Mastering the Unwritten Rules of the Game

If you're doing everything by the modern management textbook, and you're still not getting the results you want....

Peter B. Scott-Morgan

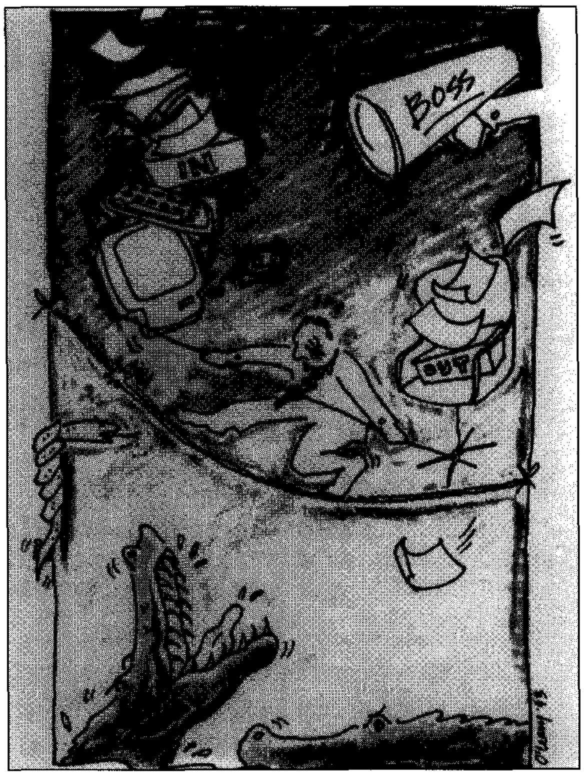
In every realm of our lives, whether we're at work or play, there are Rules of the Game. And these rules always come in two forms — written rules and unwritten rules.

As an Englishman, I had this lesson brought forcibly home the first time I tried driving a car in Boston. The driver's manual says that when you get to a rotary the cars already on the rotary have the right of way. I'm supposed to slow down, wait my turn, and merge courteously with the flow of traffic. I tried that, and I never got into the rotary.

The unwritten rule of the road in Boston says that when entering a rotary, you avoid eye contact and speed up. You don't wait your turn, because it's nobody's turn. And you try to shoot ahead of the cars already on the rotary before they can either shoot ahead of you or crash into you. So if I want to be pragmatic and get into that rotary, I need to understand the unwritten rules.

We all know that corporations also have unwritten rules. And if you're behind the wheel of a corporation, it pays to understand its unwritten rules. Knowing the rules of the game is another way to be street smart about your business. In fact, every CEO I've met has had an intuitive grasp of the unwritten rules of his or her organization. You can't get to the top without understanding the unwritten rules.

But where do the unwritten rules actually come from? Well, once a written rule is created, various factors go to work on it: national and local culture, the economic climate, legislation, regulation, people's private agendas, and the perceived behavior of top managers.



"OK, Sam, that's fine — now let's go for major improvement in performance..."

All these factors change the written rule — reinforce it, undermine it, bend it — until the written rule has a parallel unwritten rule. So, let's now look at the impact of those unwritten rules on business performance.

The Unwritten Rules in Action

Imagine for a moment that you're running a large, global consumer products company. In the early 1980s, your chief competitors stepped up their performance. Your imaginary company began losing market share.

