Institute For Enterprise Excellence

Bringing Purpose To Life

One Approach to Deploying a Purpose and Principle-Driven Transformation

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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 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 third White Paper "Practical Wisdom for Addressing Problems"[2] 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. This is one of the primary causes of what we describe as the "Comfort of the Comfort Zone" or what others have called "flavor of the month" management. There are no recipes, formulas or prescriptions. But there is knowledge that can guide our actions.

In this paper, we share 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.

Theories and Methods That Do Not Work
Many organizations want to change their culture, to create a culture of continuous improvement. One definition of an organization's culture is "the sum of the behaviors exhibited in an organization regarding how we get results." We've seen four general approaches that organizations use to try to produce the kind behaviors that they want to see. All of them fail or fall short:
1. The "field of dreams" theory usually involves a high-energy kick-off meeting, with a rousing motivational speech from the CEO. It can often involve a "balloon drop" or perhaps motivational or inspirational presentations or videos. Although there is sometimes a "can do" spirit that is achieved, the effect does not last long. Sometimes no longer than the time it takes for the balloons to hit the floor.
2. The "documentation" theory involves the creation of a slick brochure (sometimes in multiple languages) which includes a detailed description of the kinds of behavior that leaders want to see from everyone in the organization. Many times these brochures are accompanied by a form that every employee must sign to indicate that they have read the brochure and will promise to exhibit this behavior. The form is likely to be placed in the employee's personnel file. Sometimes the brochures are small enough to be placed in a person's pocket (supposedly for quick reference) or the key points are placed on the back of the employee's identification badge. This theory does not work. The expensive brochures end up in the trash cans (or recycling bins).
3. The "beat them up" theory simply entails management telling people the behavior they want to see followed by threats and exhortations if those behaviors are not seen. The beating is not physical, but emotional, and it is real. Of course this will not win the hearts and minds of people. When he spoke of his 8th Principle for Transformation – Drive Fear Out of the Workplace, Dr. Deming would often advise, "the only people you'll have left working for you will be those who could not get a job somewhere else.[3]"
4. The "prescription" theory usually involves a detailed, step-by-step approach that, if followed, will get the organization to their desired future state. The approach is often heavy on tools that are pushed into the current systems. It is a "program" approach as we described in our first White Paper "Foundations for Transformation"[1] that results in what we call the "comfort of the comfort zone." Many people desire a roadmap, a formula, or a "paint by number" method, that will get them from their current state to a better future state. We have seen some prescriptive, step-by-step approaches, but these do not work for many reasons including those that discussed in our third White Paper "Practical Wisdom for Addressing Problems."[3]

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[1] http://bit.ly/IEXFoundations6
[2] http://bit.ly/Practicalwisdom4
[3] A common comment at every Deming 4-Day Seminar.

One Approach That Does Work
If the aforementioned theories do not work, is there an option that DOES work? In our experience, the answer is "yes." The remainder of this paper outlines an approach that has led to a sustained cultural transformation in many organizations in multiple industries. The approach requires three necessary foundational elements for success:

1) Creating a psychologically safe environment. This means that leadership needs to foster an environment where everyone in the organization feels that they can take risks without feeling insecure or embarrassed.
2) Leadership (defined by the CEO, and those who report to the CEO) must lead the effort. This is not a task that can be delegated to a Vice President, nor to an improvement support team.
3) Three principles for enterprise excellence must be studied and understood by the organization's leadership: a) lead with humility, b) respect every individual, and c) learn continuously.

Multiple Swim Lanes
The deployment model focuses on strategic activity for five groups in the transforming organization:
1) Leadership
2) Internal support and coaching resources
3) Strategically-selected model cell areas (also called learning or focus areas)
4) A plan to respond to "pull" from the organization.
5) A plan to communicate with and educate the "macro system."

Figure 1 is a visual representation of these 5 swim lanes, and the key activities and cadence for each lane.

Some organizations have attempted to deploy the new thinking and managing broadly across the entire organization at one time and in short time period. In our experience, this approach will not work. Everyone does not "jump into the swimming pool" at the same time, and each group in the specific lanes has unique responsibilities. The deployment process needs to be grown organically, not managed like a machine. It is more helpful to think and act like a gardener, and not like a mechanic. More is not always better, and "fast" (without coordination) is not going to yield the desired results.

