Conquering a Culture of Indecision

Some people just can't make up their minds. The same goes for some companies. Leaders can eradicate indecision by transforming the tone and content of everyday conversations at their organizations.

by Ram Charan

Formerly on the faculties of Harvard Business School and Northwestern's Kellogg School, **Ram Charan** has advised top executives at companies like GE, Ford, DuPont, EDS, and Pharmacia. He is the author of numerous articles and books, including *What the CEO Wants You to Know: How Your Company Really Works* (Crown Business, 2001).

The job of the CEO, everyone knows, is to make decisions. And most of them do—countless times in the course of their tenures. But if those decisions are to have an impact, the organization must also, as a whole, decide to carry them out. Companies that don't, suffer from a culture of indecision.

In his 2001 article, Ram Charan, one of the world's preeminent counselors to CEOs, addresses the problem of how organizations that routinely refrain from acting on their CEOs' decisions can break free from institutionalized indecision. Usually, ambivalence or outright resistance arises because of a lack of dialogue with the people charged with implementing the decision in question. Charan calls such conversations "decisive dialogues," and he says they have four components: First, they must involve a sincere search for answers. Second, they must tolerate unpleasant truths. Third, they must invite a full range of views, spontaneously offered. And fourth, they must point the way to a course of action.

In organizations that have successfully shed a culture of indecision, discussion is always safe. Underperformance, however, is not.

Does this sound familiar? You're sitting in the quarterly business review as a colleague plows through a two-inch-thick proposal for a big investment in a new product. When he finishes, the room falls quiet. People look left, right, or down, waiting for someone else to open the discussion. No one wants to comment—at least not until the boss shows which way he's leaning.

Finally, the CEO breaks the loud silence. He asks a few mildly skeptical questions to show he's done his due diligence. But it's clear that he has made up his mind to back the project. Before long, the other meeting attendees are chiming in dutifully, careful to keep their comments positive. Judging from the remarks, it appears that everyone in the room supports the project.

But appearances can be deceiving. The head of a related division worries that the new product will take resources away from his operation. The vice president of manufacturing thinks that the first-year sales forecasts are wildly optimistic and will leave him with a warehouse full of unsold goods. Others in the room are lukewarm because they don't see how they stand to gain from the project. But they keep their reservations to themselves, and the meeting breaks up inconclusively. Over the next few months, the project is slowly strangled to death in a series of strategy, budget, and operational reviews. It's not clear who's responsible for the killing, but it's plain that the true sentiment in the room was the opposite of the apparent consensus.

In my career as an adviser to large organizations and their leaders, I have witnessed many occasions even at the highest levels when silent lies and a lack of closure lead to false decisions. They are "false" because they eventually get undone by unspoken factors and inaction. And after a quarter century of first-hand observations, I have concluded that these instances of indecision share a family resemblance—a misfire in the personal interactions that are supposed to produce results. The people charged with reaching a decision and acting on it fail to connect and engage with one another. Intimidated by the group dynamics of hierarchy and constrained by formality and lack of trust, they speak their lines woodenly and without conviction. Lacking emotional commitment, the people who must carry out the plan don't act decisively.

These faulty interactions rarely occur in isolation. Far more often, they're typical of the way large and small decisions are made—or not made—throughout a company. The inability to take decisive action is rooted in the corporate culture and seems to employees to be impervious to change.

The key word here is "seems," because, in fact, leaders create a culture of indecisiveness, and leaders can break it. The primary instrument at their disposal is the human interactions—the dialogues—through which assumptions are challenged or go unchallenged, information is shared or not shared, disagreements are brought to the surface or papered over. Dialogue is the basic unit of work in an organization. The quality of the dialogue determines how people gather and process information, how they make decisions, and how they feel about one another and about the outcome of these decisions. Dialogue can lead to new ideas and speed as a competitive advantage. It is the single-most important factor underlying the productivity and growth of the knowledge worker. Indeed, the tone and content of dialogue shapes people's behaviors and beliefs—that is, the corporate culture—faster and more permanently than any reward system, structural change, or vision statement I've seen.