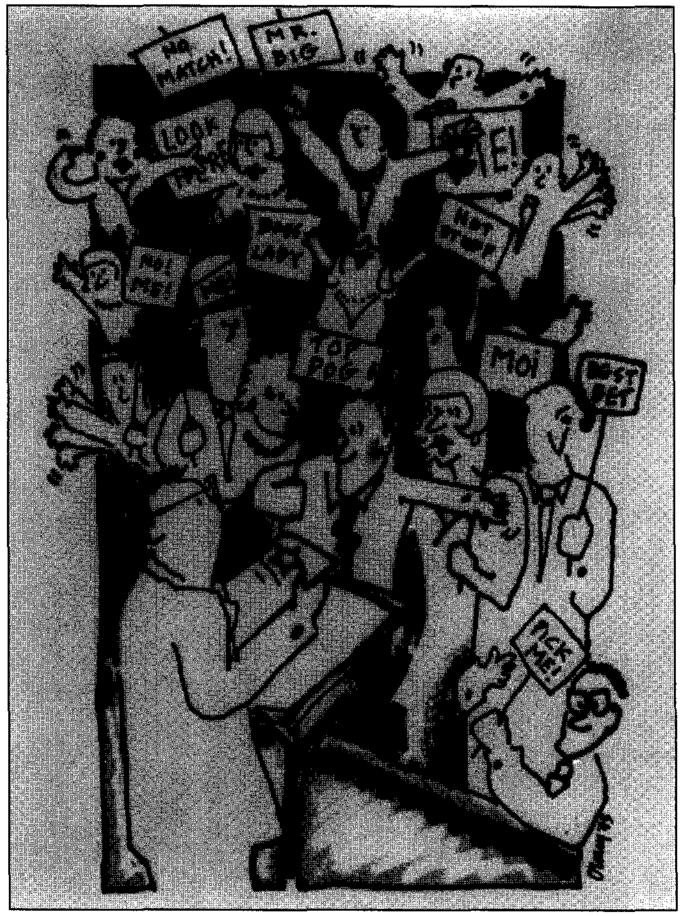
It kept losing market share for five consecutive years. You responded by downsizing, adopting TQM, and in the late 1980s, your performance stabilized. Now you have a little breathing space. You've got to push your company's performance to a higher level. And the one area you're still not happy with is your new product development. You want more exciting products and you want them faster.

You know that to achieve that, all the different functions and divisions in your company need to cooperate better and communicate better. What's more, people at all levels of your company agree with you. So you encourage their 'bottom-up' enthusiasm with your own 'top-down' support. You know the importance of vision and leadership, so you put tremendous efforts into providing both. You even give the initiative a title, "Pulling Together Into the Next Century."

Now, let's spend a moment looking at the internal environment in which you're introducing your new initiative. I'll touch on just three top-level policies that will give you a feel for what sort of imaginary company you're running here. The first 'written' rule says: "To become a top manager, you must be well-rounded. You need breadth of experience." Well, that's excellent, because you're trying to encourage that sort of cross-business perspective as part of your new initiative.

The second one, targeted at the top 10 percent of your young managers, says: "The best performing managers get accelerated promotion from their boss" — usually every two or three years. That's good, because your people will see the benefits of striving for the new initiative.

The third says: "The chief performance measure for managers is their P&Ls" — so everyone will feel accountable. Well, this is all marvelous. With such a platform, you're confident you can make your product development initiative a tremendous success.



"And the vacation in Hawaii, for the individual who stood out as being the best team player, goes to..."

The information I've just given you about this imaginary company is enough for us to determine that the whole improvement initiative is doomed to failure.

What's more, this is not a make-believe example. It's drawn from a real-life international consumer products company, and the initiative did fail. The CEO of that corporation struggled for two years with his company's product development improvement process. His managers put tremendous effort into coming up with what they thought was a practical process for new product development. Then top managers 'walked the talk,' kicked off a cascade of training, involved people. They measured everything. They did culture audits. They hired management gurus. They did it all by the book. But what they had two years later was 180 degrees opposite to what they had set out to get. In fact, things were worse than before. Teamwork was poor. They had no cross-company cooperation, so their leadtimes were still abysmal. No one took any creative risks. So their prod-

"Come on now! We must be able to think of at least one problem that explains our poor corporate performance."

ucts were still unimaginative, boring. On top of that, they appeared to have a new problem — chronic short-termism. The CEO's whole attitude was summed up by one private statement: "I really just don't understand what on earth I've done wrong."