Figure 1.
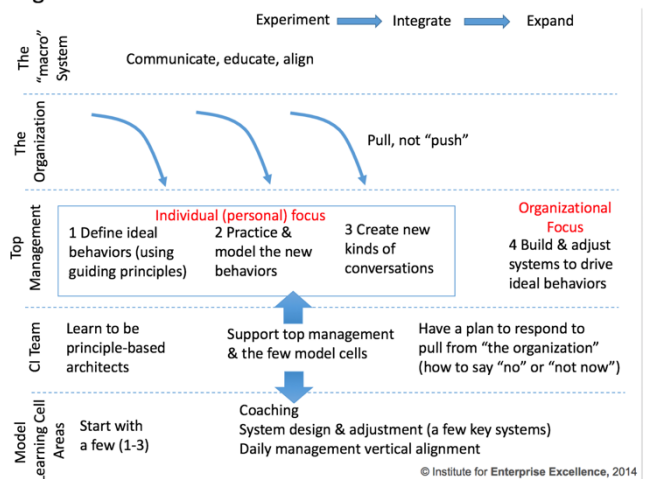
This next section describes the roles and responsibilities for each of the swim lanes, as well as the timing and cadence.

Leadership
We define this group as the CEO of the organization and the people who report directly to the CEO. The cultural transformation must be led by this group, and this responsibility cannot be delegated. The first step for this group is an introduction of the principle-based model for transformation (described in our first White Paper "Foundations For Transformation."[1]) Once an organization's leadership has some fundamental understanding of the sustainability and velocity models, as well as some personal reflection on the guiding principles for enterprise excellence, they are better prepared to start to apply these principles in the organization. The first steps are experiments, to learn what will and won't work in the organization.

The individuals in this group must begin a personal reflection journey focusing on the principles for enterprise excellence. Our fifth, sixth and seventh white papers describe the principles in more detail, as well as examples of ideal behaviors.[9-11] Coaching and guidance will help these individuals understand how different these principles are from the prevailing style of management that they are accustomed to using. Our second White Paper "Evolving World View"[2] describes some of the key differences. Some organizations pursue this task by having each member of the leadership team study, research, and report to their peers on each of the guiding principles. The dialogue from this activity helps to produce a common understanding of the principles, and also provides the participants to "lead with humility." This is not a "one and done" activity. Gaining a deeper, personal understanding of all of the guiding principles is a life-long

task.

There are three activities that the leadership group must address before they can turn their attention to the organizational focus:
1) Define the ideal behaviors (beginning with themselves) based on their understanding of the guiding principles.
2) Personal practice and modeling of the ideal behaviors.
3) Create new kinds of conversations in their interactions with others, in particular the conversations with people on the "front line" (the value-creators).

Steps 1-3 will take time and cannot be rushed or omitted. This is not a "check-box" activity. Only after these activities have progressed can leadership turn their attention to a fourth activity: the organization focus (building and adjusting key systems that will drive and support the ideal behaviors).

Internal Improvement Support Team
Many organizations have a team of individuals who provide resources for the organization for continuous improvement. In most of these organizations, the knowledge, skills and abilities of this team have been focused primarily on project management, team facilitation and the use of tools and techniques. This team needs to take on a completely different role - the role of "transformational engineers" which has much more of a coaching focus, and is not the same as teaching or facilitating. The organization may find that they cannot move the transformation forward at the pace they desire and will need to find (or create) individuals who can take on this role. This team has two primary areas of focus in the initial phase: 1) coaching and guiding leadership, and 2) assisting a few learning areas (model cells) through the phases of experimentation, integration and then expansion to the remainder of the organization.

If an organization has several teams of support functions (quality improvement, lean improvement, organizational development, customer experience, etc.) it is imperative that these various teams "get on the same page" regarding the philosophical grounding and practical coaching and advising that will be needed. In our experience, the organizations that move forward with one philosophy and one approach will make progress. The organizations that do not address this alignment will find themselves expending unnecessary energy and time managing the competing factions and silos.

