



Photograph by Matthew Septimus

Larry Bossidy: The Thought Leader Interview

The recently retired Honeywell chairman and CEO offers hard-boiled rules for getting things done.

Thought Leader
by Randall Rothenberg

The word *philosopher* is a pejorative in Larry Bossidy's lexicon. Philosophers, he says, are people "who are good strategists, but don't have the capability to translate that strategy into action." And these days, action is where the action is — so much so that the recently retired chairman and CEO of Honeywell International Inc. felt compelled to spend a portion of his last years in management teaching the business world about it.

Execution: The Discipline of Getting Things Done (Crown Business, 2002), coauthored by Mr. Bossidy and the consultant Ram Charan, is, in many ways, an anti-management treatise. Theory is absent. No multiyear survey is referenced. There is not a single case study cited. Instead, *Execution* is a hard-nosed, hard-edged, and — with its lean prose style — hard-boiled guide to the practicalities of leadership in a competitive global economy.

It may be the perfect antidote to Enron and Andersen. Mr. Bossidy, 67, spends no space on the intricacies of modern corporate finance. But he devotes pages to the

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importance of following up meetings with letters to participants spelling out the decisions reached. There's nary a word on understanding the extended enterprise, or on customer relationship management. But there are long sections on how to appraise and reward the best performers. Strategy is not the abstract product of a hundred-slide PowerPoint presentation; it is the end of an orderly, deep review process led by a chief executive who is intimately familiar with the businesses he is in and the people he has running them.

Threaded with tales from Mr. Bossidy's own career, *Execution* is not aimed solely at CEOs; it is equally applicable to senior managers or, for that matter, anyone managing more than a handful of people. The concise, 278-page treatise has won high praise; the *New York Times* called it "a valuable and practical management guide that is must reading for anyone who cares about business."

Larry Bossidy would be, by any analyst's estimation, the perfect author for such a work. During a 34-year career at General Electric Company, where he rose to vice chairman, and nine subsequent

years as chief executive of Allied-Signal Inc., he gained a reputation as one of America's most forthright and successful executives. His deft deployment of acquisitions, divestitures, and tough cost controls — including the layoffs of some 27,000 people — turned the industrial company into a reliable earnings factory, its shares appreciating by a factor of 10 during his tenure. In 1999, he capped his leadership with the acquisition of the \$8 billion Honeywell.

Mr. Bossidy spent several months as chairman of the combined Honeywell, then retired. But he was called back in 2001, when Honeywell's planned acquisition by GE was foiled by European regulators. Returning, Mr. Bossidy immediately launched a restructuring effort, closing 51 facilities and slashing almost 16,000 jobs in an effort to save \$1 billion in annual costs. Last June, having attracted David M. Cote from TRW Inc. to take the helm, Mr. Bossidy retired again — this time, he says, for good.

Just prior to his retirement redux, *strategy+business* visited Mr. Bossidy at Honeywell's Morris Township, N.J., headquarters. There, dressed in a gray suit and

blue-and-white checked shirt, sans tie, in a bright, comfortable conference room, he expressively expounded on what it takes to back philosophy with action.

S+B: What is execution? In the book, you say it's not tactics.

BOSSIDY: Execution is making things happen. There are so many things in the world that are postured in terms of theory or strategy that don't translate into action.

That's the reason for the book: There are thousands of pages written on the subject of business, but we didn't see anything that went after this subject in as much depth as we thought we could.

S+B: The subject would seem to be a perennial. Why tackle it now?

BOSSIDY: If you look at the number of dismissed CEOs, just during the past year alone, it continues to escalate. By and large, the reason they get fired is because they can't execute. They can't get things done. Intel CEO Andy Grove titled his book *Only the Paranoid Survive*; that's a very apt concept when trying to define execution. *Execution* applies to companies that perform. It's about people who pride themselves on executing. It's about rewarding people who execute, rather than the philosophers who wander around organizations.