So he applied a methodology to uncover and codify Unwritten Rules of the Game, and here's what he found. Where the written rule said: "To become a top manager, you need broad experience," the unwritten rule said: "To get to the top, job-hop as fast as possible." Employees recognized that they had ten grades to get through in ten years — so if job-hopping was what it took to get to the top, then that was what they would do.

Where the written rule said: "The best performing managers get accelerated promotion from their boss," it was translated into three unwritten rules: "Keep your boss happy — after all, he or she's the one handing out the transfers and promotions;" "Stand out from the crowd — then you'll be noticed as a top performer;" but "Avoid association with failure; never let your boss see you fail." Where the final written rule said: "Managers are accountable for their P&Ls," we found two unwritten rules: "Protect your own turf" (because no one felt any reward from growing someone else's empire) and "Watch your quarterlies."

With unwritten rules like "Stand out from the crowd" and "Protect your own turf," it's easy to see why teamwork just wasn't working. Combine that with keeping a boss happy who wants to protect his or her own turf, and no intelligent employee will risk appearing disloyal by 'wasting' time working with other parts of the business.

The short-termism encouraged by job-hopping and the focus on quarterly results wasn't new. It was only newly apparent, exposed by the new emphasis on longer-term thinking and teamwork needed for successful product development. And who's going to take a personal risk when so much depends on continuing short-term personal success to keep climbing the corporate ladder?

The rules of the game approach has been applied now by CEOs in a large number of corporations in Europe, the United States, Latin America, and the Far East. In every case, there were hidden conflicts between the existing 'written' rules — or policies — and the change initiative. But, the conflicts are explained only by looking at the unwritten rules — in other words, 'the way things really work around the company. The unwritten rules are the missing link in our understanding. The power of understanding the unwritten rules comes from knowing how they link business problems back to written rules.

Once we know the unwritten rules, we see that what we originally thought of as problems are actually unintended side effects. These side effects are caused by hidden inconsistencies between the existing written rules and the new change initiative.

And that leads us to the first of five very important lessons we've learned over the last few years: The unintended negative side effects that undermine your best efforts usually come from apparently unconnected written rules.

That's why they're not obvious. That's why even the best senior executives don't spot the link of cause and effect. And if you can't codify the unwritten rules within the body of your company, you can never predict where the side effects will spring from to kill your change program.

The second important lesson we've learned is far more upbeat. It's that unwritten rules don't always thwart senior management. Quite the contrary. Unintended side effects are sometimes very positive.

Mastering the unwritten rules is more than just a method of remedying failure. It's also a method of decoding success. In other words, deciphering the rules of the game won't just help GM understand the hidden sources of failure in its Oldsmobile division. It can also help GM understand the hidden sources of success in its Saturn division. It's a way of understanding excellence and core competencies so that you can replicate them.

So let's consider these first two lessons. Think of what Fisher at Kodak, Palmer at DEC, Gerstner at IBM found as they assumed command. The business press told them that one of their prime tasks was to change their company's culture. Now, those companies, like every other organization, are creatures of their unwritten rules. So the question is this: Will they appreciate the unwritten rules and act accordingly? Will they understand what hidden benefits come from the existing policies, procedures, and even bureaucracy, so that they can make major changes without throwing the baby away with the bath water? Or will they develop new written rules, spawning unintended negative side effects that create even more problems, more hidden risks, and more damage?

It will be no surprise by now that my advice to the Fishers, Palmers, and Gerstners of the world is: Make sure that you understand the full implications to your change initiative of the unwritten rules in the body of your organization.

And here's where I've got some good news. The third, very important lesson we've learned is that you can systematically uncover and codify the unwritten rules. What's more, you can do it in a way that focuses only on the rules that are affecting specific business issues. That's very important: You don't want to uncover all the unwritten rules of your organization — only those that are relevant to what you're trying to achieve.

Uncovering the Unwritten Rules

You start with the business issues that are causing you pain. For instance, in the consumer products company described above, the original business issue concerning the CEO was improving his product development process.

