

# Institute For Enterprise Excellence



*Bringing Purpose To Life*

Foundations For Transformation: Linking Purpose, People and Process

February 2016

[Instituteforexcellence.org](http://Instituteforexcellence.org)

## 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.

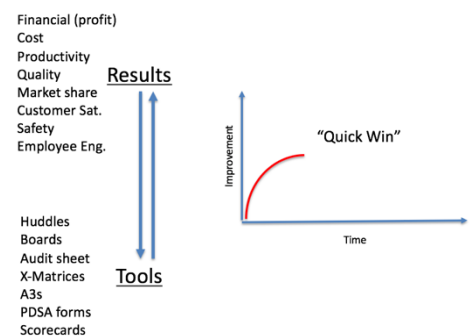
We have observed predictable patterns in companies that pursue company-wide improvement from nearly all industries and share them in this paper.

The foundations for transformation can be applied to not only business, but also government and education. This paper uses language primarily for business, however we have drafted a version with language focusing on education.<sup>2</sup>

### 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>3</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 the introduction of tools (solutions) without a good understanding of the problems you are trying to solve will not lead to sustained improvement. This phase can also produce other unintended consequences. We’ve asked many organizations what unintended 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.

<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/practicalwisdom4>

<sup>2</sup> <http://bit.ly/foundationforeducation5>

<sup>3</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.

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:

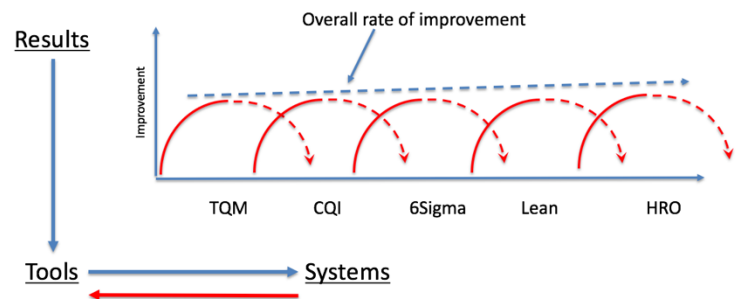
- time,
- people (who need to be replaced),
- the knowledge that these people take with them,
- value to the customer,
- ability to create value,
- loyalty,
- ability to learn,
- reputation.

### 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) as well as a push for Patient Experience (PTX). It is interesting to note that the overall rate of improvement stays 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:

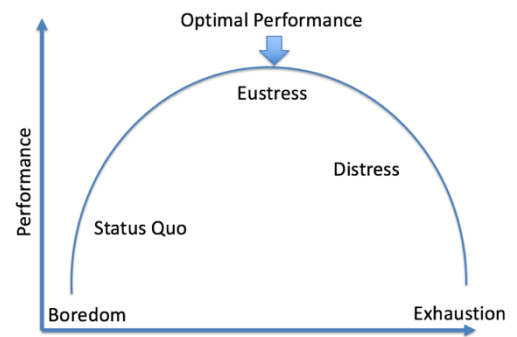
- complacency,
- teaching (but little learning),
- endurance,
- "wait it out" attitude,
- resentment,
- status quo,
- lack of challenge (not raising the bar).

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.

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

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>4</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.

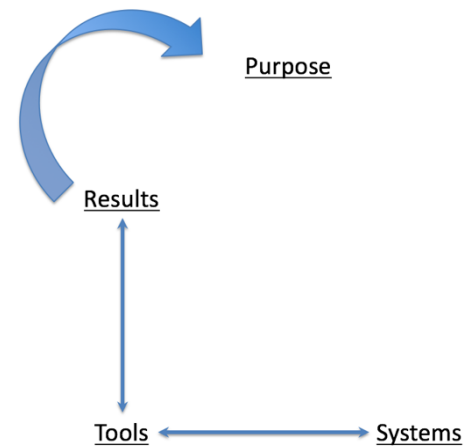
Figure 3. Eustress and Distress Curve



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>5</sup>

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. We elaborate on this point in our ninth white paper “True, True North.”<sup>6</sup>

