

Institute For Enterprise Excellence



Bringing Purpose To Life

Principles for Personal and Organizational Transformation – Part 1 (Enable)

April 2016

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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.

In this paper, we describe the principles behind the IEX model, specifically those principles primarily focused on enabling people to be engaged in, and improve their work systems.

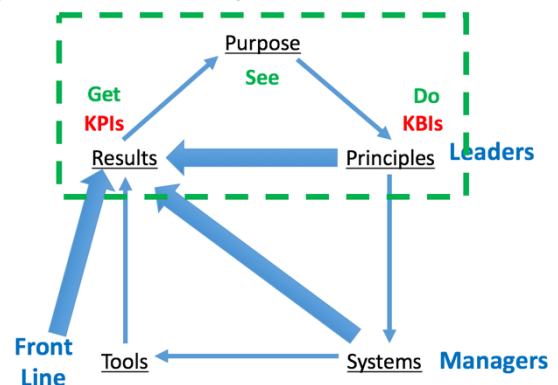
Review of the Model

In our first white paper “Foundations for Transformation”¹ we described a model for sustainability (see Figure 1) and a briefly introduced the model for velocity (see Figure 2).

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.

Figure 1. Sustainability Model



¹ <http://bit.ly/IEXfoundations5>

² <http://bit.ly/evolvingworldview3>

³ <http://bit.ly/practicalwisdom3>

6. There is a model for deployment⁴ that can help executives who wish to apply this knowledge every day in their organization in order to bring their purpose to life.

Review of Principles

In our first white paper,¹ we described some of the important business principles of enterprise excellence, grouped into domains of 1) alignment, 2) enabling and 3) improvement.⁵ 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

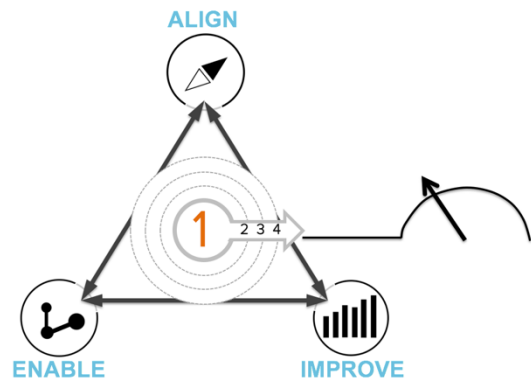
Enable

- 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
- Seek perfection

Figure 2. Transformation Velocity



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

⁴ <http://bit.ly/IEXdeploy1>

⁵ 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>

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.

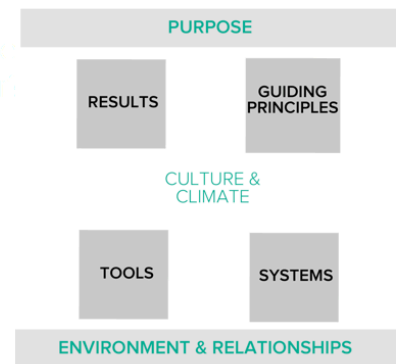
Environment and Relationships – A critical foundation

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.”⁶
2. Research from 2015 provided by Gallup, Inc. indicated managers account for 70% of the variance in employee engagement.⁷
3. A recent study by Google researches 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.⁸ This conclusion should not come as a surprise, as this was pointed out by both W. Edwards Deming⁹ and Russell Ackoff¹⁰ 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. Deming¹¹ pointed out the need to drive fear out of the workplace, and Patrick Lencioni¹² 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.”¹³

Figure 3. Environment and Relationships



⁶ Buckingham, Marcus, *First Break All The Rules*

⁷ <http://bit.ly/gallup70percent>

⁸ <http://bit.ly/googlegreatteam>

⁹ Deming, W. Edwards, *The New Economics*, pp. 125-128, and *Out of the Crisis*, pp. 117-118.

¹⁰ Ackoff, Russell, *Systems Thinking For Curious Managers*

¹¹ Deming, W. Edwards, *Out of the Crisis*, pp. 59-62.

¹² Lencioni, Patrick, *The Five Dysfunctions of a Team*, 2002.

¹³ <http://bit.ly/hbrbeyondengage>

6. Learning more about emotional intelligence¹⁴ and social intelligence¹⁵ can provide guidance to managers who wish improve the environment and relationships in their sphere of influence.

Principles for Enabling

We begin with the principles for enabling which provide the basic elements for psychological safety for people to feel comfortable to point out issues, bring forth ideas and feel real ownership in their work and improving the work. These are also the principles that must be first modeled by leadership if the transformation effort is to be successful.