Model Areas (Also known as "Learning Areas")
After the leadership team has been sufficiently grounded in a personal understanding of the principles of enterprise excellence and have made progress in the three activities described above, they can begin to turn their attention to the identification of a few (1-3) departments to undertake some initial experimentation and demonstration that the new management methods will work in the organization.

These model areas are selected by the leadership team using these criteria:
1) Strong **appetite for change** - Areas that embrace change are already engaging in improvement efforts on their own as a whole team. They create psychological safety for experimentation and taking risks, and they are strong advocates to the cause and will help share with others.
2) **Emotional intelligence**, which includes:
   a) **Self-awareness**[4] - The area reaches out for help when needed. They view problems and issues as generally caused by a broken process or system and not due to an individual.
   b) **Self-regulation** - When the area feels pressure and multiple demands are occurring they reflect on how they might filter or deselect the non-critical to be able to focus on the critical few issues that they can impact.
   c) **Motivation** - The area encourages 'fun' and celebrates both short-term and long-term wins.
   d) **Empathy** - There is a sense of compassion within the team to work together and share the burdens as a team.
   e) **Social and Communication Skills** - The area demonstrates a strong ability to openly share their key successes and opportunities with both management and leaders. The area communicates on a regular basis.
3) Connection to one of the organization's **key strategic imperatives**.

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[4] Emotional Intelligence, Social Intelligence and psychological safety are aspects of creating conducive environment and relationships. See http://bit.ly/IEXfoundations6

Over time, the learning areas will become teaching areas for the other parts of the organization, and the deployment plan will move from experimentation, to integration and then to expansion to other parts of the organization.

<u>The Remainder of the Organization</u>
The focus for this group is communication about the strategy (specifically the "why" behind the "what"). There will be some groups that wish to move forward and participate in the effort. We call these "rogue huddlers." It is important not to dampen the enthusiasm and spirit of these individuals, but at the same time the primary focus needs to stay on leadership, the improvement support team, and the learning areas. Leadership will need to create a communication plan to "manage the grapevine" as well as develop a plan to respond to the "pull" that will be created from the organization.

Over time (years), the learning areas will become teaching areas for the other parts of the organization, and the deployment plan will move from experimentation, to integration and then to expansion to other parts of the organization as illustrated in Figure 2.

Figure 2 – Designed Evolution of a Transformation
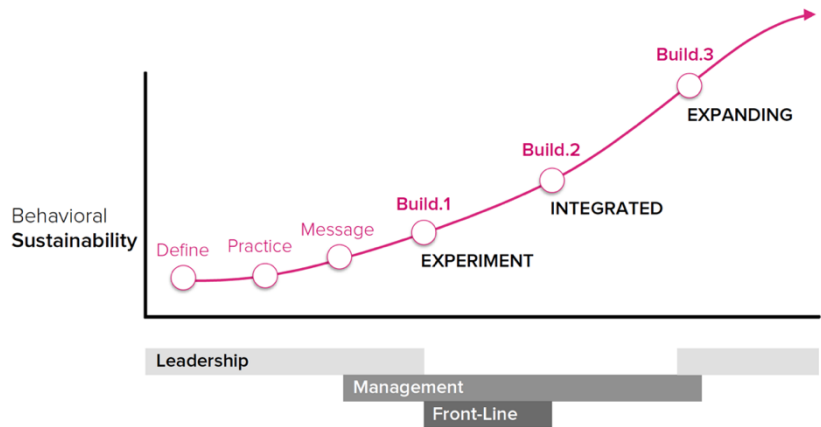
<u>The Macro System</u>
Every organization has a larger system of which they are a part. This might be a larger division, board of directors, or perhaps the community. As leaders in the organization are attempting to change the way that they think, and therefore the way that they act, it will be necessary to explain why this is happening to stakeholders in the larger macro system. If this is communication and education is not attended to, the macro system can hamper or even undo the work that leaders are trying to accomplish.