Figure 4. “No Why, Know Why”



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>7</sup>
- US Synthetic - “We Improve Lives”<sup>8</sup>
- Southwest Airlines - “We connect people to what's important in their lives”<sup>9</sup>
- Sandoval Regional Medical Center - “Putting You First”<sup>10</sup>

<sup>4</sup> [http://www.valuebasedmanagement.net/methods\\_beckhard\\_change\\_model.html](http://www.valuebasedmanagement.net/methods_beckhard_change_model.html)

<sup>5</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>6</sup> <https://truetrueorth3>

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

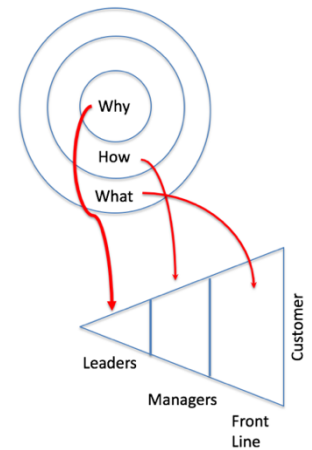
<sup>8</sup> <http://www.ussynthetic.com>

<sup>9</sup> <https://www.southwest.com>

<sup>10</sup> <http://unmsrhc.org>

Some useful concepts about the power of purpose can be found by studying the work of Simon Sinek<sup>11</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. 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 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.

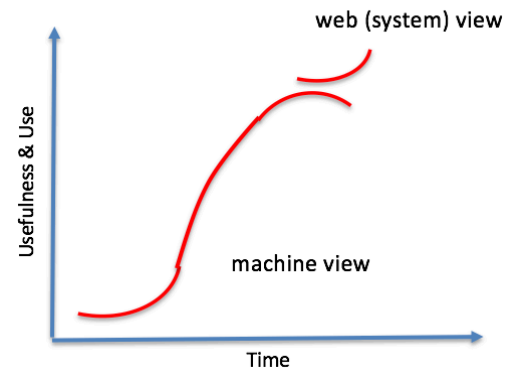
Figure 5. Simon Sinek’s “Golden Circle”



#### 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>12</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>13</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>14</sup> We explore the evolution of this new world view in our white paper “Evolving World View.”<sup>15</sup>

<sup>11</sup> *Start With Why*, Sinek, Simon

<sup>12</sup> *After the Clockwork Universe*, Goerner, S.J., 2001

<sup>13</sup> *The Machine That Changed The World*, Womack, J. and Jones, D., 1990

<sup>14</sup> *The Birth of Lean*, Shimokawa, K. and Fujimoto, T., 2009

<sup>15</sup> <http://bit.ly/evolvingworldview4>

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>16</sup>

#### Align

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

#### Enable

- Lead with humility
- Respect every individual
- Learn continuously

#### Improve

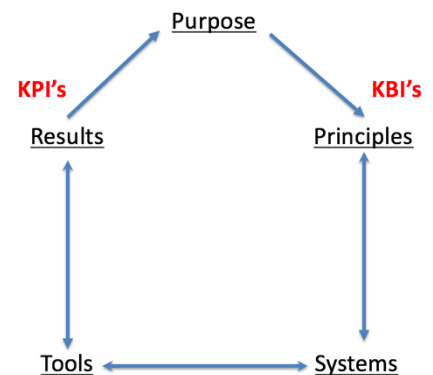
- Focus on process
- Provide quality at the source
- Flow and pull value
- Understand and manage variation
- Embrace scientific thinking
- Seek perfection

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>17</sup>

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>18</sup>

Figure 7. Learning New Principles



<sup>16</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>

<sup>17</sup> *Out of the Crisis*, W. Edwards Deming (Chapters 2 and 3). *The New Economics*, W. Edwards Deming, (Chapters 1 and 2).

