

Institute For Enterprise Excellence



Bringing Purpose To Life

Principles for Personal and Organizational Transformation – Part 3 (Improve)

May 2016

Instituteforexcellence.org

Executive Summary:

Our first White Paper “Foundations For Transformation: Linking Purpose, People and Process”¹ described the common patterns that we have observed as executives and managers have attempted to create a culture of continuous improvement in their organization. Many find themselves trapped in a cycle of “program of the month” approaches that never seem to produce the sustainable transformation of management that is necessary. However, there are some who desire to break away from this pattern, and wish to switch the direction of their efforts by understanding the power of purpose, as well as learning and practicing new principles of management.

Our second White Paper “Evolving World View: Implications for All Industries, Including Healthcare”² described the sources of knowledge that will be needed in order to manage effectively in the twenty-first century. We described how the world view is changing from the “machine age” mindset that has driven the traditional “plan, command and control” approach, to a “systems view.” We explained the evolution of thinking that is the foundation for the principles of enterprise excellence.

Our third White Paper “Practical Wisdom for Addressing Problems”³ described the practical benefits of understanding the difference between convergent and divergent problems, including what we can reasonably expect from ourselves and from others when attempting to address the important problems of management. The tendency for most executives and managers is to look to recipes and formulas to tell us what to do – a prescription for how to deploy a lean management system. There is no recipe, formula or prescriptions. But there is knowledge that can guide our actions.

Our fourth paper “One Approach to Deploying a Purpose and Principle-Driven Transformation”⁴ shares our current thinking about “deploying a cultural transformation” based on the knowledge and contributions of many thought leaders, as well as observing patterns in organizations from many industries that are attempting and succeeding at a cultural and management transformation.

Our fifth paper “Principles for Personal and Organizational Transformation – Part 1”⁵ described the principles behind the IEX model, specifically those principles primarily focused on enabling people to be engaged in, and improve their work systems.

Our sixth paper “Principles for Personal and Organizational Transformation – Part 2”⁶ described the principles behind the IEX model, specifically those principles primarily focused on aligning the improvement efforts so that individuals can have a clear “line of sight” between the work they do every day and how it connects to and supports the organization’s purpose.

In this paper, we describe the principles behind the IEX model, specifically those principles primarily focused on improving the work.

¹ <http://bit.ly/IEXfoundations5>

² <http://bit.ly/evolvingworldview3>

³ <http://bit.ly/practicalwisdom3>

⁴ <http://bit.ly/IEXDeploy1>

⁵ <http://bit.ly/enableprinciples2>

⁶ <http://bit.ly/alignprinciples1>

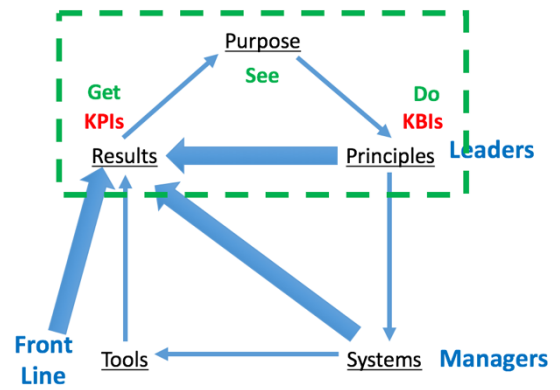
Review of the Model

In our first white paper “Foundations for Transformation”¹ we described a model for sustainability (see Figure 1), briefly introduced the model for velocity (see Figure 2), and described the necessary foundational elements for “environment and relationships” (see Figure 3).

Executives who understand the interactions of all parts of the model will realize the following points as illustrated in Figure 1:

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. 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.
6. There is a model for deployment⁷ that can help executives who wish to apply this knowledge every day in their organization in order to bring their purpose to life.

Figure 1. Sustainability Model



Review of Principles

In our first white paper¹, we described some of the important business principles of enterprise excellence, grouped into domains of 1) alignment, 2) enabling and 3) improvement.⁸ We organize these principles into 3 dimensions as illustrated in the “velocity model,” Figure 2.

