



EXTREME OWNERSHIP

Redefining Execution Excellence

Extreme ownership is a concept born out of military leadership lessons, encouraging individuals in leadership or managerial positions to assume, as well as delegate the highest degree of responsibility. It involves flattening the traditional, hierarchical decision-making approach by empowering individuals to make decisions about the processes that they are responsible for and impact their Key Result Areas (KRAs). The reality of any business is that the people who are executing the tasks on the ground are often better qualified to choose how to accomplish the assignment, while adapting to the unfolding circumstances on a real-time basis. Extreme Ownership is about allowing them to take such decisions within the broad confines of the defined process framework, and as long as the decisions are aligned with the overall strategic objectives of the business.

The applicability of military leadership lessons to the corporate world may not always have a lot of takers. However, modern elite military units have documented several scenarios where they have successfully overcome tough challenges related to people or processes. Introduced by two navy SEAL officers, Jocko Willink and Leif Babin, in their book of the same title, the premise of Extreme Ownership is that leadership is the single greatest factor in any team's performance. When the leader exhibits Extreme Ownership and develops a culture of Extreme Ownership, it translates into high-performing teams that deliver exceptional business results.

In this context, the goal of every leader should be to build a team that handles the tactical battles of day-to-day business operations, in turn, enabling the leader to focus on the strategic organizational goals and mission. When senior leaders train and mentor junior leaders, helping them to step up, it can reduce their own involvement in the details of minor decisions. This would mean more time, energy, and bandwidth to assume greater responsibilities. This entails:

Aligning Individual Tasks with the Organization Mission: It is up to the leader to articulate the strategy, select the key priority areas, and provide the resources, support, and training to enable each team member to execute their tasks successfully. It is also up to the leader to delegate authority, set the boundaries and frameworks for decentralized decision making, and ensuring that every team member's actions are coordinated and aligned with the organizational strategy.

Owning Success and Failure: Whether a team succeeds or fails is up to the leader, as the leader's attitude sets the tone for the entire team. This is true of leadership at every level - not just the most senior leader of an overall team, but even the junior leaders of teams within the team. The leader not only sets the standards of performance, but also takes complete responsibility for both, successes and failures. If the team is underperforming, the leader must "own it" and train, motivate, and mentor that person to reach the agreed standards. But if the underperformer continually fails to meet standards, the leader owes it to the team to make tough calls and enforce the set performance standards in the interest of the overall organizational mission.

Borrowed from real-life leadership instances in the battlefields of Iraq and Afghanistan, Extreme Ownership, in a business context, is about redefining execution excellence. Empowering associates throughout the organization hierarchy and aligning individuals and teams with the strategic mission essentially creates a winning mindset of accountability and responsibility, which is critical to the success of any business.

Extreme Ownership

The Three Core Principles

While advocating employee empowerment for organizational process improvement, Steve Jobs once said "Authority should be vested in the people doing the work to improve their own processes; to teach them how to measure them; to understand them and improve them. The permission from the organization is to not have to ask for permission to improve their own processes."

Extreme Ownership takes this concept of empowerment to the next level by instilling a mindset where every individual thinks and acts like a leader. At the individual level, the core guiding principles of Extreme Ownership are:

1

All the rules are my rules: The individual sets the rules, but also lives by the rules.

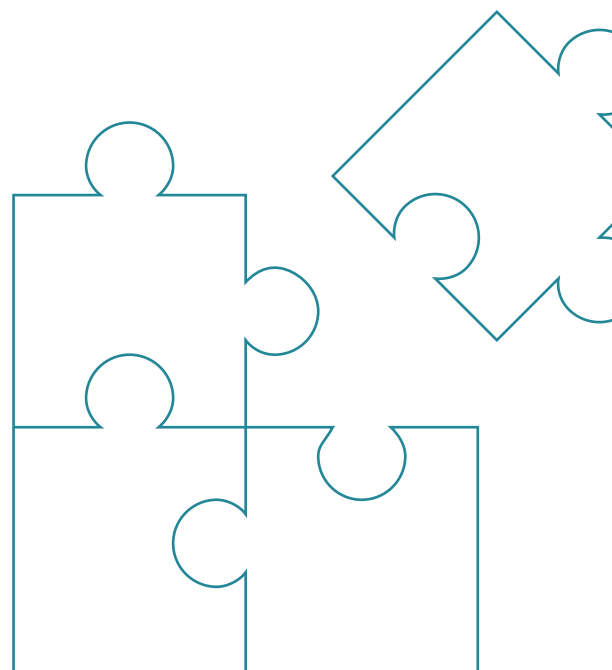
2

I am responsible for everything: All the successes and failures are that of the individual

3

What is there right now is the only way it could be. It cannot be done any other way. Do not read this as being close-minded or not open to change. This principle is about focusing on the present or future without brooding on past happenings.