Respect Every Individual

Respecting every individual is more than “being nice to people,” but rather sees every person as a human being who has a unique viewpoint that deserves to be heard and understood. It also means helping every person achieve their full potential. Respecting people means listening to them, understanding the real nature of their problems along with them; understanding what may be causing the problems, and allowing people to surface and test countermeasures.

Every human seeks recognition and his importance in the enterprise deserves to be clearly acknowledged through actions by management. Dr. W. Edwards Deming understood this when he described the “Role of a Manager of People”:

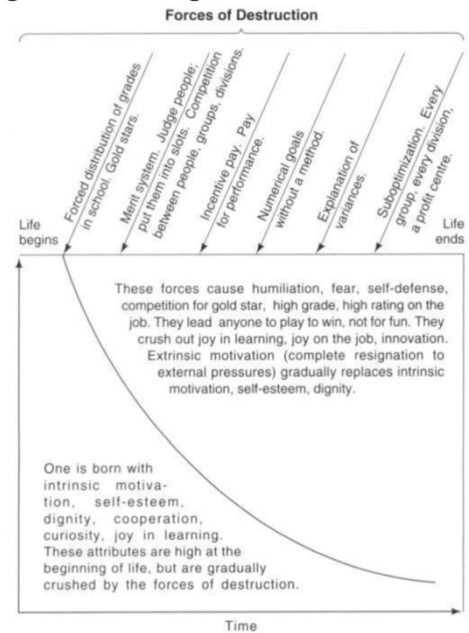
“A manager of people understands that people are different from each other. He tries to create for everybody interest and challenge, and joy in work. He tries to optimize the family background, education, skills, hopes, and abilities of everyone.”¹⁶

The prevailing style of management seems to view people as an expense, a commodity, a resource to be used (and often discarded). Dr. Deming illustrated the effects of the prevailing style of management (applied in education and at work) on every individual in Figure 4 which he described in his 1993 book, *The New Economics*.⁵

This principle is known as “Respect for People” by Toyota and is one of two pillars of The Toyota Way¹⁷ (the other pillar being “continuous improvement.” The principle has existed for many decades within the Toyota management system, but has mostly been ignored by outsiders. Bob Emiliani summarizes the problem with the oversight of this principle as follows:

“As many people have found out firsthand, practicing only the “continuous improvement” principle (called ‘Betterment’ in the old days, leads to many problems. Foremost among them is management’s desire to improve efficiency and productivity usually results in layoffs, which slows down or halts improvement efforts. Root cause analyses of the problems that arise when only the “continuous improvement” principle is practiced indicates a countermeasure that today we call the “respect for people” principles. This point is worth repeating: “Respect for People” (Cooperation) is the primary countermeasure for bungled continuous improvement (Betterment) efforts. That’s why it is a Toyota Way principle.”¹⁸

Figure 4. Deming’s Forces of Destruction



¹⁴ 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

¹⁵ One definition of social intelligence: “the capacity to effectively navigate and negotiate complex social relationships and environments.” https://en.wikipedia.org/wiki/Social_intelligence

¹⁶ *The New Economics for Industry, Government, Education*, Deming, W. Edwards.

¹⁷ “The Toyota Way 2001,” Toyota Motor Corporation, Internal document, Toyota City, April 2001.

¹⁸ “The Equally Important ‘Respect for People’ Principle, Robert Emiliani, published in *Real Lean: The Keys to Sustaining Lean Management*, 2008.

Ideal Behaviors Based on Respect Every Individual

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: Routinely provide employees with opportunities to grow in their jobs. Proactively resolve issues that affect health, safety and the environment. Encourage and reward safety issues (including psychological safety) that are brought forward. When in the gemba, leaders seek to understand patterns of barriers and problems that impede achieving the goals of the organization.

Managers: Involve front-line staff in improving the work in their area. Provide coaching for problem solving, by first listening to understand. Proactively identify and resolve issues that affect health, safety and the environment. Encourage and reward safety issues (including psychological safety) that are brought forward

Front Line: Proactively identify and resolve issues that affect health, safety and the environment. Engage in active listening to better understand and show respect. Help develop and document current best processes (standards) that represent the agreement about the current best way to do the work today, and use this as a basis for improvement.

Lead With Humility

The prevailing view of nearly every organization is illustrated in Figure 5.¹⁹ This hierarchical view sends several messages:

- 1) There are a few people at the top of the organization, and many at the bottom.
- 2) The people at the top are different from – even better than – the people at the bottom.
- 3) The people at the top do the thinking (and have the answers), the people at the bottom do the work (and do as they are told).
- 4) The primary purpose of the structure is “command and control.”
- 5) When asked “who is your customer?” any person in the structure would logically answer “my boss.”