Align

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

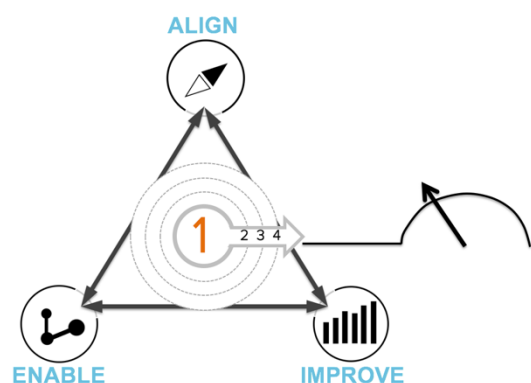
Enable

- 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

Figure 2. Transformation Velocity



⁷ <http://bit.ly/IEXdeploy1>

⁸ 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, Taiichi Ohno, and Shigeo Shingo. More information can be found at this link: <http://bit.ly/stoeckdeming2014>

- Seek perfection

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 1.
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 1.
6. Learning these principles (and unlearning existing beliefs and principles) is a challenging and life-long task.

The Velocity Model

Most organizations that pursue an improvement effort seem to gravitate to the “improve” dimension (lower, right-hand corner) of Figure 2. People are primarily taught improvement tools and methods through experiential learning events. This is not wrong, but it is incomplete.

Improvement without alignment to the most important problems and strategies for the organization (upper part of Figure 2) can lead to random acts of improvement that can be wasteful and counterproductive. Without attention to the principles of enabling people (lower, left-hand corner of Figure 2), people will not be engaged in the improvement work. Improvement will be done “to” them or “for” them, not “with” them.

Imagine 3 pedals at the three corners of the velocity model. Even and equal pressure on the pedals will accelerate the transformation effort. Pressure on only one or two of the pedals will not produced the desired acceleration. At the center of the model are the “work systems.” The principles of enabling help people to be engaged in improving their work. The principles of alignment help people to understand how their work connects to the purpose of the organization. The principles of improvement help people to effectively improve their work systems. Improving the work is the work, not in addition to the work.

The transformation journey is an “organic” process, not mechanistic. Organizations must discover the benefit of starting small at the center of the model with simple systems of alignment, enabling and improvement. After stabilizing the systems (30 – 60 iterations of the ideal behavior) they are ready to the next level, then stabilize again, then move to the next level, etc.

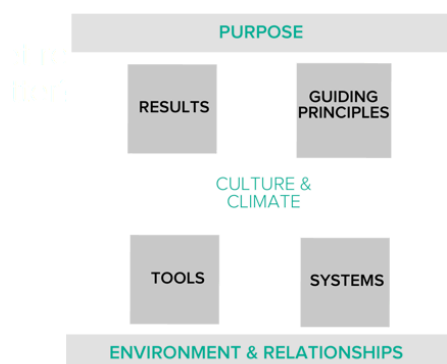
Environment and Relationships – A critical foundation

There are also necessary conditions that must be in place in order for these models to be effective. We call this “environment and relationships” and see it as a foundation for the organization that wishes to transform from the “program” approach to a philosophy – a way of being. See Figure 3. We described this foundational piece in our first white paper “Foundations For Transformation.”¹

Here are some key points about this part of the model:

1. The quality of the relationship between each person and their immediate supervisor is pivotal. Marcus Buckingham, states it as follows, “The talented employee may join a company because of its charismatic leaders, its generous benefits, and its world-class training programs, but how long that employee stays and how productive he is while he is there is determined by his relationship with his immediate supervisor.”⁹

