for instance, a seemingly routine decision to renew the annual contract of a longtime supplier of aluminum fasteners had to run nine hurdles before it could be made. The matter was initially taken up by central purchasing, which negotiated the contract according to standard sourcing guidelines. But business-unit operations objected because it wanted parts with a lower defect rate, which were going to cost more. Purchasing, feeling it had been ig-

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nored, withheld its approval. After several weeks of gridlock, the business unit identified an alternative supplier, and its sourcing manager approved a purchase order at a higher price.

But central purchasing still refused to release the order because the new supplier was not on purchasing's pre-approved list. So the new supplier faced having to go through the entire approval procedure all over again. Ultimately, the issue had to be presented to senior management for a final decision. The whole process took months rather than the few weeks it should have. If decision rights had not been fragmented—if either central purchasing or the business unit had been charged with getting both the right goods and the right price—the process wouldn't have created so much frustration. As it was, the lesson for purchasing managers was: Deadlines didn't matter; neither did either unit's internal guidelines, since each could be overridden by the other.

Of course, it is never possible to specify every decision right a priori. Opportunities and challenges will appear as matters unfold, and any attempt to give a complete accounting of all decisions that can be foreseen would take too long and be too complex to be useful. But in healthy organizations, decisions do not go unmade because no one has been designated to make them. Most of the time, someone will jump in and get the job done. In such places, people take the initiative because they know their efforts will be rewarded.

Quest Diagnostics, for one, designates a decision maker for each of its 50 most important decisions. Below that level, the company is less explicit in its approach but just as effective in assuring that decisions get made. It does so by creating incentives. To each of its 15 most important cross-functional processes, ranging from acquiring specimens to billing, it assigns a process owner, who is responsible for the performance of the company as a whole, not just the parts he or she directly controls. Because the owner of the specimen-collection process, for instance, can obtain information that billing can use to improve its own collection rates, the firm rewards the specimen-collection process owner as well as the billing process owner when the bad-debt rate declines.

The Wrong Information. Employees of a passive-aggressive organization are often

more interested in learning about what goes on inside their company than about the competitive realities that affect the firm's long-term survival. For example, though never officially, brand managers at one software company were judged on the elaborateness of their forecast presentations. However, forecasts and results differed on average by as much as 25% in that volatile industry, suggesting that spending so much time on documents intended for internal consumption was diverting brand managers from more productive pursuits.

In another case, employees noticed that executives who received frequent promotions spent a lot of their time in meetings at headquarters. Wanting to get ahead, they started seeking invitations to those meetings themselves, whether or not they had anything to contribute. They failed to realize that the high performers were called into meetings because they had important market insights others sought. In a passive-aggressive organization, rituals and routines, even modes of dress, become fetishized, as though they contain the secret to the firm's past successes.

When in possession of information or knowledge of genuine value, employees of passive-aggressive organizations are reluctant to share it, since doing so frequently benefits the recipient more than the sharer. For example, many departments use acronyms and terms of art to abbreviate the information they use internally. When sharing that information with a new department, they neglect to explain what their shorthand means, if not out of a desire to hoard the information for their own benefit then because spending the time required to translate it will not be rewarded.

Finally, in an organization already rife with meddling, many managers find that providing information gives the recipients a pretext to interfere. All these factors explain why only 20% of surveyed individuals in passive-aggressive organizations agree that "information flows freely across organizational boundaries." By contrast, that figure is 81% at resilient organizations.

Misleading Structure. Because individuals in passive-aggressive companies often lack clear measures of how they add value, they may instead rely on the organization chart as a map of relative status—focusing on how many direct reports they have, how many lev-

els away from the CEO they are, or whether their immediate supervisor is a favorite. Ironically, the org chart rarely conveys much information about how work gets done in these firms because decision rights are unclear or often reside in unexpected places.

Curing the Patient

Passive-aggressive organizations are, by definition, uniquely resistant to change and are therefore uniquely difficult to rehabilitate. To begin with, it's hard to discern their actual condition from beneath the accretions of earlier failed fixes. What's more, the remedy is bound to be complicated and taxing. Analysis may reveal the need for greater centralization in some areas (to support products that rely on the same basic technology or production process, for instance) and greater decentralization in others (perhaps to serve a market requiring significant product tailoring).

The first order of business is the greatest challenge of all: getting a passive-aggressive organization's attention. A long history of seeing corporate initiatives ignored and then fade away makes employees almost hopelessly jaded. Many people have become so hard-bitten that only a significant business threat can rouse them to action. But because such organizations are also so inward gazing, such a threat remains invisible until it's almost too late.