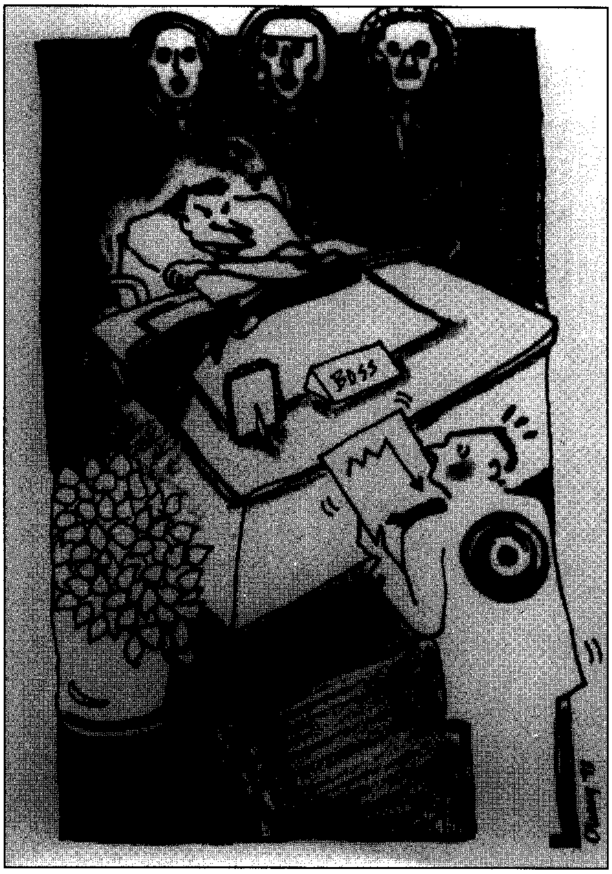
"Of course I don't want to learn about market research, Adams! I'll be promoted to another totally new job in six months..."

That's your starting point. And as you listen to people, encouraging them to talk generally all around this topic, you can structure what they tell you under three headings: motivators, enablers, and triggers.

Motivators. The first grouping includes what's important to your people, what motivates them. What makes them get up in the morning? What do they perceive as a reward? Common answers include, for example: exciting work, money, career advancement, respect, or, very common after a downsizing, being allowed to keep their jobs so they can continue paying the mortgage.

And, just as important, what do they want to avoid? What do they perceive as a penalty? In other words, you cluster together a list of the carrots and sticks that the interviewees actually respond to.

In the case of the consumer products company, we found that one of the main motivators for people was career advancement. They tended to be ambitious and wanted to climb to the top of the company. What's more, everyone knew that to climb to the top they needed breadth of experience. So there's a direct link between the motivator "career advancement" and the



"So, what was it you wanted to tell me about your latest sales projections?"

unwritten rule (job-hop as fast as possible).

Enablers. Closely associated with what is important to our interviewees is who is important. Who are the people who can enable our interviewees to get what's important to them? Who can grant the reward or impose the penalty? This heading really encapsulates the power structure of the company as perceived by those within the company. It's what one CEO described to me as "the unwritten organization."

In our case study, one of the key enablers is the line boss, because he or she can accelerate the promotion of real high-fliers. Now, even before our interviewee tells us any unwritten rules, we can almost predict what they will be: keep your boss happy, stand out from the crowd, and avoid association with failure. And you'll remember that those are exactly what we did find. They're the sensible ways to behave, given people's interpretations of who's important.

Triggers. The third and final grouping links the previous two. Here we put the triggers that cause the boss to grant that accelerated promotion — the perception of the conditions needed for promotion, the perceived performance measures. In our case study, the key performance measure is a manager's bottom line — his or her P&L.

So that's where we look for another set of unwritten rules. And, sure enough, you'll remember that they're as logical as all the others: Protect your own turf, watch your quarterlies.

What we're really doing is focusing on what is important to people, and who is important to their ability to get it, and how they go about getting it. Using this approach, we've found we can often uncover the key unwritten rules by talking with a dozen or so people within the organization. Because everyone knows the rules, large samples aren't necessary.