Figure 3. Environment and Relationships



⁹ Buckingham, Marcus, *First Break All The Rules*

2. Research from 2015 provided by Gallup, Inc. indicated managers account for 70% of the variance in employee engagement.¹⁰
3. A recent study by Google researchers discovered that what makes a great team is not who is on the team, but rather how the team members interact, how they structure their work and how they view their contributions.¹¹ This conclusion should not come as a surprise, as this was pointed out by both W. Edwards Deming¹² and Russell Ackoff¹³ decades ago. The best parts do not make the best system, what matters is their alignment toward purpose and quality of the interactions. This knowledge applies to social systems as well as mechanical systems.
4. The Google research also discovered five keys that make an effective team, the primary factor being “psychological safety” defined as “team members feel safe to take risks and be vulnerable in front of each other.”¹⁸ Again, this should not come as a surprise. Deming¹⁴ pointed out the need to drive fear out of the workplace, and Patrick Lencioni¹⁵ described the importance of creating trust and team member vulnerability.
5. Engaging employees is only the beginning. In a 2015 Harvard Business Review article, authors Eric Garton and Michael Mankins stated as follows, “The problem is that the typical manager today is generally great at hitting his or her numbers, while only a small minority have mastered the art of inspirational leadership. As a result they are unable to manage individuals to their full potential, build and lead truly great teams, and connect a team or individual’s mission to the company’s overall purpose.”¹⁶
6. Learning more about emotional intelligence¹⁷ and social intelligence¹⁸ can provide guidance to managers who wish improve the environment and relationships in their sphere of influence.

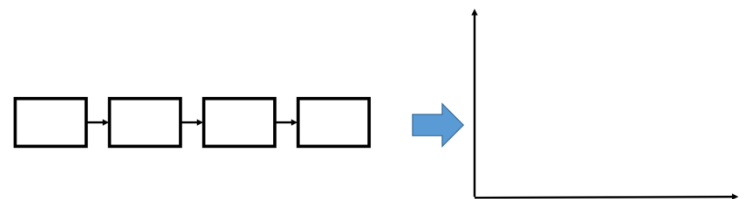
Principles for Improvement

This paper focuses on the principles for improving the work in the organization. We will use Figure 4 as a basis for describing these principles.

Focus on Process

A process can be thought of as a series of steps to produce some desired output. A process one component of a system (see Figure 5) where S = suppliers, I = inputs, P = process, O = Output and C = Customer. Each step of a process might have sub steps (procedures).

Figure 4. Process and Output



¹⁰ <http://bit.ly/gallup70percent>

¹¹ <http://bit.ly/googlegreatteam>

¹² Deming, W. Edwards, *The New Economics*, pp. 125-128, and *Out of the Crisis*, pp. 117-118.

¹³ Ackoff, Russell, *Systems Thinking For Curious Managers*

¹⁴ Deming, W. Edwards, *Out of the Crisis*, pp. 59-62.

¹⁵ Lencioni, Patrick, *The Five Dysfunctions of a Team*, 2002.

¹⁶ <http://bit.ly/hbrbeyondengage>

¹⁷ One definition of emotional intelligence: “the capacity of individuals to recognize their own, and other people’s emotions, to discriminate between different feelings and label them appropriately, and to use emotional information to guide thinking and behavior.” https://en.wikipedia.org/wiki/Emotional_intelligence

¹⁸ One definition of social intelligence: “the capacity to effectively navigate and negotiate complex social relationships and environments.” https://en.wikipedia.org/wiki/Social_intelligence

This principle reminds us to look at the process when we do not get the outputs that we want. Outputs might be measurable (such as performance) or observable (such as behavior) or it might be unmeasurable (but still must be managed). What are examples of these unknown and unknowable outputs? Some examples might include: impact of low morale, negative relationships, unclear operational definitions, to name a few.

Sometimes there is not one process that everyone agrees to follow. In this case there are many processes. A first start might be to get everyone who does this work to agree on the current best way to do a task or set of tasks. This could form the beginning of “standard work.”

Focusing on process means not focusing on the individual as the source of the problem when we want to understand the current state of a problem or issue. We can see strong connection between this principle and other principles of enterprise excellence, such as “respect for every individual” and “think systemically.” Figure 6 reminds us that there is an interaction between the individual and many systems. Even if your investigation traced the source of the problem to the individual and not to the process, you still need to look at the current state of your systems. How did your systems of engagement, alignment, education, or training cause the individual to act the way that they did?

Focus on process also means not focusing on results. You do not improve results by focusing on results. You improve results by focusing on (and improving) the processes that produce the results.

Ideal Behaviors Based on Focus on Process

What kinds of behaviors might we see if this principle was understood and applied in an organization? What behaviors would our systems drive? Here are some ideas:

Leaders: Look first at the process as the possible cause of an error, as opposed to blaming people first.

Managers: Coach front line staff to agree upon the current best way to carry out tasks in order to develop and improve standard work.

