

Institute For Enterprise Excellence



Bringing Purpose To Life

Principles for Personal and Organizational Transformation – Part 2 (Align)

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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.

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.

In this paper, we describe 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.

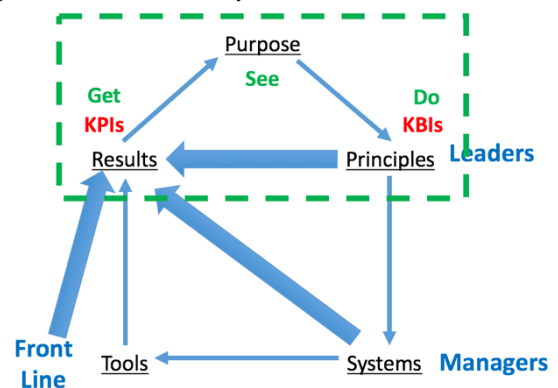
Review of the Model

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).

Figure 1. Sustainability Model



¹ <http://bit.ly/IEXFoundations5>

² <http://bit.ly/evolvingworldview3>

³ <http://bit.ly/practicalwisdom3>

⁴ <http://bit.ly/IEXdeploy1>

⁵ <http://bit.ly/enableprinciples1>

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 deployment⁶ 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 paper¹, we described some of the important business principles of enterprise excellence, grouped into domains of 1) alignment, 2) enabling and 3) improvement.⁷ 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

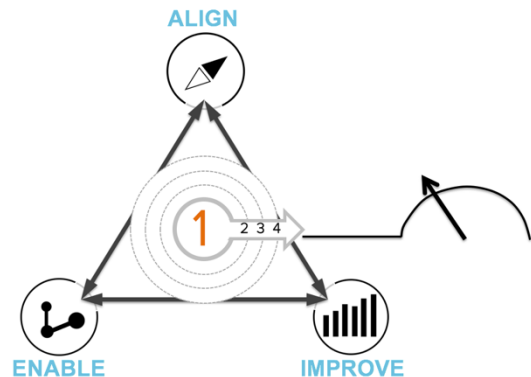
Enable

- 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

⁶ <http://bit.ly/IEXdeploy1>

⁷ 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>

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.

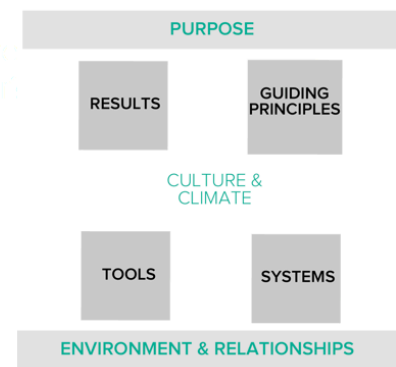
Environment and Relationships – A critical foundation

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.”⁸
2. Research from 2015 provided by Gallup, Inc. indicated managers account for 70% of the variance in employee engagement.⁹
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.¹⁰ This conclusion should not come as a surprise, as this was pointed out by both W. Edwards Deming¹¹ and Russell Ackoff¹² 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

Figure 3. Environment and Relationships



⁸ Buckingham, Marcus, *First Break All The Rules*

⁹ <http://bit.ly/gallup70percent>

¹⁰ <http://bit.ly/googlegreatteam>

¹¹ Deming, W. Edwards, *The New Economics*, pp. 125-128, and *Out of the Crisis*, pp. 117-118.

¹² Ackoff, Russell, *Systems Thinking For Curious Managers*

should not come as a surprise. Deming¹³ pointed out the need to drive fear out of the workplace, and Patrick Lencioni¹⁴ 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.”¹⁵
6. Learning more about emotional intelligence¹⁶ and social intelligence¹⁷ can provide guidance to managers who wish improve the environment and relationships in their sphere of influence.

Principles for Alignment

This paper focuses on the principles for alignment which provide guidance for everyone in the organization to achieve the organization’s purpose.

Create Value for the Customer

One of the contributions that Dr. W. Edwards Deming gave to the world is the view of the organization as a system as shown in Figure 4 (from *The New Economics*¹⁸). Dr. Deming taught us that the customer is the most important part of the system, and that quality should be aimed at the needs of the customer, both present and future. Without customers, you do not have a company.