S+B: Can one person make a difference if he or she is not the person at the top?

BOSSIDY: Even if you don't have the final call on things, the concept of execution has the same merit for you as it does for a sitting CEO or an aspiring CEO. We're talking about getting things done. Where in business isn't that important?

S+B: The idea that you've got to get things done — isn't that part of "Executive Education 101"?

BOSSIDY: A lot of companies think they're execution companies that are not. They don't ask the tough questions.

S+B: Why not?

BOSSIDY: Lots of people in this world don't want to have a jarring confrontation with reality, and so they don't. They pick out little things that go well, but they don't concentrate on the things that really define whether or not they're an execution company.

The Dell Difference

S+B: Let's explore that. In the book, you compare Dell and Compaq, and describe the difference between them as executional. Yet conventional wisdom has defined the difference as strategic: Dell had a build-to-order direct-marketing model, and Compaq was stuck with retailers that successive CEOs couldn't do anything about. How is the difference one of execution?

BOSSIDY: There is a business-model difference, but it is also about execution. When Michael Dell started as a college student at the University of Texas, he knew right away he wasn't going to have a unique product. The more he got into it, the more he understood the product was simple, and that to succeed, he had to find a way to differentiate himself. So he conceived a model that basically said, "We can deliver you a computer faster than anybody else, and you, the customer, can help engineer it." His whole theory was about execution. He knew IBM was out there, with enormous resources. He knew that Compaq was out there, and bigger

than he was. He said, "If I can deliver this product faster, if I can get over the working-capital advantage that IBM has, I've got a chance to succeed. If I keep my hands on the distribution part of the business, I can revolutionize the industry."

S+B: Do you think he thought about it that way, or he backed into it because he had no choice?

BOSSIDY: I think his original thought probably was, "I could get killed here."

S+B: "I don't have any alternative."

BOSSIDY: Right. "I'm scared to death. I love this, and I could get killed." I think that's as far as it went. But clearly he understood at the beginning that this was a commodity product, that he was getting into a commodity field.

S+B: Which gets at something fascinating you describe in the book: An execution culture can become a company's brand.

BOSSIDY: Michael Dell's ability to fulfill his vision was what differentiated his company. He not only was able to understand where he was, he was able to translate it into an action plan that worked. How many times do you see people with creative and persuasive strategies that never get implemented?

S+B: Does that sort of executional culture always translate into something the external marketplace recognizes?

BOSSIDY: Not always, but in a lot of cases, yes. Take GE. With its very different product lines, the one thing that threads through GE is an execution culture. That dependability and reliability — its ability to deliver — gave its stock a high mul-

tiples. So in that case, and in Dell's case, an execution culture may well be a brand.

S+B: You devote almost no space in *Execution to Wall Street*.

BOSSIDY: We purposely omitted Wall Street. There's a hundred books on it. If we were to write a chapter on Wall Street, it would have been critical [of it].

S+B: But in your life at AlliedSignal and Honeywell, one thing that distinguished you was always hitting your targets. You're considered one of the masters at managing Wall Street's expectations.

BOSSIDY: If you make your commitments, Wall Street is easy to manage. If you don't, it's impossible to manage.

Seven Essential Behaviors

S+B: You and Ram Charan, your coauthor, state that there are seven essential behaviors for an "executional executive." Number one is "Know your people and your business."

BOSSIDY: In this day and age you can't govern a company, or a part of a company, unless you have a good understanding of the business — all

the businesses you're in. It's hard to preach execution if you can't have a good dialogue with people about their business.

You can learn the business and the people in a number of ways. You get familiar with business-unit strategy, and have dialogue with people about the strategy. So if there's an important decision to be made at the business-unit level, you can relate to it directly. At the same time, you get to know the people, because you're in business reviews, you're in strategy reviews, you're in budget reviews, you're in people reviews with them. The more exposure you get to these people, the more you know about them, allowing you to make a first-hand contribution to who gets appointed to positions of responsibility. As big as GE was, we knew the people who got promoted there. We'd been exposed to them.