Front Line: Focus on agreement upon the current best way to carry out tasks and to create and improve standard processes of work.

Flow and Pull Value

This principle is really two principles in one statement. First, the customer defines value and pulls for value. This applies to internal customers as well as external customers. Second, the people the process respond by flowing value to the customer. Ideally, this occurs through single-piece flow or in small batches.

Using Figure 7 as an example, the customer pulls for what they need from step 4 of the process. Step 3 responds to re-supply step 4, step 2 responds by resupplying step 3 and step 1 responds by re-supplying step 2. Each step in the process produces only what is needed (pulled for) by the next step. When we don’t understand this principle, our tendency is to produce things before the customer needs them (batching). We also tend to provide things to the customer that do not provide value to them.

Figure 5. Processes and Systems

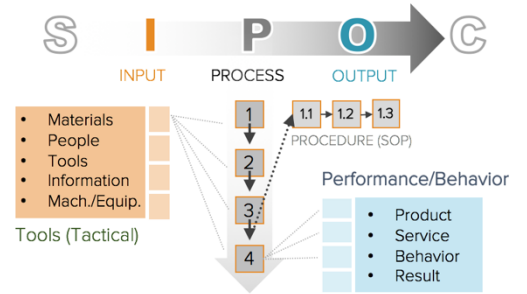


Figure 6. Individual/System Interaction

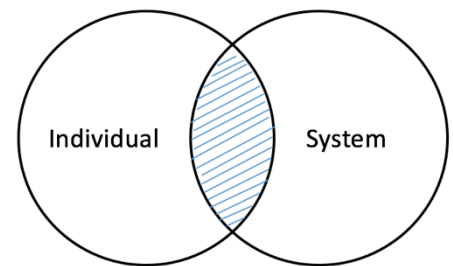
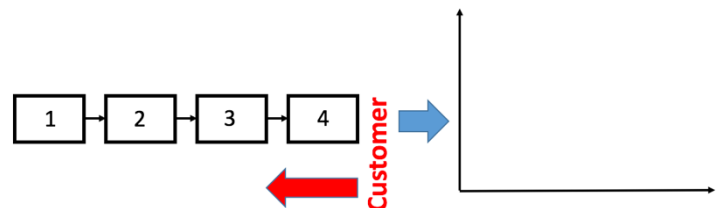


Figure 7. Flow and Pull Value



Ideal Behaviors Based on Flow and Pull Value

What kinds of behaviors might we see if this principle was understood and applied in an organization? What behaviors would our systems drive? Here are some ideas:

Leaders: Constantly listen to external customers regarding what provides value and translate that to managers and front line staff.

Managers: Monitor and avoid creating or having more product of services than are necessary to serve both internal and external customers.

Front Line: Organize the work so that the customer (internal and external) gets what they value.

Assure Quality at the Source

The prevailing style of management depends on inspection to deliver quality. The principle of “assure quality at the source” tells us to build quality (as defined by the customer) into the process and to be willing to “stop the line” should there be any indication of defects along the way as illustrated in Figure 8.

Ideal Behaviors Based on Assure Quality at the Source

What kinds of behaviors might we see if this principle was understood and applied in an organization? What behaviors would our systems drive? Here are some ideas:

Leaders: Go to the gemba to observe, ask questions, and coach in order to understand how quality is being built into the process and how defects are being signaled and addresses.

Managers: Encourage and recognized front life staff for designing quality of service or product with the customer in mind and for stopping the line when defects occur.

Front Line: Organize the work so that potential problems become visible immediately.

Understand and Manage Variation

Every process (and system) produces variation in output.

There are two types of variation (illustrated in Figure 9) as random (common cause) variation and special (assignable cause) variation. The type of variation determines the correct management action. When reacting to common cause variation, it is important to not react to the individual data points. There is no rational reason to ask people to explain the random ups and downs. To do so actually makes matters worse. When signals of special cause variation are present (toward the “desirable” or the “undesirable” direction), it makes sense to investigate why in order to find the possible cause. If the cause leads to undesirable results, you can remove or address the cause. If the cause is producing desirable results, you can perhaps build those factors into the process to produce more desirable results in the future.

