

# Institute For Enterprise Excellence



*Bringing Purpose To Life*

Foundations For Transformation: Linking Purpose, People and Process

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## Executive Summary:

Executives want better results for several reasons: company survival, shareholder and board demands, as well as personal accomplishment (often tied to bonuses). When asked what their job is, most executives might respond “to get results.” What kind of results are they interested in? The list (generally in this priority order) goes something like this: profit (net revenue), productivity, market share, quality, customer satisfaction (or loyalty), safety (for their customers and for their employees) and employee engagement.

Simultaneously, employees (at all levels of an organization) deserve and want meaningful work or “work with purpose.” In many organizations we have studied, the efforts to accomplish both better business results and meaningful work have not produced sustained improvement.

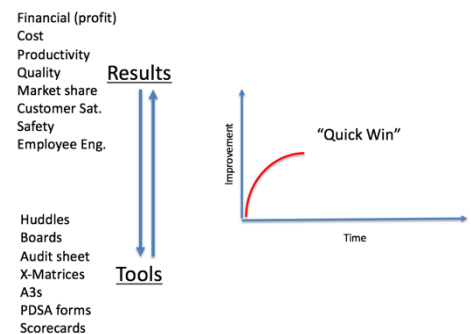
Nearly all organizations have attempted some type of company-wide improvement effort, and most managers and workers in organizations have experienced attempts to introduce and “implement” different management approaches. The experience for most people has been a series of programs (flavors of the month<sup>1</sup>) rather than the pursuit of a philosophy of improvement.

We have observed predictable patterns in companies that pursue company-wide improvement from nearly all industries and share them in this paper.

### Phase 1 – The Quick Win

Dissatisfaction with current results leads to a search for solutions. This search might come in the form of business articles, best-selling books, consultants, conferences, and visits to other organizations. The search for better results leads to the discovery of tactical methods and techniques. We’ll call these “tools.” Many times, this leads to some apparent improvement – either from the methods themselves, or the mere focus on the problem and desire for results.<sup>2</sup> This “quick win” phase is summarized in Figure 1.

Figure 1. The “Quick Win”



Use of tools and techniques is not wrong. Often this type of action is necessary to reverse the negative trend (stop the bleeding), but this phase can also produce other unintended consequences. We’ve asked many organizations what behaviors commonly result from the “quick win” focus. Here’s a sample of the responses:

- resistance,
- lack of ownership,
- distrust,
- the feeling that “this too shall pass,”
- decreased empowerment,
- ambivalence.

We’ve also asked, “what are we sustaining, maintaining and promoting?” Some of the common answers are:

- a “top/down” hierarchy,
- lack of respect for the front-line workers,
- disengagement,
- people waiting to be told what to do,
- attrition.

We have asked people about the cost of the “quick fix” approach. Here are some common responses:

<sup>1</sup> One cause for the “flavor of the month” phenomenon can be found in our 3<sup>rd</sup> White Paper: <http://bit.ly/IEXPracticalWisdom1>

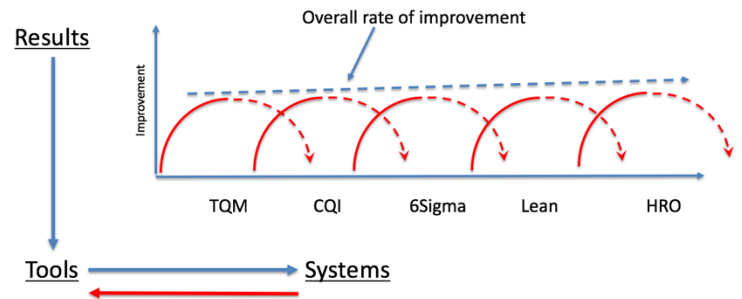
<sup>2</sup> Management’s focus on results can, by itself, lead to improvement in results. But the effect could be temporary if management’s removes the spotlight of focus. Brian Joiner, author of *Fourth Generation Management* pointed out that there are three ways to get better figures: 1. Improve the system, 2. Distort the system, or 3. Distort the figures.

- time,
- people (who need to be replaced),
- the knowledge that these people take with them,
- value to the customer,
- ability to create value,
- loyalty,
- ability to learn,
- reputation.