S+B: Three-quarters of *Execution* is about people.

BOSSIDY: People are the link to an execution culture.

S+B: When you talk about “getting to know” them, does that just mean in business settings, or does a CEO have to go deeper than that?

BOSSIDY: You're much better off to see them in action, see them in their own setting, have a dialogue and a debate if necessary. You can't really appraise people at cocktail parties; and you don't have a terribly good basis for appraising people in interviews. I think the interview process is the most flawed process in the world. I'll debate people in business meetings where I don't disagree with them. I want to know how they think about things. If you kind of throw them a curve ball on some-

thing, that's the best way to develop your own assessment about their capabilities.

S+B: The second essential behavior of an executional leader is “Insist on realism.” *Realism* is another word that you use repeatedly in the book.

BOSSIDY: It's so crucial. You can't ever get to where you want to be unless you see the business the way it is. I hear CEOs who tell me how good their companies are — and they stink. They say they've got a great company when, in fact, they may only have a good technology. That's why it's so important for the person at the top to be realistic.

S+B: Isn't that second nature for a CEO?

BOSSIDY: It's hard to stay realistic. People basically flood you with compliments in these jobs, and that creates a bad smoke screen.

S+B: Over the past 20 years or so, we've been subject to the cult of the CEO. Is it harder to maintain that sense of realism than when you entered business?

BOSSIDY: Absolutely. The world has gotten more competitive, and in most cases we are living in a global market, not a domestic market. The expectations of investors also have escalated dramatically because you've got more people in the market now through 401(k) plans. A CEO has many constituencies — investors, employees, customers, suppliers — and they all want you to pay attention to them. In the face of that, you have to search for ways to make sure you're being realistic.

S+B: Such as?

BOSSIDY: You look at performance. You look at the critical stuff that

people are saying about you. You always wind up with two or three securities analysts whose views you respect. You can stay realistic by looking at your competitive position: “If I'm so good, how come I'm number nine?”

S+B: You're very big on finding mechanisms that take the mystique of executive leadership and turn it into a real-world exercise. For example, you always follow up meetings with letters. “Follow through” is another one of your essential behaviors.

BOSSIDY: Letters eliminate confusion about what was decided on. If a person gets a letter and discovers it doesn't reflect what he believed was decided, he immediately calls back to have a conversation to resolve it. Secondly, a letter gives you a history. So, when I go to that office or factory the next time, I can take out the letter and ask, “Now, were these things done? And if they weren't done, why weren't they done?”

I don't like situations where you have a far-ranging discussion of something, and then you come to a conclusion, and somehow or other it never happens. Often, I'll put in a sentence: “Please get back to me in a month as to what you've done about these things.”

S+B: Who writes the letters?

BOSSIDY: I do. I write them on the plane coming home. If someone else drafts them, I edit them and sign them. They have basically been paper letters. Today, I'll use e-mail more frequently.

The point is to begin to build a record. Instead of just bugging the guy every day — which I don't think is a good idea for you, the CEO, or your managers — the

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expectations are on the record. As you keep doing this, things happen.

Reward the Doers

S+B: Another executional behavior is “Reward the doers.” In a lot of companies, you’re constrained by human resources systems and structures in both rewarding and penalizing people.

BOSSIDY: The trouble is there are too many companies that basically believe in socialism. They give stock options to everybody, give pay increases that are the same to everybody within the same salary scale. If you don’t differentiate, you can’t possibly be an execution company! And if you don’t single out for reward the people who get things done for you, then you won’t keep the people who will ultimately run the company successfully.

There’s just too much praise in business for the philosophers — people who are good strategists, but don’t have the capability to translate that strategy into action. You’ve got to spend a lot of time making sure you’re rewarding the right people. That’s one step I think is crucial.

S+B: You see cash rewards, stock grants, and stock options as very

different tools. Can you explain their uses?