Imposing a goal or target on a process that is producing random variation will not lead to improvement. The process cannot perform beyond its capability. The appropriate action is to look “upstream” to study and improve the process as illustrated in Figure 10.

The most important application of this principle is not when you are dealing with measurable processes, but with people. The same concepts of random and special cause variation apply with

Figure 8. Quality at the Source

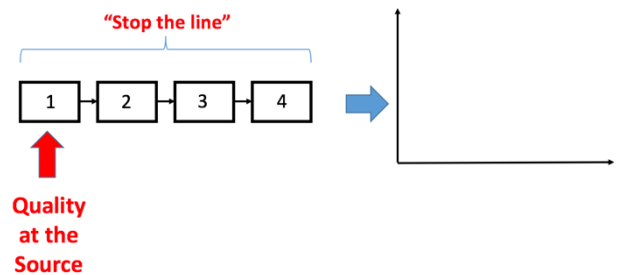


Figure 9. Two Types of Variation

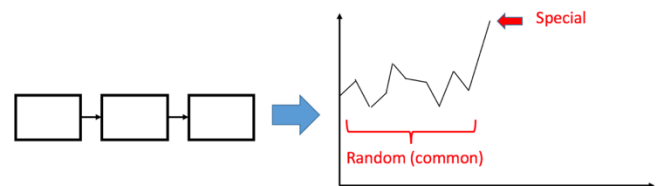
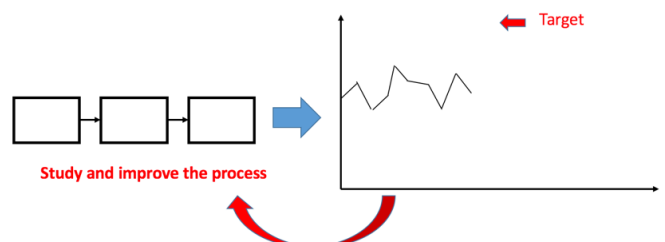


Figure 10. Variation and Targets



observable behaviors as well as measurable results.

Under the prevailing style of management, our tendency is to make matters worse – roughly 80% of the time, as illustrated in Figure 11. In many situations, we are dealing with random variation in systems and processes as it relates to outcomes that can be measured and in the behaviors of people. We'll assign a value of 90% to this (column 1 in Figure 11.) This leaves roughly 10% of the time we may be dealing with special cause variation¹⁹.

Under the prevailing style of management, our inclination is to ask for, and look for, the explanation of individual data points (row 1 in Figure 11.) This leaves roughly 10% of the time that we may step back and study the causes of the variation. If you do the multiplication, you will see that $0.90 \times 0.90 = 0.81$. This means that under the present style of management, we are making matters worse approximately 80% of the time. More information on this principle can be found at this link: <http://bit.ly/understandvariation>

Ideal Behaviors Based on Understand and Manage Variation

What kinds of behaviors might we see if this principle was understood and applied in an organization? What behaviors would our systems drive? Here are some ideas:

Leaders: When reacting to events, behaviors or measurable results, ask if the variation appears to be due to random causes, or a possible special cause, then take the appropriate action.

Managers: Coach the front line staff to plot important measurable results by hand and teach them the difference between random and special cause variation.

Front Line: Plot important measurable results by hand, and discuss what this means with colleagues. If the processes appear to be producing random variation only, work with managers and staff to study the possible systemic causes.

Embrace Scientific Thinking

If a process is not producing the output you want, and you've addressed special cause variation, the next step is to test ideas for improving the process as illustrated in Figures 12 and 13. This approach is not what we typically see under the prevailing style of management. Our typical pattern tends to be Plan-Do-Plan-Do, etc. We rarely complete the "study and act" steps of the cycle. When we do apply the cycle, our tendency is to only make one trip through the cycle.