This view of the organization is not based on the principle of “lead with humility” but rather “lead with arrogance.” How can misunderstanding (or ignoring) this principle put your company out of business? The answer to this can be found in the 2009 book *How The Might Fall*²⁰ written by Jim Collins as a sequel to his best-selling 2001 book *From Good To Great*.²¹ In the original book, Collins researched eleven companies that demonstrated the ability to move from merely good to great (as defined primarily by financial performance in the stock market). Collins (and the rest of the world) noticed that all eleven of these “great” companies plummeted from their previous stellar performance starting in 2008. Several factors for this dramatic change were identified. The number one cause was “arrogance” – the belief that they had all the answers and that past success meant continued success in the future.

Leading with humility includes viewing the organization differently. Figure 6 describes how this might look. What messages does this view send?

Figure 5. Prevailing View of an Organization

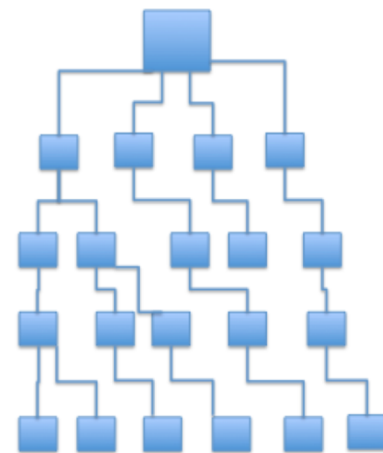
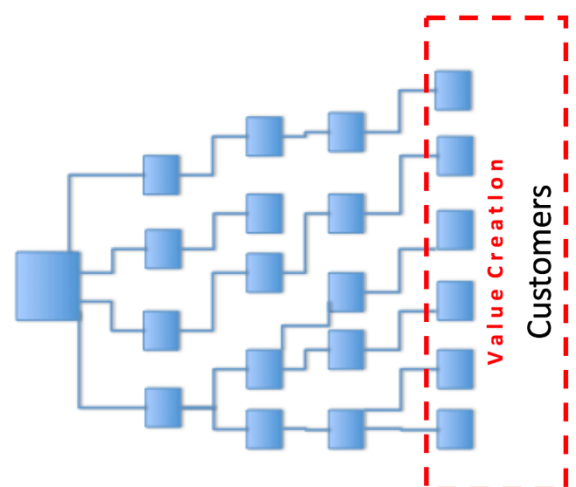


Figure 6. New View of the Organization



¹⁹ The history of the use of the organizational chart in management can be traced back to 1841 when there was a train wreck in Massachusetts. Peter Scholtes wrote about this in his book *The Leadership Handbook*.

²⁰ *How The Might Fall: And Why Some Companies Never Give In*, Jim Collins, 2009.

²¹ *Good To Great: Why Some Companies Make The Leap...And Others Don't*, Jim Collins, 2001.

- 1) Value is defined by the customer and value creation occurs closest to the customer.
- 2) Management is not about “command and control” but rather “communication and coaching.”
- 3) People in the organization are no different (or better) than others, they simply have different roles.
- 4) Management needs to go to where the value is added to understand the current state and to make it possible for the value creators to do their job more effectively.

In his 2014 book *Lead With Humility*,²² Jeffrey Krames identified several attributes of leadership by reflecting on the lessons from Pope Francis I. These include:

- 1) No one is greater than any other human being.
- 2) Everyone has a series of virtues, qualities and a greatness of his own.
- 3) Take care not to do things that signal to your direct reports or other workers or colleagues that you are above them. That may mean moving out of the corner office to an inside office or even a cubicle. Such an act says “I am not above you; I am one of you, and I make mistakes, get angry and live through the same things you do.” You hear things that you wouldn’t hear if you were ensconced in a corporate suite. Being in a cubicle gives you a strong dose of reality.
- 4) Spending company funds more wisely. If you tend to spend an inordinate amount of money for office or holiday parties, simplify them, scale them down, and let your employees suggest and vote on a good cause to which the extra money could be contributed.
- 5) The most humble leaders will focus on service. If you change your view of your role as a leader – from one who gives orders to members of your team to one who serves your reports – you open up opportunities that did not exist before.
- 6) Engage people in in-depth conversations. Dialogue is born from a respectful attitude toward the other person, from a conviction that that the other person has something good to say. It supposes that we can make room in our heart for their point of view, their opinion, and their proposals. Dialogue entails a warm reception and not a preemptive condemnation. To dialogue, one must know how to lower the defenses, to open the doors of one’s home and to offer warmth.

