Alignment with the "Stream"

A recent study by the Marketing Institute of Cambridge Massachusetts sought to identify the critical distinction between those companies which are highly successful and those which are less so. The conclusion of that study, not surprisingly, was that successful and profitable organizations are those which are delivering a product or service which is highly aligned with what might be called the "stream": They are providing the right things.

The stream is more than just the economic environment or market place; it also includes the social and political climate, the physical environment, competitors, capital markets, work force, etc. In other words, all of those forces which impact an organization.

An organization may be highly or not highly aligned with the stream, and alignment with the stream may be the result of a considered, concentrated effort, or it may just be an accident (for example, the personal computer industry is the result of a couple of college students tinkering in a garage).

One of the critical characteristics of the "stream" is that like a stream in nature, the currents of an organizational stream are constantly changing, and with an unpredictability which is more characteristic of the 'jet stream' than the currents of the Mississippi. Consequently, organizations must not only be able to identify the stream in its current state, they must be able to adapt to its dramatic changes. This requires both adaptable strategic alignment with the external stream, and flexible internal alignment of products, structure, systems (processes), and people to the stream and the organizational strategy.

The saying "nothing fails like success" indicates that what is appropriate today may not be appropriate tomorrow. The very behaviors that made a transportation company wildly successful in 1890 (like being the best railroad company) may make it only modestly successful in 1990. Building the biggest automobiles with the most powerful engines was a good strategy in 1971 but not such a good strategy in 1981.

We advocate that the key to adaptability and flexibility is for organizations and individuals to be guided by principles, rather than focused on practices. The big-car strategy was a practice. Providing a product consistent with customer wants and world economic and environmental trends focuses on underlying principles.

Practices are the *what*-to-do's, the specific applications that fit specific circumstances. Principles are the *why*-to-do's, the fundamental elements upon which applications or practices are built.

Principles are also natural laws, and they exist and operate independent of our awareness or ignorance of them. Gravity is an example of a principle that operates in the physical world. Whether or not we understand or believe in gravity, it continues to affect us. *We cannot violate the laws or principles of nature without consequence.* But as we come to understand the laws of nature, and the principles by which they operate, we can utilize them to our advantage, as airplane designers utilize the principles of gravity and aerodynamics to enhance transportation.

In addition to principles of nature, there also exist principles of *human nature*. Just as we cannot violate the laws of nature without consequence, we cannot violate the laws of human nature without consequence. We can, however, utilize them to empower our organizations and the individuals within them, and that empowerment is the key to sustained alignment with the stream and within our organizations. It is also the key to the ultimate and only sustainable competitive advantage – an empowered work force. Capital is accessible to all organizations, plants and machines can be built, strategies and products can be copied; but an empowered, high-quality culture is hardest to achieve, and therefore most rare.

Empowerment Through Universal Leadership

We empower a work force by clarifying the objectives and principles which govern the organization's decisions. There are thousands of decisions made every day within an organization, each one with some impact, great or small, upon the corporation as a whole. If one individual could make all the decisions, then there would be unity and coordination throughout the whole. But no individual can make all of the decisions. There are too many to make, and no individual has the ability to comprehend all of the decisions, much less adequate specialized technical knowledge to make them. But what if the criteria used for making each minor decision was the same ultimate criteria used by the chairman? Is that possible, and how is that possible?

When a manager dictates practices, his or her organization is limited to the possibilities of those practices. When all share a common understanding of the organization's identity (e.g.: We are a transportation firm), a common paradigm and a common understanding of the guiding principles (Here is how we do things: Our first priority is safety. We seek innovation. We value creativity. We value the empowerment of the individual.), then each individual makes small decisions which further the greater purposes.

In today's diverse, complex, and rapidly changing world, corporations can no longer afford a work force which waits to be told what to do, which waits for constant direction, constant leadership. That would be akin to Lewis and Clark being dependent upon maps. Today's territory is changing too rapidly. It is wilderness of constant and rapid change.. *There are no maps.* To operate in this wilderness of the unknown, we need another form of guidance. We need a compass. We need *universal leadership*. And principles are the compass which empowers universal leadership.

Not only do principles empower a work force, they empower organizations as well, because eventually, the stream must also align with principles.

As reprinted in *Forbes*, this is a story told by Frank Koch in *Proceedings*, the magazine of the Naval Institute:

"Two battleships assigned to the training squadron had been at sea on maneuvers in heavy weather for several days. I was serving on the lead battleship and was on watch on the bridge as night fell. The visibility was poor with patchwork fog, so the captain

remained on the bridge keeping an eye on all activities.

Shortly after dark, the lookout on wing of the bridge reported, 'light bearing on the starboard bow.'

"'Is it steady or moving astern?' the captain called out.

"Lookout replied, 'Steady, captain.' which meant we were on a dangerous collision course with that ship.

"The captain then called to the signalman, 'Signal that ship: We are on a collision course, advise you change course 20 degrees.'

"Back came a signal, 'Advisable for you to change course 20 degrees.'

"The captain said, 'Send, 'I'm a captain, change course 20 degrees.'

"'I'm a seaman second class,' came the reply. 'You had better change course 20 degrees.'

By that time, the captain was furious. He spat out. 'Send, I'm a battleship. Change course 20 degrees.'

"Back came the flashing light, 'I'm a lighthouse.'

"We changed course."