<sup>18</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.

Our white papers, “Principles for Personal and Organizational Transformation – Part 1 (Align), Part 2 (Enable) and Part 3 (Improve)” discuss principles and ideal behaviors in all three dimensions in more detail.<sup>19,20,21</sup>

**Phase 5 – Putting the Pieces Together (A Way of Being)**

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.
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 that can help executives who wish to apply this knowledge every day in their organization in order to bring their purpose to life. We describe this model in our fourth white paper.<sup>22</sup>

Figure 8. Putting the Pieces Together

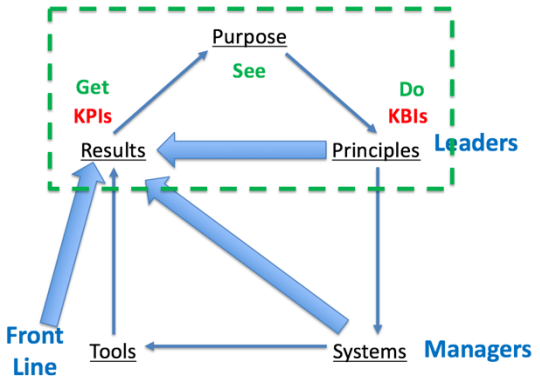
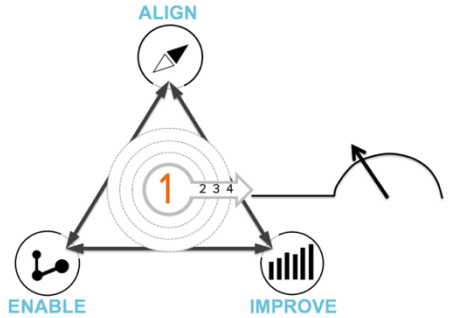


Figure 9. Transformation Velocity



**Environment and Relationships – A critical foundation**

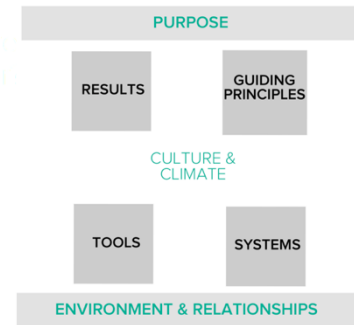
There are necessary conditions that must be in place in order for these models to be effective. We call this “environment and relationships” and see it as a foundation for the organization that wishes to transform from the “program” approach to a philosophy – a way of being. See Figure 10.

<sup>19</sup> <http://bit.ly/alignprinciples3>  
<sup>20</sup> <http://bit.ly/enableprinciples3>  
<sup>21</sup> <http://bit.ly/improveprinciples2>  
<sup>22</sup> <http://bit.ly/LEXdeploy3>

First, we provide some definitions for the terms in the middle of Figure 10 – culture and climate. We define the culture of an organization as “the sum of the collective behaviors at all levels in order to achieve the organization’s purpose.” If the ideal behaviors are not defined and modeled by senior management, people in the organization will achieve the purpose (usually with a narrow focus on results) by any means necessary. This might be through “fire-fighting, work-arounds and heroic efforts.” In this case, the culture of the organization is “fire-fighting, work-arounds, and heroic efforts.”

We consider an organization’s climate as a component of the culture, and see the climate as determined by senior management. Climate is the “mood” or “tone” that senior management sets. It is exhibited by what they tend to focus on, how they react to events, and how they interact with others.

Figure 10. Environment and Relationships



Here are some key points regarding “environment and relationships:”

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.”<sup>23</sup>
2. Research from 2015 provided by Gallup, Inc. indicated managers account for 70% of the variance in employee engagement.<sup>24</sup>
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.<sup>25</sup> This conclusion should not come as a surprise, as this was pointed out by both W. Edwards Deming<sup>26</sup> and Russell Ackoff<sup>27</sup> 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.”<sup>18</sup> Again, this should not come as a surprise. Deming<sup>28</sup> pointed out the need to drive fear out of the workplace, and Patrick Lencioni<sup>29</sup> 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.”<sup>30</sup>
6. Learning more about emotional intelligence<sup>31</sup> and social intelligence<sup>32</sup> can provide guidance to managers who wish improve the environment and relationships in their sphere of influence.