In a 2013 Harvard Business Review blog post, John Dame and Jeffrey Gedmin point out that “We have scores of books, articles, and studies that warn us of the perils of hubrisyet the attribute of humility seems to be neglected in leadership development programs.”²³ They identified six principles for developing humility as a leader:

- 1) Know what you don’t know.
- 2) Resist falling for your own publicity.
- 3) Never underestimate the competition.
- 4) Embrace and promote a spirit of service.
- 5) Listen, even (no *especially*) to the weird ideas.
- 6) Be passionately curious.

Ideal Behaviors Based on Lead With Humility

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: Maintain open and honest two-way communication with everyone throughout the organization. Treat all ideas as equal in value, no matter whose idea it is. Ask supportive questions rather than giving answers or solutions. Actively seek input from everyone to encourage solutions that are built by collaboration.

Managers: Maintain open and honest two-way communication with everyone throughout the organization. Treat all ideas as equal in value, no matter whose idea it is. Ask supportive questions rather than giving answers or solutions. Identify and communicate trends about what is working and what is not.

²² *Lead With Humility: 12 Leadership Lessons From Pope Francis*, Jeffrey A. Krames, 2014.

²³ <https://hbr.org/2013/09/six-principles-for-developing>

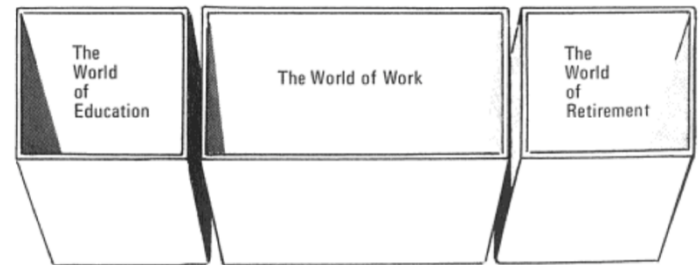
Front Line: Listen to and communicate feedback from the customers, fellow staff members, and stakeholders that may impede the value-creation process.

Learn Continuously

We tend to view our lives as a series of three periods or “boxes” as illustrated in Figure 7 and described by Richard Bolles in his 1981 book *The Three Boxes of Life and How to Get Out of Them*.²⁴

The first period is “getting an education” followed by (and separate from) making a living (the world of work) and finally the world of retirement (play). As Bolles states it, “The box-like nature of these three phases of our lives is further accentuated by what it is that happens to us, time wise, in each one. If we look, for example, at the time devoted to ‘getting an education,’ the cultural expectation is that while we are in the first box (from age five through 18, 22 or whatever) the major portion of our time will be devoted to that task. While we are in the second box, however, the cultural expectation is that only a relatively small proportion of our time will be devoted to formal education – and that, mostly to upgrade our work skills or to prepare us for a change in career.”¹¹

Figure 7. The Three Boxes of Life



This view may have worked in the industrial age (a topic we discussed in our second paper “Evolving World View”²) but it will not serve us in the age we find ourselves in now. Most of what we have been taught in school is outdated or incorrect, and the rate of change required to understand and work in the world today is accelerating every day.

Learning – continuously - is not something that can be isolated to the “first box of life” and it is not a luxury that we devote time and resources to “when we have some extra time.” Learning needs to be a principle embraced by every person in every organization if nothing than purely for survival. Learning is the work. Dr. W. Edwards Deming understood this when he often stated, “Survival is not compulsory. Improvement is not compulsory, but improvement is necessary for survival.”²⁵

Ideal Behaviors Based on Learn Continuously

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: Ask “what did you learn?” when interacting with colleagues, managers and front line staff. Embrace continuous learning by asking questions and listening emphatically to understand. Learn and then teach managers on how to better engage and support their areas of responsibility in achieving the goals of the organization.

Managers: Emphasize what they and others are learning on a daily basis, especially learning about experiments that failed. Identify learning as ongoing and actively seek ways to help the front-line staff develop their talents and skills.

Front Line: Discuss what they learn in their experiments for testing ideas for improvement. Engage in peer to peer idea sharing on a routine basis.

²⁴ *The Three Boxes of Life and How to Get Out of Them: An Introduction to Life/Work Planning*, Richard Bolles, 1981.

²⁵ W. Edwards Deming, personal correspondence with, July 1992.

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.

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