<u>Phase 1 – Targeted Experimentation</u>
The initial phase of the transformation effort is focused on experimentation and learning. In a sense, the four aforementioned groups are all learning and experimenting. Some examples of the kinds of activities involved in this phase may include:
1) Education and coaching for leaders, internal improvement team coaches and managers in the initial learning areas.
2) Building internal coaching and advising capability. The coaching will come from executives, managers and internal coaches and must be coordinated. Eventually, a coaching system will be designed.
3) Creating the transformational roadmap for the organization. This includes identification and sequencing of key systems of a) alignment, b) enabling and c) improvement in each of the swim lanes.
4) Identification of a few (1-3) key learning areas.
5) Leadership defining and modeling "ideal behavior," beginning with their behaviors.
6) Define and communicate the organization's purpose. The organization's purpose is not the same as mission, vision and value statements that are typically "bolted-on" to the organization. Purpose answers the question "why do we exist?" Everyone should be able to connect their daily work and their work systems to the purpose of the organization.
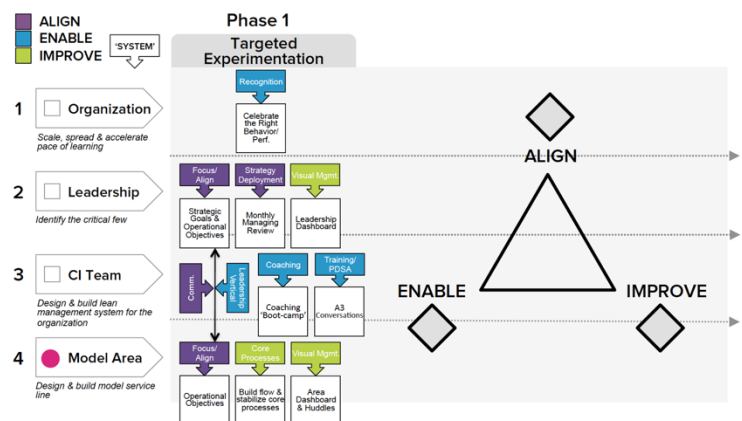7) Create and manage a communication plan, which will eventually become a communication system.

Figure 3 is a visual representation of what Phase 1 may look like – creating sustainable velocity by starting small.

Figure 3 - Creating Sustainable Velocity by Starting Small

Phase 2 – System Integration
Once leadership has built and stabilized the key systems in their transformation roadmap, they will turn their attention to integrating their learnings and the systems to other areas of the organization.

Some examples of the kinds of activities involved in this phase may include:
1) Identification of the next wave of learning areas. The primary criteria for selecting areas in this phase will be different from the criteria from Phase 1. In Phase 2, the next areas will be determined based on: a) their connection to a key strategic imperative for the organization, and b) connection to the Phase 1 learning area value streams.

2) Identification of and adjusting key systems for each of the 5 swim lanes.

3) Building internal coaching and advising capability for leaders, managers and internal coaches.

4) Stabilizing and integrating key systems for "managing for daily improvement."
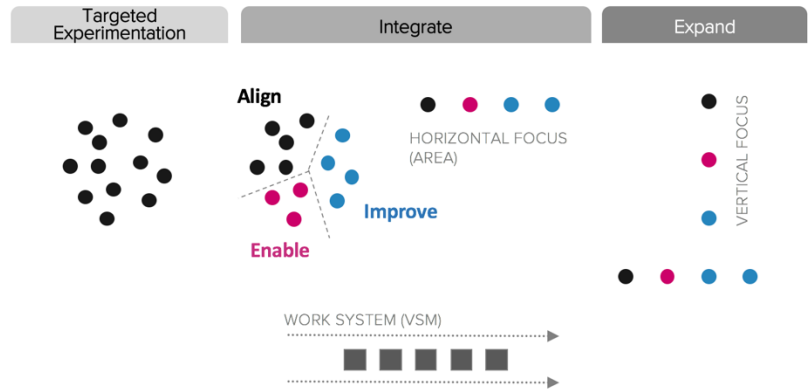
Figure 4 – The Three Phases

Figure 4 shows that, in Phase 1 (targeted experimentation) the various activities may appear to be random and disconnected. In Phase 2 (integration), the organization begins to better understand and identify key systems of: a) align, b) enable and c) improve. They also begin to apply these systems to the work systems (represented horizontally) both within and between departments.