<sup>23</sup> Buckingham, Marcus, *First Break All The Rules*

<sup>24</sup> <http://bit.ly/gallup70percent>

<sup>25</sup> <http://bit.ly/googlegreatteam>

<sup>26</sup> Deming, W. Edwards, *The New Economics*, pp. 125-128, and *Out of the Crisis*, pp. 117-118.

<sup>27</sup> Ackoff, Russell, *Systems Thinking For Curious Managers*

<sup>28</sup> Deming, W. Edwards, *Out of the Crisis*, pp. 59-62.

<sup>29</sup> Lencioni, Patrick, *The Five Dysfunctions of a Team*, 2002.

<sup>30</sup> <http://bit.ly/hbrbeyondengage>

<sup>31</sup> 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](https://en.wikipedia.org/wiki/Emotional_intelligence)

<sup>32</sup> One definition of social intelligence: “the capacity to effectively navigate and negotiate complex social relationships and environments.” [https://en.wikipedia.org/wiki/Social\\_intelligence](https://en.wikipedia.org/wiki/Social_intelligence)



## 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, and can become the organization’s philosophy – a way of being.
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”). The health of the environment and relationships in an organization determine the necessary conditions for success.
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.

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## Our White Paper Series:

Our first white paper “Foundations For Transformation: Linking Purpose, People and Process”<sup>33</sup> describes 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”<sup>34</sup> describes the sources of knowledge that will be needed 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 explain the evolution of thinking that is the foundation for the principles of enterprise excellence.

Our third white paper “Practical Wisdom for Addressing Problems”<sup>35</sup> describes 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 white paper “One Approach to Deploying a Purpose and Principle-Driven Transformation”<sup>36</sup> 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 white paper “Principles for Personal and Organizational Transformation – Align”<sup>37</sup> describes the principles behind the IEX model, specifically those principles primarily focused on aligning the improvement efforts so that

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<sup>33</sup> <http://bit.ly/IEXfoundations5>

<sup>34</sup> <http://bit.ly/evolvingworldview3>

<sup>35</sup> <http://bit.ly/practicalwisdom3>

<sup>36</sup> <http://bit.ly/IEXDeploy2>

<sup>37</sup> <http://bit.ly/alignprinciples1>

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.

Our sixth whitepaper “[Principles for Personal and Organizational Transformation – Enable](#)”<sup>38</sup> describes the principles behind the IEX model, specifically those principles primarily focused on enabling people to be engaged in, and improve their work systems.

Our seventh paper “[Principles for Personal and Organizational Transformation – Improve](#)”<sup>39</sup> describes the principles behind the IEX model, specifically those principles primarily focused on improving the work.

Our eighth paper “[Systems By Design](#)”<sup>40</sup> describes the importance of design and redesign of key systems, in particular supporting systems of alignment, enabling and improvement. We describe a method, including a “system standard” that can help any executive and manager design and redesign key systems that will help them contribute to their organization’s purpose.

Our ninth paper “[True, True North](#)”<sup>41</sup> describes the benefits of more fully understanding True, True North and how this can avoid the trap of the narrow definition of True North only as measures. This matters, because without this understanding the pursuit of true north can merely be “management by results” in disguise.

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## **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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<sup>38</sup> <http://bit.ly/enableprinciples2>

<sup>39</sup> <http://bit.ly/improveprinciples1>

<sup>40</sup> <http://bit.ly/systemsbydesign1>

<sup>41</sup> <http://bit.ly/truetruenorth2>