Breaking a culture of indecision requires a leader who can engender intellectual honesty and trust in the connections between people. By using each encounter with his or her employees as an opportunity to model open, honest, and decisive dialogue, the leader sets the tone for the entire organization.

But setting the tone is only the first step. To transform a culture of indecision, leaders must also see to it that the organization's *social operating mechanisms*—that is, the executive committee meetings, budget and strategy reviews, and other situations through which the people of a corporation do business—have honest dialogue at their center. These mechanisms set the stage. Tightly linked and consistently practiced, they establish clear lines of accountability for reaching decisions and executing them.

Follow-through and feedback are the final steps in creating a decisive culture. Successful leaders use follow-through and honest feedback to reward high achievers, coach those who are struggling, and redirect the behaviors of those blocking the organization's progress.

In sum, leaders can create a culture of decisive behavior through attention to their own dialogue, the careful design of social operating mechanisms, and appropriate follow-through and feedback.

It All Begins with Dialogue

Studies of successful companies often focus on their products, business models, or operational strengths: Microsoft's world-conquering Windows operating system, Dell's mass customization, Wal-Mart's logistical prowess. Yet products and operational strengths aren't what really set the most successful organizations apart—they can all be rented or imitated. What can't be easily duplicated are the decisive dialogues and robust operating mechanisms and their links to feedback and follow-through. These factors constitute an organization's most enduring competitive advantage, and they are heavily dependent on the character of dialogue that a leader exhibits and thereby influences throughout the organization.

Decisive dialogue is easier to recognize than to define. It encourages incisiveness and creativity and brings coherence to seemingly fragmented and unrelated ideas. It allows tensions to surface and then resolves them by fully airing every relevant viewpoint. Because such dialogue is a process of intellectual inquiry rather than of advocacy, a search for truth rather than a contest, people feel emotionally committed to the outcome. The outcome seems “right” because people have helped shape it. They are energized and ready to act.

Not long ago, I observed the power of a leader’s dialogue to shape a company’s culture. The setting was the headquarters of a major U.S. multinational. The head of one of the company’s largest business units was making a strategy presentation to the CEO and a few of his senior lieutenants. Sounding confident, almost cocky, the unit head laid out his strategy for taking his division from number three in Europe to number one. It was an ambitious plan that hinged on making rapid, sizable market-share gains in Germany, where the company’s main competitor was locally based and four times his division’s size. The CEO commended his unit head for the inspiring and visionary presentation, then initiated a dialogue to test whether the plan was realistic. “Just how are you going to make these gains?” he wondered aloud. “What other alternatives have you considered? What customers do you plan to acquire?” The unit manager hadn’t thought that far ahead. “How have you defined the customers’ needs in new and unique ways? How many salespeople do you have?” the CEO asked.

“Ten,” answered the unit head.

“How many does your main competitor have?”

“Two hundred,” came the sheepish reply.

The boss continued to press: “Who runs Germany for us? Wasn’t he in another division up until about three months ago?”

Had the exchange stopped there, the CEO would have only humiliated and discouraged this unit head and sent a message to others in attendance that the risks of thinking big were unacceptably high. But the CEO wasn’t interested in killing the strategy and demoralizing the business unit team. Coaching through questioning, he wanted to inject some realism into the dialogue. Speaking bluntly, but not angrily or unkindly, he told the unit manager that he would need more than bravado to take on a formidable German competitor on its home turf. Instead of making a frontal assault, the CEO suggested, why not look for the competition’s weak spots and win on speed of execution? Where are the gaps in your competitor’s product line? Can you innovate something that can fill those gaps? What customers are the most likely buyers of such a product? Why not zero in on them? Instead of aiming for overall market-share gains, try resegmenting the market. Suddenly, what had appeared to be a dead end opened into new insights, and by the end of the meeting, it was decided that the manager would rethink the strategy and return in 90 days with a more realistic alternative. A key player whose strategy proposal had been flatly rejected left the room feeling energized, challenged, and more sharply focused on the task at hand.