When individual empowerment reaches the grassroots level, the collective actions create a massive cohesive force within the company, while also leading to a multiplier effect on the organization's effectiveness in the marketplace.



Extreme Ownership

Implementing the Concept Within Our Organizations

When practiced throughout the organization, Extreme Ownership can potentially lead to immediate and dramatic changes in the way individuals view their jobs, as well as their relationship with the corporate vision and mission. When Extreme Ownership is at play organizations can address and eliminate any issues that interfere with the corporate mission and desired outcomes:

1

Eliminate Accountability Bias: Extreme Ownership is about **seizing accountability, instead of avoiding it**. Take for example, the actions of the Taj Mahal Palace Hotel employees during the 26/11 terrorist attacks in Mumbai, India. Individuals across the hierarchy took charge of the situation and did their best to save the lives of hundreds of guests during an unprecedented event. With numerous lessons of strategy and execution, the Taj response is a documented case study in several reputed business management programs, including the Harvard Business School. While this is an example of success, even when something goes wrong, leaders who practice Extreme Ownership typically take accountability, instead of looking to pass the blame. They own the team's failures, identify the challenges, seek guidance on how to improve, and correct the course for the team to prevent recurrences. In organizations with downward delegation of authority and a restrained attitude towards punitive action, leaders across levels are more likely to seize accountability for self and the team, irrespective of the result.

2

Eliminate the Standards Bias: This is one of the crucial impacts of Extreme Ownership. In most organizations, including the ones that have implemented various Quality programs, individuals usually aim to achieve the "prescribed" quality levels. However, Extreme Ownership suggests that **standards are what you tolerate**. Which means, individuals can think beyond prescribed standards and change the narrative from "what is good enough" to "what is the best that can be done in this process".

3

Complete Participation: In Extreme Ownership, leaders empower their respective leaders and teams throughout every level of the organization. They create a positive and safe work environment that helps every individual understand the "why" behind their tasks, as well as "how" it aligns with the overall corporate mission. This **ensures active involvement and complete participation from every individual** as there is neither a reason nor a possibility to shy away from doing one's job effectively.

4

Clearer Understanding of Ease and Simplicity: One of the criticisms of the traditional top-down execution frameworks is Corporate Complexity Bias. This occurs when senior management builds unnecessarily complicated processes due to insufficient knowledge of the ground realities of execution. Leaders need to keep things simple, clear and concise, enabling even the last-mile resource grasp the plan or process and what to do in case of any contingencies. However, it is equally important to remember that simple does not mean easy.

5

Multitasking versus Prioritizing: Day-to-day business scenarios will always have multiple tasks or problems to solve. While multitasking has its merits in terms of efficiencies, tackling all the issues at the same time will certainly overwhelm the entire system. Extreme Ownership suggests the battlefield approach of “Relax, Look Around, Make a Call.” Once the desired outcomes at an organization level are clear, leaders across the hierarchy need to first prioritize, then execute. It is about identifying the most critical issue, engaging all the available resources to address it and then moving to the next highest priority issue for better chances of success.

6

Decentralized Command: Micromanagement may be a necessity in specific situations, such as someone is new at their role, or not performing to the agreed standard. However, it should not be the norm when the mantra is empower, empower, empower! The foundation of Extreme Ownership is for leaders to build strong leaders and empower them to figure out the best ways to complete their tasks. For example, adopting Extreme Ownership would mean making it possible for an on-ground executive to give away an additional 1% discount since it reduces the dues collection time from 30 days to 7 days. The discount may not be in line with the prescribed process manual, yet the executive performs their individual tasks more efficiently, in turn benefiting the organization’s cash flow.

7

Discipline: Do not mistake discipline as rigidity or inability to improvise. Rigor and discipline go a long way in mastering the basics, which allows the individual to execute the routine tasks perfectly, freeing up their mind to be more flexible, adaptive, and efficient. Moreover, when there is delegation of authority throughout the hierarchy and power no longer rests at the top of the pyramid alone, individuals tend to execute more freely, yet responsibly. Essentially, empowerment brings discipline and discipline brings freedom.

Extreme Ownership:

The CFO Mindset

The Extreme Ownership mindset is not specific to any one organizational function. Whether it is Sales & Marketing, Operations, Risk & Governance, Finance, Human Resources, or some other key area, it is possible to apply the principles of Extreme Ownership to every team, leader, or individual.

A CFO with an Extreme Ownership mindset will be able to link every single transaction in the company to a result and empower all those involved in the transaction to have a direct control over it, which eventually benefits the organization. For example, look at the area of fraud and data loss. As per a 2022 PwC report, 46% of the surveyed organizations reported experiencing fraud, corruption, or other economic crimes in the last 24 months. CFOs who take a holistic view of the organization through the lens of Extreme Ownership may take a proactive approach to monitoring such activities across the organization's financial trajectory. Improving this area within their purview of activities could mean simple steps, such as setting up secure cash transaction channels with two-factor authentication for each employee card and account for imprest.