Phase 3 – Expanding Across the Enterprise
The integration phase was about connecting and aligning people and systems. Phase 3 is about expanding the application of the principles of enterprise excellence to every part of the organization. Some examples of the kinds of activities involved in this phase may include:
1) Expanding systems to more areas and adjusting systems accordingly.
2) The organization assumes the role of ongoing education and coaching, with less and less reliance on outside consultation.
3) Creation and stabilization of key systems that allow for leaders and managers to "step out" of the systems. The systems are no longer dependent on leaders and managers to keep them going. The focus turns to continual development of people and continual adjustment and improvement of systems.

Figure 4 shows how the application of principles and design and adjustment of systems is applied both horizontally and vertically in the organization. Phase 3 never ends.

Summary and Implications:
Common approaches to change the culture in an organization (some of which we described in the Executive Summary) are often tried, but they will not likely produce a sustainable transformation effort. Transforming management and creating a culture of continuous improvement is not a convergent problem what lends itself to a prescriptive recipe or formula. There is no "1, 2, 3, 4, 5 step process."

In this paper we have identified one approach that has produced the cultural transformation of sustained continuous improvement in many organizations and in multiple industries. The approach described in this paper involves the application of knowledge and principles of management that are unfamiliar to most executives and managers. There seem to be three phases that the successful organization experiences (not a step-wise prescription, but an evolution guided by leadership and knowledge). The approach that we describe is more like "gardening" than managing a machine. As we described in our third White Paper "Practical Wisdom for Addressing Problems,"[3] this approach is, in

essence, a series of divergent problems that require the "balancing of opposites." Only the artful application of knowledge will yield success. Reliance on techniques and tools (e.g. a "prescriptive approach") will produce frustration and most likely another "program of the month."

We have noticed some common mistakes and missteps that organizations make in their deployment of the knowledge:
1) Leaders delegate the responsibility for the transformation to person or a group.
2) Mass education and training for the multitudes too quickly leads to an inventory of unused knowledge and skills, as well as the "flavor of the month" phenomenon.
3) Leaders describe the behaviors they want to see in others before they understand, practice and model new behaviors for them selves.
4) The CI (continuous improvement) team gets too far out ahead of the rest of the organization in planning and execution.
5) Competition between support areas (lean, improvement, quality, organizational development, customer experience, etc.) causes waste and confusion in the organization. There are too many "models and plans" that are competing for attention and resources.
6) Complex, long-term planning by a few versus small, focused experiments. The process is much more like gardening, not running a machine.
7) Skipping the model cell (learning areas) and thereby misunderstanding what will (and won't) work in the organization.
8) Broad and quick expansion of learning areas from a few to many, rather than gradually adding a few over time.
9) Inattention to the "macro system" of which the organization is a part.

This model works at any level in an organization. We often hear from people who would like to move forward with a principle-based approach, but they doubt whether leaders in their organization will take those first, necessary steps to learn and model the new behavior. Our response to this is that everyone is responsible for something, some system or process in an organization. Any manager can use this model by thinking of themselves as the leader of their system, then work through the process as described with the mindset that you are the leader of your areas of responsibility. People in your "macro system" will take notice, and that is your opportunity to demonstrate the benefits of the principle-based approach to a sustained cultural transformation.

This deployment approach is the basis of our research, our advising and our teaching. We would like to learn about your interest in this approach, and if you are attempting to carry it out, we would like to learn about your experience.

Our White Paper Series:

Our first white paper "Foundations For Transformation: Linking Purpose, People and Process"[5] 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"[6] 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"[7] 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"[8] 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"[9] describes 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.

Our sixth whitepaper "Principles for Personal and Organizational Transformation – Enable"[10] 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"[11] describes the principles behind the IEX model, specifically those principles primarily focused on improving the work.

Our eighth paper "Systems By Design"[12] 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.

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[5] http://bit.ly/IEXfoundations6
[6] http://bit.ly/evolvingworldview4
[7] http://bit.ly/practicalwisdom4
[8] http://bit.ly/IEXDeploy3
[9] http://bit.ly/alignprinciples3
[10] http://bit.ly/enableprinciples3
[11] http://bit.ly/improveprinciples2
[12] http://bit.ly/systemsbydesign2

Our ninth paper "<u>True, True North</u>"[13] 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.

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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[13] http://bit.ly/truetruenorth3