For example, an insurance company we worked with suffered a downgrading of its debt just when its competitors were demutualizing and it needed to appeal to investors who were not policyholders. Managers there had long had the attitude that "this too shall pass" when presented with a change program—and always they'd been right. To emphasize that this time was different, senior management pulled 30 managers out of their regular jobs to focus full-time on the turnaround. Among those 30 were the seven most visible, up-and-coming figures in the company, each of whom was put in charge of one of the seven elements of the turnaround. The senior managers had limited experience working with teams, but they formed seven cross-functional ones and met with them every other week. Soon senior management was modeling its behavior on that of the teams it had organized—it cooperated, set explicit goals, made hard decisions, and stuck with them.

This time, the whole organization woke up to the seriousness of what was happening, and the turnaround more than fulfilled its near-term goals. Years later, the company in its turn demutualized, and today it is thriving. The transformation is still remembered as much for its impact on the organization's culture as its earnings.

In addition to these catalysts, elements of successful programs to fix passive-aggressive organizations include the following:

Bring in new blood. Outsiders often lead the change in passive-aggressive organizations, for several reasons. First, they send an unmistakable signal to the troops that "things are so badly broken we can't fix them ourselves anymore." Second, outsiders bring new standards they expect the organization to meet; they haven't been worn down by the old habit of making excuses. And third, they often find it easier than incumbents to treat the organization more like a business than a family.

John Thompson was one such outsider when he became CEO of software security firm Symantec in April 1999 after 28 years at IBM. He says of Symantec: "This was a company that had lost its way, and it needed somebody who was not connected to the people or processes or strategy to ask the tough questions and be prepared to act on the answers. The former CEO, Gordon Eubanks, did a terrific job of building the company from nothing. The raw material, the raw attributes, were there. I just brought a different set of eyes, a different set of lenses."

Nevertheless, outsiders like Thompson have certain handicaps. If they alienate middle management by going too fast, they can aggravate its natural tendency to display resistance in classic passive-aggressive fashion. Successful newcomers retain enough senior members of the old guard to enlist the organization's loyalty while purging those who are unlikely ever to get on board.

Because of these hazards, a homegrown CEO who is capable of grasping the urgency of the situation can sometimes be the safer choice. But the message he or she sends that a new day has arrived must be unequivocal.

Leave no building block unturned. Passive-aggressive organizations are so fundamentally misaligned that the best way to get their attention is by changing everything at once, so that

the magnitude of the problem, and of the effort that will be required to fix it, cannot be denied.

Soon after he arrived at Symantec, Thompson spun off several businesses and product lines, changed the management team, reassigned decision rights, and revised all the incentive systems—in short, “changed almost everything about the company.” Thompson explains: “We chopped up all of the old signal paths. It’s like what goes on in Florida when the hurricanes hit, one after another. The power lines are down; they’re just crackling there on the ground. And somebody’s got to reconnect them. We decided to seize the opportunity to reconnect them a different way.”

Make decisions, and make them stick. Clarifying and articulating decision rights is often the first order of business in fixing a passive-aggressive organization, where decisions have been made, unmade, overturned, and second-guessed so many times that no one really knows who truly decides what any more. In many cases, decision-making authority has become lodged where it doesn’t belong. When Thompson took over at Symantec, “the product manager was king. And the regional managers were even more autonomous.” Regions were known to redesign packaging and sit on inventory they didn’t want to sell.

“We had many people who could say no, but few people who could say yes and make it stick,” Thompson explains. So one of the first things he did when he arrived was firmly establish, once and for all, what the respective roles of the regional and product managers should be. “We told the regions, ‘Your job is execution. You’re going to do what you’re told to do. You’re not a business unit. You are the sales engine of the company. Your job is to sell what we build, not to decide whether or not you want to sell it and then design your own company campaign around it.’”

Once decision rights are clarified, they must be respected. If they are, people in the organization begin to count on one another and to trust that what is planned will be done.

Early in his tenure, Thompson realized the company could save money by providing computer cables free only to customers who requested them instead of putting them in every box of software. At a meeting on cost reduction, everyone, including the executive respon-

sible, agreed it should be done. But weeks later, the boxes still contained the cables. “We don’t make decisions but once,” Thompson told the executive. “If you’ve got a disagreement or a point of view, bring it up when we’re going through the discussion. Don’t hold back and give me this smiley kind of benign agreement. Go back and get it fixed. We’re not shipping cables any more. And if you can’t communicate that, I will.”

“That was the shot heard around the world,” Thompson says. “There was this epiphany, ‘Wow, this guy’s serious.’”

Spread the word—and the data. No organization can make good decisions without having access to the relevant information. But to know what’s relevant, people must be clear about which issues deserve the highest priority. This is not just a matter of sending out a memo or two.

At 7-Eleven, for example, bright and early every Monday morning, the eight members of the executive committee and invited guests convene to discuss strategic issues and survey the week that was and the week coming up. They arrive knowing which of the 2,500 products in the 7-Eleven inventory are moving and which are not in its 5,800 stores across the United States and Canada. By 11 AM the senior executive team has determined the week’s priorities and begins relaying them to all executives down to the vice president level. During the first half of this two-hour national videoconference, division VPs go over the updated forecast for the month and the quarter. At noon, department heads, product directors, category managers, and sales and marketing managers discuss issues at the store level that need to be bumped up to headquarters.