### Phase 2 – The Comfort of the Comfort Zone

Because there appears to be some improvement in measurable results, there is often an effort to broaden the use of these techniques in other parts of the organization. The tools are “pushed” into existing systems, and the systems will “push back.” This seems to happen for two reasons: 1) because people are a part of the existing systems, there may be some resistance from lack of “buy in” or ownership, and 2) the newly introduced tools and methods may be incompatible with the systems as they are built on different principles (the principles are also a part of the systems). A common result is a decrease in the results back to the original level.

Figure 2. The “Comfort of the Comfort Zone”



This prompts the search for the next promising tool, or sometimes renaming the effort. We call this repeated pursuit (or renaming) of tools the “comfort of the comfort zone” illustrated by Figure 2. People come to expect the program approach and often call this the “flavor of the month.”<sup>1</sup> Some common labels for these efforts are: TQM, CQI, Re-Engineering, 6-Sigma, and Lean. There is a new effort being pushed into healthcare organizations - High Reliability Organization (HRO). It is interesting to note that the overall rate of improvement says relatively flat.

When we have asked many organizations what behaviors are commonly driven by the “comfort of the comfort zone,” we received some interesting responses:

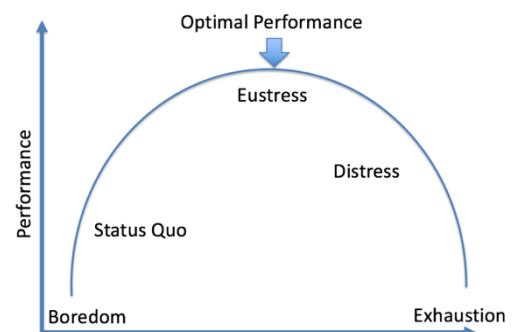
- complacency,
- teaching (but little learning),
- endurance,
- “wait it out” attitude,
- resentment,
- status quo,
- lack of challenge (not raising the bar).

For many (most?) organizations, this is their culture – vacillating between Phase 1 and Phase 2. For these organizations, management does not change the way they think, what they believe, and how they manage. This is the “program” path.

### A Different Path For Some

Some managers feel that there has got to be a better way, and in these organizations a radically different path is pursued. To understand what causes some managers to pursue this different path requires some understanding of what Beckhard, Harris and Gleicher call the “change equation.”<sup>3</sup> All three of these components must be present to overcome the resistance to change in an organization: 1) dissatisfaction with the present situation, 2) a vision of what is possible in the future and, 3) achievable first steps towards reaching this vision.

Figure 3. Eustress and Distress Curve



<sup>3</sup> [http://www.valuebasedmanagement.net/methods\\_beckhard\\_change\\_model.html](http://www.valuebasedmanagement.net/methods_beckhard_change_model.html)

It is also helpful to understand the difference between eustress and distress. Figure 3 shows the type of stress compared versus individual performance level. Eustress is defined as “moderate or normal psychological stress interpreted as being beneficial for the experiencer.” Eustress occurs when the gap between what one has and what one wants is slightly pushed, but not overwhelmed. The goal is not too far out of reach but is still slightly more than one can handle. Eustress has a significantly positive correlation with life satisfaction and hope. However, experiencing chronic stress, either in the form of distress or eustress, is negative.<sup>4</sup>

### Phase 3 – No Why, Know Why (The Power of Purpose)

In organizations that successfully understand and manage the change equation, enough positive eustress is created to move in a totally different direction. One critical discovery on this pathway is the power of purpose illustrated in Figure 4. Purpose is more than “true north measures”, pursuing strategic initiatives and bolted-on mission, vision and value statements. An organization’s purpose statement is simple, succinct and easily understood by all. The statement answers this question: “What is the need in society that this organization meets?” The purpose is not to make money – that is an outcome.

Individuals want purpose in their lives. Why do people get out of bed and come to work? What gives their life meaning? When an organization’s purpose aligns with the purpose of the individuals who work at all levels of the organization, then alignment and engagement are not difficult to achieve.