The customer defines value, but they often do not know how to articulate what that is. We need

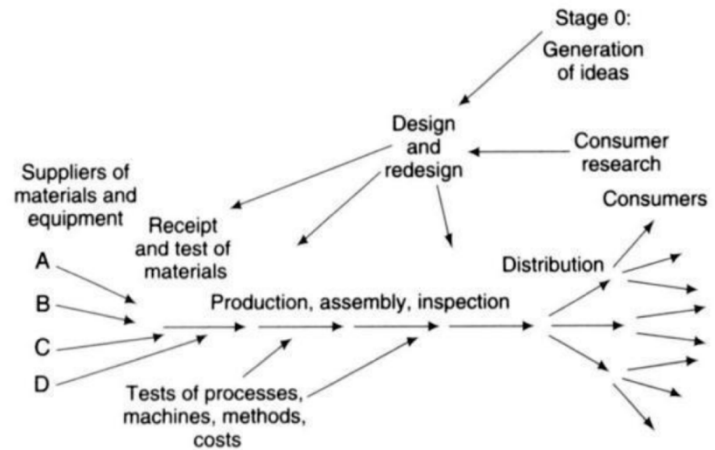
systems and processes that notice what the customers might need, what would help them, both now and in the future. The impact of poor quality (not providing value to the customer) is described as follows by Dr. Deming:

“Poor quality begets poor quality and lowers productivity all along the line, and some of the faulty product goes out the door, into the hands of the customer. An unhappy customer tells his friends. The multiplying effect of an unhappy customer is one of those unknown and unknowable figures, and likewise for the multiplying effect of a happy customer, who brings in business.”¹⁹

This principle applies not only to the ultimate customers of a company (the end users), but to internal supplier-customer relationships as well. When we understand the organization as a system, we will understand that the system view (Figure 4) as a fractal, which is defined as follows:

“A fractal is a never-ending pattern. Fractals are infinitely complex patterns that are self-similar across different scales. They are created by repeating a simple process over and over in an ongoing feedback loop. Driven by recursion, fractals are images of dynamic systems – the pictures of Chaos. Geometrically, they exist in between our familiar dimensions.”²⁰

Figure 4. The organization viewed as a system



¹³ Deming, W. Edwards, *Out of the Crisis*, pp. 59-62.

¹⁴ Lencioni, Patrick, *The Five Dysfunctions of a Team*, 2002.

¹⁵ <http://bit.ly/hbrbeyondengage>

¹⁶ 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

¹⁷ One definition of social intelligence: “the capacity to effectively navigate and negotiate complex social relationships and environments.” https://en.wikipedia.org/wiki/Social_intelligence

¹⁸ *The New Economics, 2nd Ed.*, W. Edwards Deming, p. 58

¹⁹ *Out of the Crisis*, W. Edwards Deming, p. 11.

²⁰ <http://fractal.foundation.org/resources/what-are-fractals/>

This means that the same attention to the needs of the ultimate customer must also be the focus of our internal customer-supplier relationships.

Ideal Behaviors Based on Create Value for the Customer

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: Continuously listen to and translate the “voice of the customer” so that it is clearly understood. Facilitate dialogue and interactions within the organization to create positive internal customer-supplier relationships.

Managers: Collaborate with other managers to design systems that foster up-stream and down-stream customer-supplier relationships. Coach front line employees to build “voice of the customer” processes into daily systems.

Front Line: Discuss and surface “voice of the customer” (both internal and external) issues and ideas in daily improvement work.

Constancy of Purpose

If we view the organization as a system as in Figure 4 we would understand that (like any system) there needs to be a common aim. This is the organization’s purpose. The statement of purpose answers these questions:

- 1) What needs exist in society that we are trying to meet?
- 2) What are the current needs and the future needs?
- 3) What business are we in?
- 4) What business ought we be in?

A useful statement of purpose is more than a mission, vision or values statement that is merely “bolted on” to the organization. A simple, succinct statement of purpose helps pull everyone in the organization into the future as they meet the needs of customers.

Maintaining constancy of this purpose is difficult. Dr. Deming described lack of constancy of purpose as one of the “seven deadly diseases” of Western management, and this one in particular he called “the crippling disease.”²¹ The temptations to focus on the short-term or the distractions of the day are difficult to resist.

Ideal Behaviors Based on Constancy of Purpose

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: Establish and communicate a simple, succinct statement of purpose that drives a compelling direction for everyone in the organization.

Managers: Work with leaders, fellow managers and front-line staff to set meaningful goals that will help achieve the organization’s purpose.

Front Line: Work with colleagues to set meaningful goals that connect to the work of the departments to the organization’s purpose.

Think Systemically (not “systemATically”)

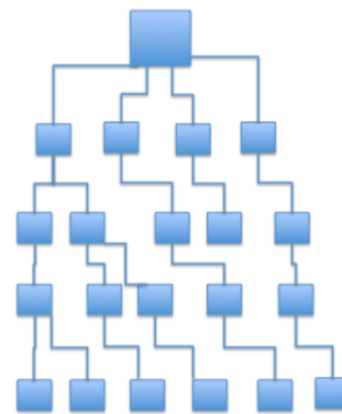
If we are to provide value to the customer (both internal and external) and maintain constancy of purpose, it is imperative that we understand how systems work. Systems thinking is not something that we were taught in school nor on the job, but it will be critical for success.

²¹ *Out of the Crisis*, W. Edwards Deming, p. 24-26, 98.