Think about what happened here. Although it might not have been obvious at first, the CEO was not trying to assert his authority or diminish the executive. He simply wanted to ensure that the competitive realities were not glossed over and to coach those in attendance on both business acumen and organizational capability as well as on the fine art of asking the right questions. He was challenging the proposed strategy not for personal reasons but for business reasons.

The dialogue affected people’s attitudes and behavior in subtle and not so subtle ways: They walked away knowing that they should look for opportunities in unconventional ways and be prepared to answer the inevitable tough questions. They also knew that the CEO was on their side. They became more convinced that growth was possible and that action was necessary. And something else happened: They began to adopt the CEO’s tone in subsequent meetings. When, for example, the head of the German unit met with his senior staff to brief them on the new approach to the German market, the questions he fired at his sales chief and product development head were pointed, precise, and aimed directly at putting the new strategy into action. He had picked up on his boss's style of relating to others as well as his way of eliciting, sifting, and analyzing information. The entire unit grew more determined and energized.

The chief executive didn't leave the matter there, though. He followed up with a one-page, handwritten letter to the unit head stating the essence of the dialogue and the actions to be executed. And in 90 days, they met again to discuss the revised strategy. (For more on fostering decisive dialogue, see the sidebar "Dialogue Killers.")

Dialogue Killers
Sidebar R0601J_A (Located at the end of this article)

How Dialogue Becomes Action

The setting in which dialogue occurs is as important as the dialogue itself. The social operating mechanisms of decisive corporate cultures feature behaviors marked by four characteristics: openness, candor, informality, and closure. Openness means that the outcome is not predetermined. There's an honest search for alternatives and new discoveries. Questions like "What are we missing?" draw people in and signal the leader's willingness to hear all sides. Leaders create an atmosphere of safety that permits spirited discussion, group learning, and trust.

Candor is slightly different. It's a willingness to speak the unspeakable, to expose unfulfilled commitments, to air the conflicts that undermine apparent consensus. Candor means that people express their real opinions, not what they think team players are supposed to say. Candor helps wipe out the silent lies and pocket vetoes that occur when people agree to things they have no intention of acting on. It prevents the kind of unnecessary rework and revisiting of decisions that saps productivity.

Formality suppresses candor; informality encourages it. When presentations and comments are stiff and prepackaged, they signal that the whole meeting has been carefully scripted and orchestrated. Informality has the opposite effect. It reduces defensiveness. People feel more comfortable asking questions and reacting honestly, and the spontaneity is energizing.

If informality loosens the atmosphere, closure imposes discipline. Closure means that at the end of the meeting, people know exactly what they are expected to do. Closure produces decisiveness by assigning accountability and deadlines to people in an open forum. It tests a leader's inner strength and intellectual resources. Lack of closure, coupled with a lack of sanctions, is the primary reason for a culture of indecision.

A robust social operating mechanism consistently includes these four characteristics. Such a mechanism has the right people participating in it, and it occurs with the right frequency.

GE's Secret Weapon
Sidebar R0601J_B (Located at the end of

this article)

When Dick Brown arrived at Electronic Data Systems (EDS) in early 1999, he resolved to create a culture that did more than pay lip service to the ideals of collaboration, openness, and decisiveness. He had a big job ahead of him. EDS was known for its bright, aggressive people, but employees had a reputation for competing against one another at least as often as they pulled together. The organization was marked by a culture of lone heroes. Individual operating units had little or no incentive for sharing information or cooperating with one another to win business. There were few sanctions for "lone" behaviors and for failure to meet performance goals. And indecision was rife. As one company veteran puts it, "Meetings, meetings, and more meetings. People couldn't make decisions, wouldn't make decisions. They didn't have to. No accountability." EDS was losing business. Revenue was flat, earnings were on the decline, and the price of the company's stock was down sharply.