Here are some examples of some organizations that have discovered the power of purpose:

- AutoLiv - “We Save Lives”<sup>5</sup>
- US Synthetic - “We Improve Lives”<sup>6</sup>
- Southwest Airlines - “We connect people to what's important in their lives”<sup>7</sup>
- Sandoval Regional Medical Center - “Putting You First”<sup>8</sup>

Some useful concepts about the power of purpose can be found by studying the work of Simon Sinek<sup>9</sup> who identified what he called the “golden circle” that helps us find order and predictability in human nature – in other words, why people do what they do. Figure 5 illustrates the golden circle concept which starts with the middle circle - it starts with “why.” What is the company’s purpose, cause or belief? Why do people get out of bed to come to work? Why do people care? The next circle is “how” – how will we bring the purpose to life? The outside circle is the “what.” “Why” is the belief, “how” is the actions we will take to realize that belief, and “what” describes the results of those actions. Sinek transforms the circle into a cone, and demonstrates the similarity between this shape and the typical hierarchical shape in an organization. At the tip of the cone (the why) you should find the CEO and executives, who articulate the purpose, the vision. The “how” level typically includes the senior managers who are inspired by the why and work on the how – to bring the purpose to life. The “how” level represents

Figure 4. “No Why, Know Why”

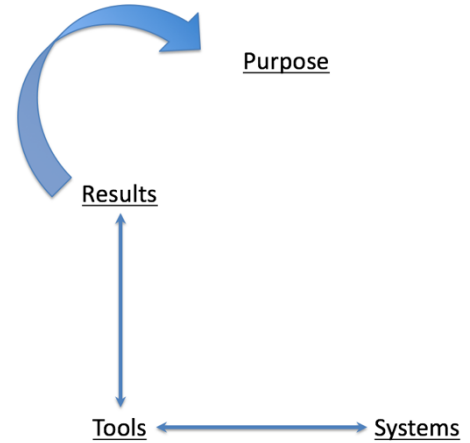
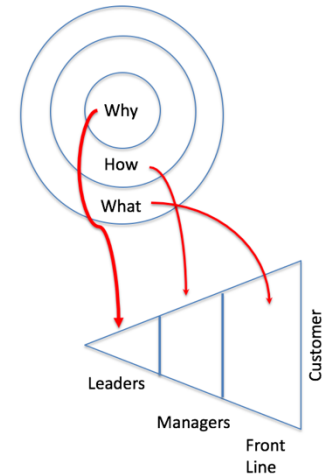


Figure 5. Simon Sinek’s “Golden Circle”



<sup>4</sup> Hargrove, M. B.; Nelson, D. L.; Cooper, C. L. (2013). "Generating eustress by challenging employees: Helping people savor their work.". *Organizational Dynamics* 42: 61–69

<sup>5</sup> <https://www.autoliv.com>

<sup>6</sup> <http://www.ussynthetic.com>

<sup>7</sup> <https://www.southwest.com>

<sup>8</sup> <http://unmsrmmc.org>

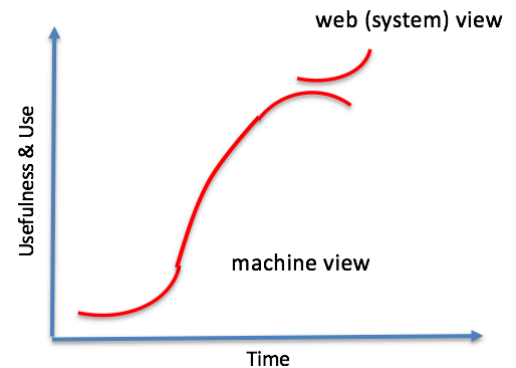
<sup>9</sup> Sinek, Simon, *Start With Why*

the group that builds the infrastructure (systems) that will make the why tangible. The “what” level represents the front line, those at the customer interface. This is where value-added activities occur. If the things happening at the what level do not clearly represent why the company exists, and are not guided by how the why is made tangible, then the ability to inspire and connect at the customer level is severely limited.

#### Phase 4 – Discovering Principles and Ideal Behaviors (Both/And not Either/Or)

Executives and managers who go beyond the “tool based” and “program” pathway will discover that an entirely different set of business principles will need to be learned. One of the most difficult steps will be “unlearning” many of the beliefs and assumptions that people have learned in school and in the workplace. They will discover that the world view that drives most of our way of thinking about business, education, government and most everything is the “machine” view. The world view that is replacing the prevailing view has been called the “web” or “system” view (see Figure 6).<sup>10</sup>

Figure 6 – Change in World View



The change has been occurring for decades, and is most clearly evident by studying the phenomenon of sustained improvement over time shown by companies like Toyota, Honda and others in the use of what is being called “lean.”<sup>11</sup> We can trace the origin of these efforts to the post World War II efforts where thought leaders like W. Edward Deming, Joseph Juran and Peter Drucker brought new knowledge to the country of Japan where leaders like Kiichiro and Eiji Toyoda, Shigeo Shingo and Taichi Ohno coupled this new knowledge with their own knowledge and created a fundamentally different management philosophy and principles of management.<sup>12</sup> We explore the evolution of this new world view in our white paper “Evolving World View” (go to this link: <http://bit.ly/IEEvolvingworldview>).