Ideal Behaviors Based on Embrace Scientific Thinking

Figure 11. Making Matters Worse

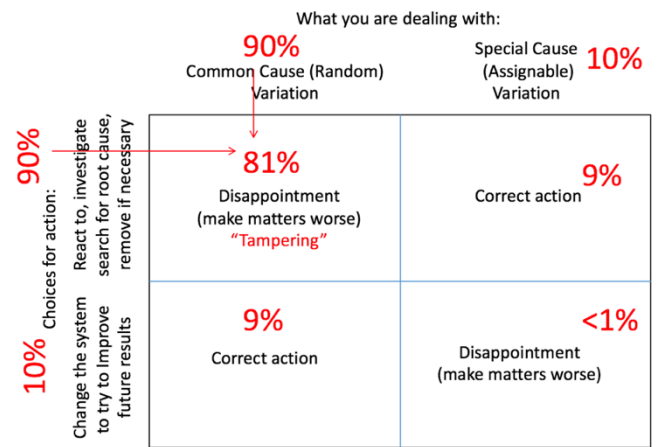


Figure 12. Embrace Scientific Thinking

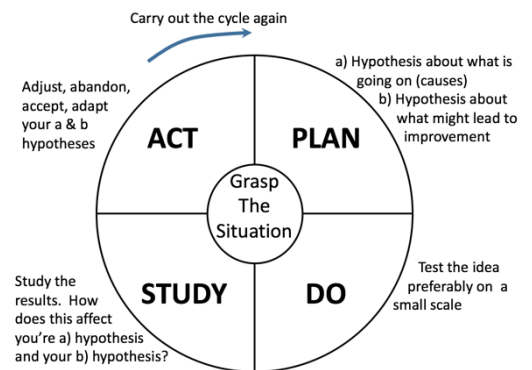
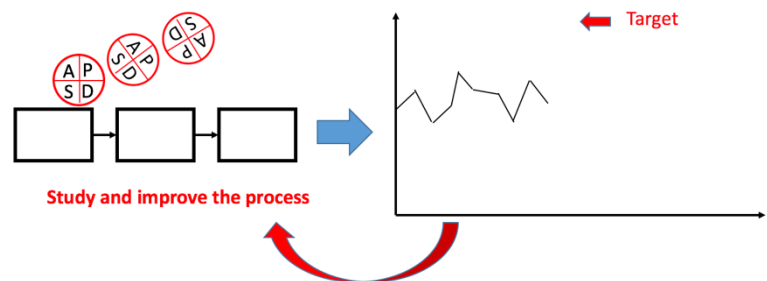


Figure 13. Continuous Application of PDSA Cycle



¹⁹ In *The New Economics*, Dr. Deming estimated that, in his experience, most troubles and most possibilities ties for improvement add up to proportions something like this: 94% belong to the system (the responsibility of management) 6% are attributable to special causes (p. 33).

What kinds of behaviors might we see if this principle was understood and applied in an organization? What behaviors would our systems drive? Here are some ideas:

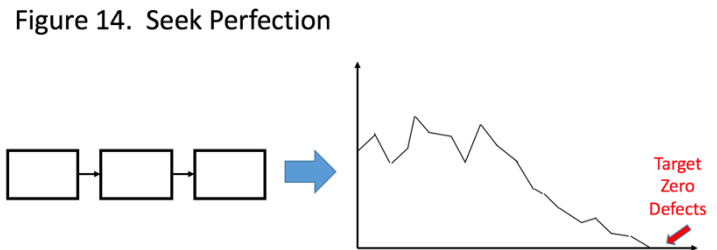
Leaders: Have an organized way to learn from failures as well as successes.

Managers: Encourage employees to explore new ideas without fear of failure.

Front Line: Follow a structured process for solving problems.

Seek Perfection

Good enough never is. In an organization that understands and embraces this principle, every situation provides an opportunity to make processes, and therefore outputs, better and better. This requires the discipline of incremental improvement – by everyone. Seek perfection is not the same as “demand perfection” or “expect perfection.”



Ideal Behaviors Based on Seek Perfection

What kinds of behaviors might we see if this principle was understood and applied in an organization? What behaviors would our systems drive? Here are some ideas:

Leaders: Challenge themselves and others in the organization to continuously search for ways to continuously improve processes and systems to provide value to customers, internal and external.

Managers: Seek to create long-term solutions rather than leave temporary fixes in place.

Front Line: Design, follow and improve all work practices.

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@instituteexcellence.org

Max Brown

Partner

Max.brown@instituteexcellence.org

Mike Stoecklein

Partner

Mike.stoecklein@instituteexcellence.org