A central tenet of Brown's management philosophy is that "leaders get the behavior they tolerate." Shortly after he arrived at EDS, he installed six social operating mechanisms within one year that signaled he would not put up with the old culture of rampant individualism and information hoarding. One mechanism was the "performance call," as it is known around the company. Once a month, the top 100 or so EDS executives worldwide take part in a conference call where the past month's numbers and critical activities are reviewed in detail. Transparency and simultaneous information are the rules; information hoarding is no longer possible. Everyone knows who is on target for the year, who is ahead of projections, and who is behind. Those who are behind must explain the shortfall—and how they plan to get back on track. It's not enough for a manager to say she's assessing, reviewing, or analyzing a problem. Those aren't the words of someone who is acting, Brown says. Those are the words of someone getting ready to act. To use them in front of Brown is to invite two questions in response: When you've finished your analysis, what are you going to do? And how soon are you going to do it? The only way that Brown's people can answer those questions satisfactorily is to make a decision and execute it.

It's not enough for a manager to say she's assessing, reviewing, or analyzing a problem. Those aren't the words of someone who is acting.

The performance calls are also a mechanism for airing and resolving the conflicts inevitable in a large organization, particularly when it comes to cross selling in order to accelerate revenue growth. Two units may be pursuing the same customer, for example, or a customer serviced by one unit may be acquired by a customer serviced by another. Which unit should lead the pursuit? Which unit should service the merged entity? It's vitally important to resolve these questions. Letting them fester doesn't just drain emotional energy, it shrinks the organization's capacity to act decisively. Lack of speed becomes a competitive disadvantage.

Brown encourages people to bring these conflicts to the surface, both because he views them as a sign of organizational health and because they provide an opportunity to demonstrate the style of dialogue he advocates. He tries to create a safe environment for disagreement by reminding employees that the conflict isn't personal.

Conflict in any global organization is built in. And, Brown believes, it's essential if everyone is going to think in terms of the entire organization, not just one little corner of it. Instead of seeking the solution favorable to their unit, they'll look for the solution that's best for EDS and its shareholders. It sounds simple, even obvious. But in an organization once characterized by lone heroes and self-interest, highly visible exercises in conflict resolution remind people to align their interests with the company as a whole. It’s not enough to state the message once and assume it will sink in. Behavior is changed through repetition. Stressing the message over and over in social operating mechanisms like the monthly performance calls—and rewarding or sanctioning people based on their adherence to it—is one of Brown’s most powerful tools for producing the behavioral changes that usher in genuine cultural change.

Of course, no leader can or should attend every meeting, resolve every conflict, or make every decision. But by designing social operating mechanisms that promote free-flowing yet productive dialogue, leaders strongly influence how others perform these tasks. Indeed, it is through these mechanisms that the work of shaping a decisive culture gets done.

Another corporation that employs social operating mechanisms to create a decisive culture is multinational pharmaceutical giant Pharmacia. The company’s approach illustrates a point I stress repeatedly to my clients: Structure divides; social operating mechanisms integrate. I hasten to add that structure is essential. If an organization didn’t divide tasks, functions, and responsibilities, it would never get anything done. But social operating mechanisms are required to direct the various activities contained within a structure toward an objective. Well-designed mechanisms perform this integrating function. But no matter how well designed, the mechanisms also need decisive dialogue to work properly.

Two years after its 1995 merger with Upjohn, Pharmacia’s CEO Fred Hassan set out to create an entirely new culture for the combined entity. The organization he envisioned would be collaborative, customer focused, and speedy. It would meld the disparate talents of a global enterprise to develop market-leading drugs—and do so faster than the competition. The primary mechanism for fostering collaboration: Leaders from several units and functions would engage in frequent, constructive dialogue.

The company’s race to develop a new generation of antibiotics to treat drug-resistant infections afforded Pharmacia’s management an opportunity to test the success of its culture-building efforts. Dr. Göran Ando, the chief of research and development, and Carrie Cox, the head of global business management, jointly created a social operating mechanism comprising some of the company’s leading scientists, clinicians, and marketers. Just getting the three functions together regularly was a bold step. Typically, drug development proceeds by a series of handoffs. One group of scientists does the basic work of drug discovery, then hands off its results to a second group, which steers the drug through a year or more of clinical trials. If and when it receives the Food and Drug Administration’s stamp of approval, it’s handed off to the marketing people, who devise a marketing plan. Only then is the drug handed off to the sales department, which pitches it to doctors and hospitals. By supplanting this daisy-chain approach with one that made scientists, clinicians, and marketers jointly responsible for the entire flow of development and marketing, the two leaders aimed to develop a drug that better met the needs of patients, had higher revenue potential, and gained speed as a competitive advantage. And they wanted to create a template for future collaborative efforts.