BOSSIDY: I like to think cash is what keeps the grocery bills paid during the course of a year. The bonus is a reward for executing the plan in a given year. And stock options are for your future interest in the company. I might give a much bigger bonus to Joe because he’s a star performer this year. But I still might give you a bigger option than Joe because you’re going to be a bigger bet for the company down the road. They don’t necessarily run in tandem. If I have individual contributors, I might pay them a nice bonus, but I’m not going to give them as many options.

S+B: Another essential behavior is “Set clear goals and priorities.”

BOSSIDY: That’s a euphemism for accountability. To make sure everybody in the organization is accountable, you have to make sure everybody knows what the goal is. That way, you don’t have to have a big discussion at the end of a period about what the guy’s bonus is. If he met the goals, then he ought to get the high end of the bonus.

S+B: You recommend a relatively

narrow set of goals. You’re opposed to laundry lists.

BOSSIDY: That dilutes the significance of the goals. Have three or four goals, and have everybody, even across diversified businesses, going at the same objectives. It’s a way of bringing the company together. Fewer, bigger goals are one way to make an organization really hum.

S+B: The leader’s sixth essential behavior is dialogue — “Expand people’s capability through coaching.” That seems to imply that you see the leader as a teacher. But what if you’re not a natural teacher?

BOSSIDY: You can teach without being natural at it. It may not be your highlight. You may have to have some reinforcement. But you must remember: Good people come to companies and stay because they believe they have a chance to expand their capabilities and fulfill their destiny. You have an obligation to help them. So don’t keep a person in a job too long just because he or she is excellent at it; give her another assignment so she can expand herself. Ultimately, you generate your own management future by virtue of working as hard as you can to fulfill these people’s expectations.

“I’m convinced one big reason all these CEOs get fired is they don’t spend enough time on their job.”

S+B: Who does the appraisals at Honeywell?

BOSSIDY: I do my own appraisals on all my direct reports. And I ask everybody to do the same thing.

S+B: How many direct reports do you have?

BOSSIDY: Ten, which isn’t terrible.

S+B: How much time do you spend on an individual appraisal for one of your direct reports?

BOSSIDY: Not as much as some others do because I give them an appraisal every day.

But I do put it down in writing twice a year. I don’t use all the fancy forms. I write down two columns — what I like, what can improve — and a summary. I put it on one piece of paper. And I go over it with them twice a year.

The worst thing you can do is see some hotshot in the organization, whom everybody is concerned might leave if you say something. So he never gets better. I think you’ve got to grab that guy by the nape of the neck and tell him all the good things he’s doing, and tell him the few things he’s got to do differently. If he really wants to grow, he’s going to accept that.

S+B: Most of the interactions you’re describing are bilateral, not group discussions.

BOSSIDY: When I go out and do business reviews, I have group interactions. We have a senior management meeting twice a year where we have 125 of the top people in the company. But by philosophy, I have as few meetings as I can. You know, I may need to talk with you, but I don’t need to talk with you and five other people about the issues.

Ribbon-Cutters

S+B: This all seems like it would take 120 hours a week. How do you balance all these tasks?

BOSSIDY: Look, if you think your job is hanging around Washington, if you think your job is out on the rubber-chicken circuit every night, if you think your job is to cut ribbons all over the place, then you won’t have time for all these behaviors. And I’m convinced that’s one big reason all these CEOs get fired — they don’t spend enough time on their job. During the period I was retired, I did some consulting with CEOs. The first thing I asked them is, “Let me see your calendar.” The amount of time people waste is just mind-boggling! Don’t take a CEO

position for your ego. You’d better be here doing this job. You have to take time when starting in a leadership role to orchestrate and lead the people process, the strategy process, and the operating process. These are not short time commitments.

S+B: Your seventh essential behavior is “Know yourself.” That’s straight out of ancient Greek philosophy. What did you learn about yourself — about your limitations — before and during your years as a chief executive? And how did you work around them?