Having uncovered the unwritten rules, it then becomes easy to see why they inevitably result in the unintended side effects. In fact, the CEO could have used this analysis to predict the problems two years earlier — and saved his company all the pain.

And this leads us to the fourth important lesson. This methodology guides you to which written rules or top management actions are out of alignment. I use the analogy of looking for a needle in a haystack. You can look for the needle by going through the haystack strand by strand, or you can use a magnet. The unwritten rules provide you with three magnets: motivators, enablers, and triggers. Motivators relate to policies and top management actions covering remuneration, job content, career progression, status, training, hiring and firing. Enablers relate to job descriptions, organization charts, reporting lines, and sign-off responsibilities. Triggers relate to performance measures, milestone descriptions, evaluation charts, objectives, and mission and strategy statements.

Rewriting the Unwritten Rules

And that brings us to the final and most important lesson we've learned: Senior management can rapidly remove behavioral barriers by changing the written rules and by reinforcing them with leadership. Many senior executives worry that they can't remove such barriers. Or they worry that they will have to use some sort of touchy-feely magic. But our experience has shown that once you understand what's going on, there's no magic any more. The problems caused by behavior aren't soft, nebulous, intangible, or understandable only by culture gurus. The problems are logical and so are the solutions.

Understanding the unwritten rules of the game puts senior management back in the driver's seat. For example, the CEO of the consumer products company in our case study decided to focus on changing the enablers and triggers, largely leaving the motivators alone. He reduced job-hopping by creating written rules that made promotions occur every five years, rather than every two or three. But he made sure that he still satisfied the desire for career progression that was motivating people, because the reward to managers for waiting was that they could move two rungs up the ladder, rather than one.

Significantly, the person who now makes that promotion decision isn't the line boss, who may still be too narrow in focus, but a senior mentor in another area of the company. So the enabler has been changed. The mentor looks for a record of membership on teams that proved creative and a willingness to think longer term. So the trigger changed as well.

Within six months, the CEO was getting the behavior he'd originally set out to achieve. Leadtimes fell as cross-company cooperation took hold. Long-term thinking and creative experimentation were established as worthy. The new modus operandi broke a logjam and released a stream of exciting new products. And it has continued to do so for over three years now.

Interestingly enough, the quarterlies didn't suffer. The previous lack of cross-business cooperation had been so wasteful that eliminating it enabled managers to keep up their quarterlies and innovate at the same time.

What is important about that solution is not the detail but the overall approach. As this CEO discovered, it's quick and relatively painless to change triggers, because they're performance measures. It's a bit slower and can be a little painful changing enablers, because you're changing the power structure. But both of these methods are far faster and less traumatic than trying to change people's values and what's important to them — in other words, the motivators.

And yet, think about it. Traditional approaches to addressing these sorts of behavioral problems always focus on changing shared values. They always try to change motivators. It's the only approach most senior managers can take because they're using models of the problem that have no cause-and-effect built into them.

So they try to teach teamwork, encourage quality, and inspire customer service. But they are trying to change the symptom without changing the factors that make the symptom inevitable. That's why those approaches are developing such a tarnished reputation. They're trying to push water uphill.

If instead you find the unwritten rules, you can understand the conflict with what you're trying to achieve. Understand the conflict, and you'll see how to eliminate it. Eliminate the conflict, and you'll get the behavior you want. The key is in mastering the unwritten rules of the game.

Dr. Scott-Morgan is an associate director of Arthur D. Little, based in Cambridge, MA. He has worked in industrial automation, in contract design and development, and has run a video production company. He has served as chairman of the Robotics Committee of the British Computer Society, and holds an international automation patent. He is the author of a management/advanced automation text, and The Unwritten Rules of the Game, *published by McGraw-Hill.*

Cartoons courtesy of Arthur D. Little, Inc.'s *Prism* magazine. Reprinted with permission.

For information on reprints, contact:
Association for Manufacturing Excellence
380 West Palatine Road
Wheeling, IL 60090-5863
708/520-3282