The company’s reward system reinforced this collaborative model by explicitly linking compensation to the actions of the group. Every member’s compensation would be based on the time to bring the drug to market, the time for the drug to reach peak profitable share, and total sales. The system gave group members a strong incentive to talk openly with one another and to share information freely. But the creative spark was missing. The first few times the drug development group met, it focused almost exclusively on their differences, which were considerable. Without trafficking in clichés, it is safe to say that scientists, clinicians, and marketers tend to have different ways of speaking, thinking, and relating. And each tended to defend what it viewed as its interests rather than the interests of shareholders and customers. It was at this point that Ando and Cox took charge of the dialogue, reminding the group that it was important to play well with others but even more important to produce a drug that met patients' needs and to beat the competition.

Acting together, the two leaders channeled conversation into productive dialogue focused on a common task. They shared what they knew about developing and marketing pharmaceuticals and demonstrated how scientists could learn to think a little like marketers, and marketers a little like scientists. They tackled the emotional challenge of resolving conflicts in the open in order to demonstrate how to disagree, sometimes strongly, without animosity and without losing sight of their common purpose.

Indeed, consider how one dialogue helped the group make a decision that turned a promising drug into a success story. To simplify the research and testing process, the group's scientists had begun to search for an antibiotic that would be effective against a limited number of infections and would be used only as "salvage therapy" in acute cases, when conventional antibiotic therapies had failed. But intensive dialogue with the marketers yielded the information that doctors were receptive to a drug that would work against a wide spectrum of infections. They wanted a drug that could treat acute infections completely by starting treatment earlier in the course of the disease, either in large doses through an intravenous drip or in smaller doses with a pill. The scientists shifted their focus, and the result was Zyvox, one of the major pharmaceutical success stories of recent years. It has become the poster drug in Pharmacia's campaign for a culture characterized by cross-functional collaboration and speedy execution. Through dialogue, the group created a product that neither the scientists, clinicians, nor marketers acting by themselves could have envisioned or executed. And the mechanism that created this open dialogue is now standard practice at Pharmacia.

Follow-Through and Feedback

Follow-through is in the DNA of decisive cultures and takes place either in person, on the telephone, or in the routine conduct of a social operating mechanism. Lack of follow-through destroys the discipline of execution and encourages indecision.

A culture of indecision changes when groups of people are compelled to always be direct. And few mechanisms encourage directness more effectively than performance and compensation reviews, especially if they are explicitly linked to social operating mechanisms. Yet all too often, the performance review process is as ritualized and empty as the business meeting I described at the beginning of this article. Both the employee and his manager want to get the thing over with as quickly as possible. Check the appropriate box, keep up the good work, here's your raise, and let's be sure to do this again next year. Sorry—gotta run. There's no genuine conversation, no feedback, and worst of all, no chance for the employee to learn the sometimes painful truths that will help her grow and develop. Great compensation systems die for lack of candid dialogue and leaders' emotional fortitude.

Few mechanisms encourage directness more effectively than performance and compensation reviews.

At EDS, Dick Brown has devised an evaluation and review process that virtually forces managers to engage in candid dialogue with their subordinates. Everyone at the company is ranked in quintiles and rewarded according to how well they perform compared with their peers. It has proved to be one of the most controversial features of Dick Brown's leadership—some employees view it as a Darwinian means of dividing winners from losers and pitting colleagues against one another.

That isn't the objective of the ranking system, Brown insists. He views the ranking process as the most effective way to reward the company's best performers and show laggards where they need to improve. But the system needs the right sort of dialogue to make it work as intended and serve its purpose of growing the talent pool. Leaders must give honest feedback to their direct reports, especially to those who find themselves at the bottom of the rankings.