We discussed the evolution in thinking required in our second white paper “Evolving World View.”²² Here are some of the differences specific to seeing the world with a “systems” view as compared to our prevailing (machine) view of the world:²²

- 1) We are overly focused on the parts (reductionism) to the exclusion of the whole (holism).
- 2) Our view is excessively hierarchical (we tend to view the organization as in Figure 5) to the exclusion of more complex, distributed networks (Figure 4).
- 3) We are over reliant on static categories rather than part-whole groupings that results from perspectives.
- 4) Our prevailing view is overly linear and causal at the expense of seeing nonlinear webs of causality.
- 5) We are biased toward seeing structural parts but overlooking dynamic relationships.
- 6) Our view is based on bivalent (2-states) rather than multivalent (many states) logic. We tend to think in terms of “this or that” versus “this and that (and that, and that, etc.)”

Figure 5. Prevailing View of an Organization

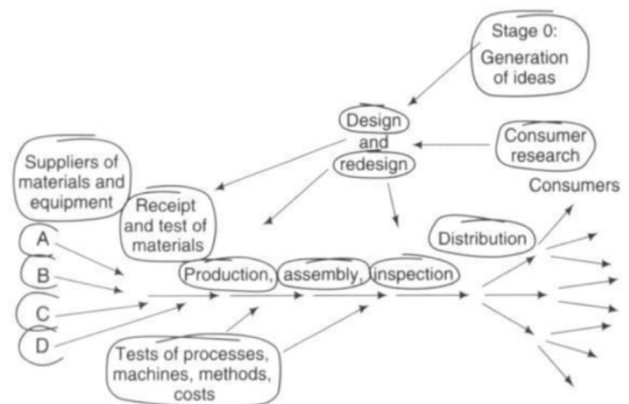


Another key concept that systems thinkers understand is the idea of optimization of the system, which (by definition) requires that the parts of a system will be sub optimized. If the parts of an organization think only of themselves, the result is a system that is destroyed. Figure 6 (from *The New Economics*) illustrates what happens when the parts of an organization are pitted against each other. Here’s how Dr. Deming describes the phenomenon:

“Suppose that we take the flow diagram and break it up into competitive components: consumer research for one, design of product another, redesign another, each supplier for himself, etc. Every component now becomes competitive with the others. Each one now does his best, by some competitive measure, to make a mark for himself. Can anyone blame him? This is his only hope of survival.”²³

You will find this in most any organization that is managed by the prevailing style of management. The supposition is that the organization is a set of parts, and if each part does its best, then the organization as a whole will do its best. In reality, we see the exact opposite. The typical approach for managing productivity is a good example. Every department is given their productivity target. Their job is to hit that number. By doing so, they are less likely to cooperate and collaborate with other departments. Why would they? Such efforts would cause them to miss their productivity goals. In the end, everyone loses (including those who meet their productivity numbers) because the system as a whole is sub optimized.²⁴ Ironically, the end result makes the organization less productive.

Figure 6. Suboptimization of an Organization



Ideal Behaviors Based on Think Systemically

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: Work to eliminate barriers that prevent flow of ideas, communication, and collaboration.

²² *Systems Thinking Made Simple*, Derek and Laura Cabrera

²³ *The New Economics*, W. Edwards Deming, p. 66.

²⁴ More example of this important concept can be found in *The New Economics*, pages 67-90 and *The Deming Dimension*, Henry Neave.

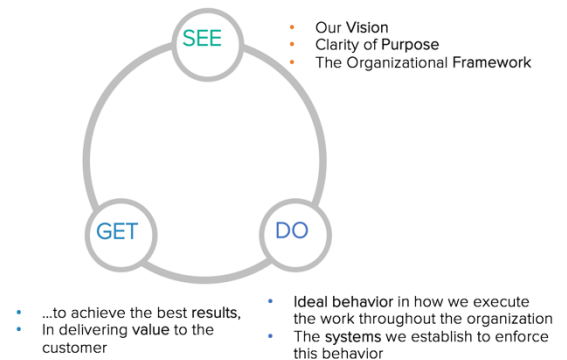
Managers: Involve both upstream and downstream areas in the design and redesign of systems for improvement.

Front Line: Include other staff when identifying causal factors for problems, and for ideas for improvement.

All twelve of the principles for enterprise excellence work together as a system to optimize the efforts of everyone to work together. It is possible to see the connections between these principles in this paper. Thinking systemically is essential if we are to provide value for customers (internal and external). Maintaining constancy of purpose requires thinking systemically and always thinking about the needs of the customer (now and in the future). Providing value to customers (internal and external) cannot happen unless we think systemically and maintain constancy of purpose.

Figure 7 illustrates that the way we see the world (as a system) determines what we do (work toward constancy of purpose and provide value to the customer) determines what we get.

Figure 7. See-Do-Get Relationship



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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