On the other hand, CFOs who focus only on their function may end up looking at data and information in a post-facto manner. This would mean analysis of the past performance without a focus on the company's larger goal and on the future.

Extreme Ownership can be the differentiating approach for CFOs who wish to bring about business transformation and prevent deviation from organizational goals. Driving digitization and adoption of automated tools, consulting with experts, and building solid internal relations may be some of the basic necessities to achieve these goals. Some of the other key practices that high-performing CFOs with an Extreme Ownership mindset could undertake are:

Employing Strategic Thinking

Extensive research by the U.S. banks revealed that 82% of the companies fail owing to poor cash flow management strategies, while 78% lack a well-developed business plan (Flint, 2020). Combating the overwhelming lack of cash flow is only possible if the CFO has sufficient insights into the organization's financial strengths, shortcomings, and long-term goals and can assess risk from multiple angles to offer corrective measures. This requires taking Extreme Ownership of the business strategy and advocating decisions to address poor cash management. Those decisions may involve reorganizing the finance team, attracting new talent, retaining existing performers, branching into new avenues and markets, or other such critical aspects. In fact, the Extreme Ownership mindset may not be restricted to the plan alone, but may extend to the effective implementation of the plan by the various departments in the organization. Being front and centre of the organization's operational and strategic planning initiatives will not only help CFOs take a more dynamic approach to cash flow management, but also help overcome recessionary trends, achieve high levels of customer satisfaction, and thrive in an inflationary market ridden with rising labour costs.

Empowering Talent

Decentralized command is one of the most impactful aspects of Extreme Ownership. In our dynamic, chaotic, and ever-evolving landscape, CFOs may need to empower their teams across the hierarchy to take decisions that influence the outcomes. This requires fostering an environment of trust and continuous communication between all the individuals within the teams. But it also requires exercising accountability for the tasks specified under the primary role and the tasks delegated under a leader's chain of command. A Consero survey suggests that CFOs spend 1/3rd of the week in managing their finance teams. But CFOs with an Extreme Ownership mindset may strategically work out a plan that minimizes the time spent on tactical activities and prioritizes their time for the initiatives geared toward business growth and other desired organizational outcomes.

Improving Resource Allocation

Data helps CFOs in strategic planning for achieving the desired business outcomes. In fact, two in three CFOs report that the way forward toward tangible financial outcomes is through sound strategies. Hence, it is no surprise that the majority of CFOs are in favor of unifying data (including disparate data) and creating simple access systems that enable effortless analysis. This is a critical step that enables CFOs identify the gaps and make the right decisions on a near real-time basis. Comprehensive and clear data also plays a key role in resource allocation.

A McKinsey report indicates that on an average, organizations devote close to 90% of their resources to the same projects year-on-year (YoY), irrespective of the dynamics of their environment. Simplifying complex data and generating present, past, and future predictions of financial outcomes can help CFOs with an Extreme Ownership mindset in ensuring better allocation of such resources.

Driving Automation and Digitization

With increasing supply chain disruptions, high-interest rates, and the impending fear of a sudden recession, CFOs are facing one of the toughest challenges – **Utilizing data to maximize profitability while reducing expenses**. Fortunately, the advancement in cognitive computing and intelligent automation ensures that tedious data management tasks are fulfilled with great efficiency and accuracy. CFOs practising Extreme Ownership must not only discourage data silos but also advocate for digital upgrades throughout the organization and adopt financial operations tools that enable business scalability. Additionally, CFOs should actively promote and implement automation of tedious financial tasks to optimize their own operations. This could include automated billing software, sophisticated FP & A software, advanced expense management tools, and even AI-powered client portals where applicable.

Conclusion

A vast majority of CFOs are prioritizing digital initiatives to boost organizational, operational, and financial functions, especially in the post-pandemic landscape. However, the challenge lies in acquiring the funds to accelerate digitization without jeopardizing the organization's finances. An additional challenge is to employ technology that caters to the demands of the present, without losing sight of the future of work.

By implementing digitization, finance officers can eliminate data silos, and thereby avoid errors and inconsistencies across a wide range of business and operational processes. CFOs should focus on reducing information asymmetry through higher levels of information transparency. This can revive the quality of corporate reporting, which has been low in this post-pandemic period, and, in turn, help them win investors' trust.

Finally, CFOs may want to promote the adoption of Extreme Ownership approach and mindset at all levels and functions within the organization for ensuring alignment between the functional goals and overarching organizational goals. It is safe to conclude that implementing Extreme Ownership at the firm and individual levels can potentially redefine execution excellence and become the very "soul" of the organization.



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