BOSSIDY: When I was younger, I was candid but brutal. You can be candid without being destructive; that took me some time to understand. At GE, they shouted at me about that. And I said screw it, I’m just going to be candid, and if they fire me, they fire me. Then I met Jack Welch, and he was worse. That helped.

S+B: It sounds like you were born with self-confidence.

BOSSIDY: I’m a twin. My brother had a severe acne problem. It was embarrassing for him, and my parents were responsive to that — sometimes, I felt, to the exclusion of

me. One day, it came up in a conversation with my mother, who was a big influence on my life. She said to me, “You have a lot of potential, and you have to make sure you realize it. And there’s no amount of stroking from me that’s going to help you.” I’ve never forgotten that. It’s always in my mind: Am I fulfilling my potential?

S+B: How do you make sure that self-confidence doesn’t turn into arrogance?

BOSSIDY: There’s no question that you always risk arrogance with execution. Look at the great companies of the past 20 years; many have fallen into a trap of arrogance. So you have to keep refreshing people and making sure that execution, at the end of the day, really means that “I’d better get better tomorrow.” You have to work on that every day.

S+B: Do you think this will be harder in the post-Enron world? Will pressure for transparency create constraints on CEOs’ ability to execute?

BOSSIDY: No, I don’t think so. It will help business, in the sense that it’s awful to have executives profiting on stock options when employees can’t sell their shares. You can’t have that. And the fact that they want you to expose more — why not? I don’t see anything wrong with that. We don’t have anything that we’re not willing to disclose, for heaven’s sake.

My hope, though, is that they don’t regulate things. Because remember, this is the best process in the world by a magnitude of 10, despite the Enrons and the Tycos and some other disappointments. Don’t put it under such regimentation that it loses its autonomy. That wouldn’t be a good idea.

S+B: You became a CEO more than a decade ago. What do you know now that you didn’t know in 1991?

BOSSIDY: One thing clearly. In 1991 I was very concerned that I’d break the company. That won’t happen. Companies are far more resilient than you think they are.

S+B: And people, too?

BOSSIDY: You’ve got to sell it to them. People have got to know why you want to do what you want to do, and why it’s good for them. If you do [sell it], then you can do what you want. You won’t break the organization.

Returning to Honeywell

S+B: Can an execution culture dissipate? I ask because Honeywell seemed to fall into a trough after your exit.

BOSSIDY: Absolutely an executional culture can dissipate, and fast. Why? Because it doesn’t get emphasized. An execution culture is an edge culture. Not everybody likes it. It’s not comfortable. So when there’s no emphasis on it, human nature being as it is, people go to the line of least resistance.

Now, in Honeywell’s case, remember they had the GE interruption — a major event that got people’s heads turned. To say that it wouldn’t have slipped under anybody’s [leadership], including my own leadership, is probably naive, because that was an enormous distraction.

That does give a good example, though, of how quickly it can dissipate. A lot of people were wondering what would happen to them after the merger; a lot of people were looking for a job. There wasn’t anybody that was fortifying the company’s executional culture.

S+B: Did you worry about your ability to revive it?

BOSSIDY: People said I had a big job on my hands. I really didn’t. People wanted to see this place succeed. The biggest job was encouraging the people we wanted to stay to stay. We went around and saw a lot of people, and, believe me, we got our objectives straight and we got our people back in the right spots. We just started to set some goals and make them, and people got some increased self-confidence and off we went.

S+B: In parachuting back in, did you know before day one exactly what steps you were going to take?

BOSSIDY: I did, because I knew the situation. I don’t think it took any genius to recognize that there was some disillusionment, that the morale was terrible. Yet I also knew the company still had a lot of good things. The people were terrific. They responded quickly, and we got some good stuff done.

S+B: Didn’t you worry about being a short-timer, a lame duck?

BOSSIDY: You know, I’m hard to dismiss as a short-timer. +

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