Brown recalls one encounter he had shortly after the first set of rankings was issued. An employee who had considered himself one of EDS's best performers was shocked to find himself closer to the bottom of the roster than the top. "How could this be?" the employee asked. "I performed as well this year as I did last year, and last year my boss gave me a stellar review." Brown replied that he could think of two possible explanations. The first was that the employee wasn't as good at his job as he thought he was. The second possibility was that even if the employee was doing as good a job as he did the previous year, his peers were doing better. "If you're staying the same," Brown concluded, "you're falling behind."

That exchange revealed the possibility—the likelihood, even—that the employee's immediate superior had given him a less-than-honest review the year before rather than tackle the unpleasant task of telling him where he was coming up short. Brown understands why a manager might be tempted to duck such a painful conversation. Delivering negative feedback tests the strength of a leader. But critical feedback is part of what Brown calls "the heavy lifting of leadership." Avoiding it, he says, "sentences the organization to mediocrity." What's more, by failing to provide honest feedback, leaders cheat their people by depriving them of the information they need to improve.

By failing to provide honest feedback, leaders cheat their people by depriving them of the information they need to improve.

Feedback should be many things—candid; constructive; relentlessly focused on behavioral performance, accountability, and execution. One thing it shouldn't be is surprising. "A leader should be constructing his appraisal all year long," Brown says, "and giving his appraisal all year long. You have 20, 30, 60 opportunities a year to share your observations. Don't let those opportunities pass. If, at the end of the year, someone is truly surprised by what you have to say, that's a failure of leadership."

•••

Ultimately, changing a culture of indecision is a matter of leadership. It's a matter of asking hard questions: How robust and effective are our social operating mechanisms? How well are they linked? Do they have the right people and the right frequency? Do they have a rhythm and operate consistently? Is follow-through built in? Are rewards and sanctions linked to the outcomes of the decisive dialogue? Most important, how productive is the dialogue within these mechanisms? Is our dialogue marked by openness, candor, informality, and closure?

Transforming a culture of indecision is an enormous and demanding task. It takes all the listening skills, business acumen, and operational experience that a corporate leader can summon. But just as important, the job demands emotional fortitude, follow-through, and inner strength. Asking the right questions; identifying and resolving conflicts; providing candid, constructive feedback; and differentiating people with sanctions and rewards is never easy. Frequently, it's downright unpleasant. No wonder many senior executives avoid the task. In the short term, they spare themselves considerable emotional wear and tear. But their evasion sets the tone for an organization that can't share intelligence, make decisions, or face conflicts, much less resolve them. Those who evade miss the very point of effective leadership. Leaders with the strength to insist on honest dialogue and follow-through will be rewarded not only with a decisive organization but also with a workforce that is energized, empowered, and engaged.

Reprint Number R0601J

Dialogue Killers Sidebar R0601J_A

Is the dialogue in your meetings an energy drain? If it doesn't energize people and focus their work, watch for the following:

Dangling Dialogue

Symptom: Confusion prevails. The meeting ends without a clear next step. People create their own self-serving interpretations of the meeting, and no one can be held accountable later when goals aren't met.

Remedy: Give the meeting closure by ensuring that everyone knows who will do what, by when. Do it in writing if necessary, and be specific.

Information Clogs

Symptom: Failure to get all the relevant information into the open. An important fact or opinion comes to light after a decision has been reached, which reopens the decision. This pattern happens repeatedly.

Remedy: Ensure that the right people are in attendance in the first place. When missing information is discovered, disseminate it immediately. Make the expectation for openness and candor explicit by asking, "What's missing?" Use coaching and sanctions to correct information hoarding.

Piecemeal Perspectives

Symptom: People stick to narrow views and self-interests and fail to acknowledge that others have valid interests.

Remedy: Draw people out until you're sure all sides of the issue have been represented. Restate the common purpose repeatedly to keep everyone focused on the big picture. Generate alternatives. Use coaching to show people how their work contributes to the overall mission of the enterprise.