On Tuesdays at 11:15 AM, 7-Eleven’s nearly 800 field consultants—each of whom oversees a group of stores—are debriefed in another videoconference. The call covers case studies, new merchandising issues, featured products, findings in test markets—everything the field consultants need to educate store owners and associates about that week’s priorities. When these consultants head into the field after the call, they know exactly what news to deliver to the stores because they’ve heard it directly from the top. Clearly, the care in setting and keeping to priorities is paying off: As of July 2005, 7-Eleven had reported 35 consecutive quarters of same-store sales growth.

Match motivators to contribution. When

Thompson arrived at Symantec, any executive who was promoted to vice president automatically was given a BMW. Senior management’s bonuses were paid quarterly and were heavily skewed toward cash rather than stock. “So if the stock didn’t do well, they didn’t care,” Thompson explains. “We [now] have a stock option plan that is broad based but not universal. One of the things we recognized early on was that if we were going to grow at the rate that we were growing, we had to be more selective in who we gave options to so as not to dilute the value of our stock. And so the first thing we did was identify a range of employees who were valuable to the company but didn’t need equity to come to work, and we focused their compensation around cash bonuses. Then we increased the equity we gave to the engineers and other people that were critical to our long-term success.” By paying the two groups differently, the new compensation scheme recognizes their distinctive importance.

“We changed the alignment throughout the organization,” says Thompson. “Now everyone gets paid based upon revenue production as well as profit generation. My view was, ‘Most of you don’t have anything to do with profit. But all of you have something to do with revenue, so let’s rebalance our incentives to reflect that reality.’”

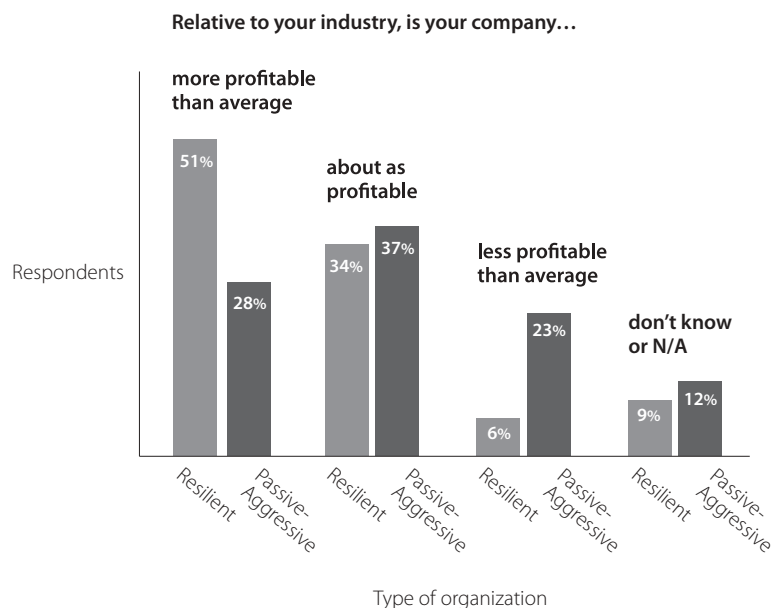
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It’s only a matter of time before the diseased elements of a passive-aggressive organization overwhelm the healthy ones and drive the organization into financial distress. In fact, our research confirms a link between organizational health and profitability. Respondents who identify their organizations as resilient report better than average profitability nearly twice as often as respondents in passive-aggressive organizations (see the exhibit “Where There’s Health, There Are Profits”).

A full transformation of a passive-aggressive organization is impossible without the engagement of senior management. But even those in the middle of the organization can make a difference within their own scope of influence. Large organizations are made up of many small overlapping units. Even if they are not entirely independent, most of us can make changes in ours. If you are a brand manager in a passive-aggressive company, for instance, you can make it clear to your team that delivering on promises matters. Then find an opportunity to prove it—not a public hanging, but some signal that things have changed. When, say, your market researchers report in the staff meeting that the focus groups have to be postponed for two weeks, express disappointment that the team contract hasn’t been followed. Make the point in the staff meeting so that ev-

Where There’s Health, There Are Profits

In our survey, more than half the respondents from resilient organizations characterized their companies as being more profitable than the average for their industry. But less than a third of the people from passive-aggressive companies said theirs was.



Source: Org DNA data set, 30,000 observations; Booz Allen analysis

everyone gets the message.

When such a message is delivered clearly and consistently, it sinks in. Slowly, your division can become a source of initiative in a sea of lassitude. You may not change the whole company overnight, but you just might begin to set a new tone.

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