Here is a list of some of the important business principles of enterprise excellence, grouped into domains of 1) alignment, 2) enabling and 3) improvement.<sup>13</sup>

#### Align

- Constancy of purpose
- Provide value to the customer
- Think systemically

#### Enable

- Lead with humility
- Respect every individual
- Learn continuously

#### Improve

- Focus on process
- Provide quality at the source
- Flow and pull value
- Understand and manage variation
- Embrace scientific thinking
- Seek perfection

<sup>10</sup> *After the Clockwork Universe*, Goerner, S.J., 2001

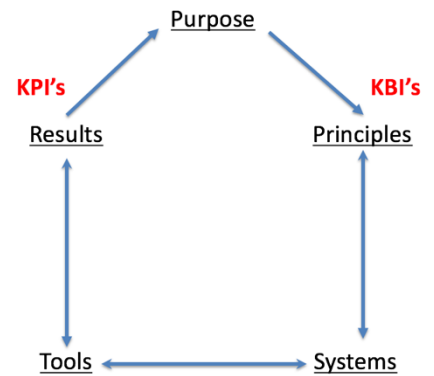
<sup>11</sup> *The Machine That Changed The World*, Womack, J. and Jones, D., 1990

<sup>12</sup> *The Birth of Lean*, Shimokawa, K. and Fujimoto, T., 2009

<sup>13</sup> These twelve principles can be attributed to a number of thought leaders and sources including the Shingo Institute, Lean Enterprise Institute, W. Edwards Deming, Stephen Covey, Taichi Ohno, and Shigeo Shingo. More information can be found at this link: <http://bit.ly/stoeckdeming2014>

The difference between the principles of the prevailing style of management and the approach based on these guiding principles is profound. Here is one example: Most management views the organization as a set of parts that should be managed separately. The prevailing belief is that if all of the parts of the organization operate efficiently and productively, then the organization as a whole will be efficient and productive. This additive view of management is incompatible with a systemic view. A detailed explanation of the differences between the prevailing principles of management and the principles of enterprise excellence is beyond the scope of this paper. The reader can go to this footnote to learn more.<sup>14</sup>

Figure 7. Learning New Principles



Here are some key points about these guiding principles:

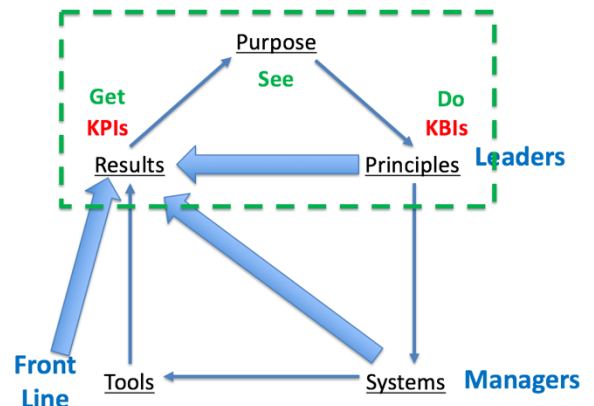
1. Principles are not the same as “values.” Every individual develops their values early on in life. They are personal, subjective and govern the individual’s behavior.
2. Principles are universal truths that govern everyone and govern consequences.
3. Not understanding or ignoring these guiding principles will put a company out of business (some faster than others).
4. Understanding these principles will help to identify ideal behaviors or key behavior indicators (KBI’s). See Figure 7.
5. Understanding these principles help to adjust systems and select appropriate tools, which helps to deliver better results (key performance indicators – KPI’s). Refer to Figure 7.
6. Learning these principles (and unlearning existing beliefs and principles) is a challenging and life-long task. Understanding the way we think, including our mental maps, and the distinction between hard-wire and working memory will be critical.<sup>15</sup>

### Phase 5 – Putting the Pieces Together (Living With Purpose)

Executives who understand the interactions of all parts of the model will realize the following points as illustrated in Figure 8:

1. Working towards “true north” includes understanding what we want to see (Purpose), what we need to do (ideal behaviors – KBI’s) and what we want to get (key performance measures – KPIs).
2. There are appropriate roles and responsibilities to achieve the desired results and accomplish the organization’s purpose. Leaders need to own (monitor, maintain and improve the understanding of) the guiding principles. Managers need to own systems (monitor, maintain and improve). The front line workers need to own the tools (monitor, maintain and improve). In most organizations, these roles are misaligned. The tools are owned by managers or the improvement team. Systems are owned by leaders. The front line workers have no real role or responsibility, and no-one is responsible for the principles.
3. Systems drive behaviors. If you want different (ideal) behaviors, you need to have the right systems. Understanding systems and how to adjust them is critical knowledge that is beyond the scope of this paper.
4. Improvement comes from both individuals and from systems, and better results through ideal behaviors. It’s “both/and” not “either/or.”
5. There is a model for sustainability (summarized in Figure 8) and a model for velocity (see Figure 9). It is important to use and understand both.

Figure 7. Putting the Pieces Together

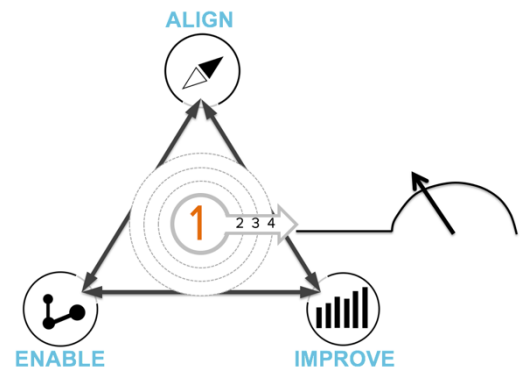


<sup>14</sup> *Out of the Crisis*, W. Edwards Deming (Chapters 2 and 3). *The New Economics*, W. Edwards Deming, (Chapters 1 and 2).

<sup>15</sup> Some useful resources on the topic of neuroscience and mental models are: *The New Economics*, by W. Edwards Deming (in particular Chapter 4, “A System of Profound Knowledge”), *Thinking, Fast and Slow*, by Daniel Kahneman, *Quiet Leadership*, by David Rock, and *The Knowledge-Creating Company*, by Ikujiro Nonaka and Hirotaka Takeuchi.

6. Executives and managers can use their knowledge of the model to assess the current state of their systems by observing the frequency, intensity, duration, scope and role of ideal behaviors. They can use this information to determine how to adjust key systems to get better results through ideal behaviors.
7. There is a model for deployment (beyond the scope of this paper) that can help executives who wish to apply this knowledge every day in their organization in order to bring their purpose to life.

Figure 9. Transformation Velocity



**Summary:**

1. Most organizations that pursue better business results do so through a series of phases (the “quick fix” and “comfort of the comfort zone”) that results in a program approach and maintains the status quo.
2. Some organizations pursue a radically different (but accessible) pathway through understanding a more complete model for personal and organizational transformation. This alternative pathway produces sustainable desired results through ideal behaviors.
3. Some key discoveries along this pathway include: the power of purpose, new principles for management that are required, the power of systems to drive ideal behaviors, proper alignment of roles and responsibilities, “true north” is more than key business results, and improvement comes from both better results through ideal behaviors and contributions from the individual and the systems (it’s “both/and” not “either/or”).
4. Development of the knowledge needed for transformation must be led by top management in a manner that is organic (experimentation and learning) not mechanical (top – down).
5. Leading with humility may be one of the most difficult guiding principles to grasp and master. Most of what we have learned in school and on the job comes from an outdated view of the world as a machine. The new world view sees the world as a system.

**The Institute For Enterprise Excellence**

The Institute for Enterprise Excellence (IEX) was established in 2013 as a research, education and coaching institution that focuses on helping organizations build principle-based architecture to achieve world-class results.

We bring purpose to life by advancing the use of practical application of principles, systems and tools in pursuit of enterprise excellence.

What differentiates us is our Principle-based Deployment Model, the culmination of many years of application experience and continuous research in the field of behavior and performance.

Jacob Raymer  
 President & Founding Partner  
[Jacob.raymer@insituteforexcellence.org](mailto:Jacob.raymer@insituteforexcellence.org)

Max Brown  
 Partner  
[Max.brown@instituteforexcellence.org](mailto:Max.brown@instituteforexcellence.org)

Mike Stoecklein  
 Partner  
[Mike.stoecklein@instituteforexcellence.org](mailto:Mike.stoecklein@instituteforexcellence.org)