Free-for-All

Symptom: By failing to direct the flow of the discussion, the leader allows negative behaviors to flourish. "Extortionists" hold the whole group for ransom until others see it their way; "sidetrackers" go off on tangents, recount history by saying "When I did this ten years ago…," or delve into unnecessary detail; "silent liars" do not express their true opinions, or they agree to things they have no intention of doing; and "dividers" create breaches within the group by seeking support for their viewpoint outside the social operating mechanism or have parallel discussions during the meeting.

Remedy: The leader must exercise inner strength by repeatedly signaling which behaviors are acceptable and by sanctioning those who persist in negative behavior. If less severe sanctions fail, the leader must be willing to remove the offending player from the group.

Known for its state-of-the-art management practices, General Electric has forged a system of ten tightly linked social operating mechanisms. Vital to GE's success, these mechanisms set goals and priorities for the whole company as well as for its individual business units and track each unit's progress toward those goals. CEO Jack Welch also uses the system to evaluate senior managers within each unit and reward or sanction them according to their performance.

Three of the most widely imitated of these mechanisms are the Corporate Executive Council (CEC), which meets four times a year; the annual leadership and organizational reviews, known as Session C; and the annual strategy reviews, known as S-1 and S-2. Most large organizations have similar mechanisms. GE's, however, are notable for their intensity and duration; tight links to one another; follow-through; and uninhibited candor, closure, and decisiveness.

At the CEC, the company's senior leaders gather for two-and-a-half days of intensive collaboration and information exchange. As these leaders share best practices, assess the external business environment, and identify the company's most promising opportunities and most pressing problems, Welch has a chance to coach managers and observe their styles of working, thinking, and collaborating. Among the ten initiatives to emerge from these meetings in the past 14 years are GE's Six Sigma quality-improvement drive and its companywide e-commerce effort. These sessions aren't for the fainthearted—at times, the debates can resemble verbal combat. But by the time the CEC breaks up, everyone in attendance knows both what the corporate priorities are and what's expected of him or her.

At Session C meetings, Welch and GE's senior vice president for human resources, Bill Conaty, meet with the head of each business unit as well as his or her top HR executive to discuss leadership and organizational issues. In these intense 12- to 14-hour sessions, the attendees review the unit's prospective talent pool and its organizational priorities. Who needs to be promoted, rewarded, and developed? How? Who isn't making the grade? Candor is mandatory, and so is execution. The dialogue goes back and forth and links with the strategy of the business unit. Welch follows up each session with a handwritten note reviewing the substance of the dialogue and action items. Through this mechanism, picking and evaluating people has become a core competence at GE. No wonder GE is known as "CEO University."

The unit head's progress in implementing that action plan is among the items on the agenda at the S-1 meeting, held about two months after Session C. Welch, his chief financial officer, and members of the office of the CEO meet individually with each unit head and his or her team to discuss strategy for the next three years. The strategy, which must incorporate the companywide themes and initiatives that emerged from the CEC meetings, is subjected to intensive scrutiny and reality testing by Welch and the senior staff. The dialogue in the sessions is informal, open, decisive, and full of valuable coaching from Welch on both business and human resources issues. As in Session C, the dialogue about strategy links with people and organizational issues. Again, Welch follows up with a handwritten note in which he sets out what he expects of the unit head as a result of the dialogue.

S-2 meetings, normally held in November, follow a similar agenda to the S-1 meeting, except that they are focused on a shorter time horizon, usually 12 to 15 months. Here, operational priorities and resource allocations are linked.

Taken together, the meetings link feedback, decision making, and assessment of the organization’s capabilities and key people. The mechanism explicitly ties the goals and performance of each unit to the overall strategy of the corporation and places a premium on the development of the next generation of leaders. The process is unrelenting in its demand for managerial accountability. At the same time, Welch takes the opportunity to engage in follow-through and feedback that is candid, on point, and focused on decisiveness and execution. This operating system may be GE’s most enduring competitive advantage.