No matter how smart we are, or perhaps how arrogant, eventually we must choose to be guided by principles, as a ship is guided by a lighthouse, or we may find ourselves dashed against the rocks. If the economic environment, the social and political climate, competitors, capital markets, work force, etc., are violating correct principles or the real laws of nature or human nature, they cannot avoid the consequences, or even postpone them, but they must bear those consequences in the form of paying the price for past wrongs, or by failing to realize the benefits from utilizing them to their advantage. Principles discipline the stream. And because principles discipline the stream, causing it to come into line, they can empower an organization to anticipate the stream.

We are currently in the midst of a great push for individuals and organizations to act in environmentally responsible ways. Organizations which have delayed complying with the laws of nature will eventually pay the price through the laws of society. (And societies laws are becoming increasingly aligned with the principles of the environmental stream.) Many of those organizations will feel socially put upon, singled out, or punished. The 3M cor-

poration is one which has taken a different approach.

In the 1970's 3M was one of the single largest polluters in the United States, and it found itself caught in a bind between several elements in the stream:

• The economic stream was in recession.

• The social-political stream had introduced environmental legislation which imposed severe penalties.

• The technical stream did yet possess processes which could economically meet the legislative requirement.

3M Chairman Ray Herzog responded to the economic recession by requiring all managers to reduce their budgets. Joe Ling, who was responsible for environmental impact, responded by reminding the chairman that any money he cut would just be charged back in the form of government penalties, and asked him how he could meet both demands. Mr. Herzog replied, "You're the expert, that's what I hired you for." Mr. Ling set out to do just that.

Einstein once said, "The significant problems we face cannot be solved at the same level of thinking we were at when we created them." In other words, we need a new way of looking at and thinking about things to arrive at new, significantly better solutions. We need a new paradigm. Mr. Ling examined 3M's paradigm about pollution.

The technology of the day was based upon cleaning up the pollution which resulted from the processes: filters on smokestacks, treatment of polluted waters, etc. He felt a new approach was needed to transcend the old processes, and he introduced a program which created a new paradigm based upon some simple principles.

The program was 3M's "3P Program: Pollution Prevention Pays." His view was very simple:

• It is possible to greatly reduce pollution, and eventually not pollute.

• It is cheaper, more efficient, and more effective to prevent pollution than to clean it up.

This represented a radically new paradigm.

The principles were equally simple. Prevent pollution by:

• Redesigning production processes.

• Recycling waste.

• Creating non-polluting end-user processes.

These principles have been utilized in many different ways at 3M.

In some cases it has meant utilizing polluting gases as fuel, both reducing pollution and saving money.

In some cases it has meant selling unused plastics to other companies to be utilized for different purposes, such as selling reject video-tape cases to be reformed into plastic plant pots.

In still other cases it has meant inventing new non-polluting processes for their customers to use, such as trying to create a non-polluting process for printers

The point is that those principles became the source from which their processes and behaviors flowed, and the standard by which they are evaluated. This not only resulted in savings of $500 million for 3M, but has created other benefits as well. It has

• Kept 3M from receiving severe penalties for polluting.

• Inspired the inventing of unique processes.

• Put 3M in a position to receive unanticipated benefits, such as favorable capital sources as environmentally and socially conscious investors have pushed up the price of 3M stock.

3M's paradigm "Pollution Prevention Pays" and their processes truly enabled them to transcend their problems and have put them ahead of the stream. The principles which 3M identified and communicated throughout the organization inspired and empowered their work force to act in ways consistent with those principles. Consequently, 3M has been able to utilize the creativity, drive, and initiative of a work force committed to and heading towards common goals. As a result, with the '90's emphasis on the environment, 3M is a model not a target.

3M has a goal to reduce their emissions by 90% in the next ten years. With every individual redesigning control processes, recycling both waste and emissions, and creating non-polluting end-user processes, their chances look pretty good.

A Set of Principles for Dow R&D

If you identify principles well, they will indefinitely empower your actions in a wide variety of circumstances.

Unique to You

The principles you identify should be personalized and internalized. They should be specific to your identity, purposes, objectives, strengths, and weaknesses.

The paradigm "pollution prevention pays" may be relevant to 3M[1] and similar companies, but it may not be quite as relevant to 'Steve's Ice Cream Company.'

Paradigms and principles should also take into account the relative strengths and weaknesses of a firm (or department or individual as the case may be). They should capture and retain an organization's strengths, while guarding against weaknesses.

A company which has a strong record of safety, where safety is a critical aspect, may wish to continue to plant a flag around that issue.

Principles specific to a weakness help prevent the consequences of succumbing to that weakness.

A company which depends heavily on both innovation and high quality implementation may wish to create a set of principles which inspire both outcomes without one extinguishing the other. Innovation comes from valuing new ideas and diverse viewpoints. Implementation comes from cooperation, coordination, and commitment.

Pushing diversity may lead to independent thinking, which may not produce the best innovation if people are limited to the product of their own individual ideas.

Excessive emphasis on harmony may lead to people who are great at cooperation because they don't "rock the boat", but may extinguish creativity as people create 'group think' by subordinating their ideas to the feelings of the whole.

Examples of principles which lead to both high innovation and high cooperation might be:

"We seek innovation and maximum cooperation by:

- Valuing the differences.
- Seeking third alternatives, different from yours, different from mine, which accomplish both our objectives and produce at least the benefits of either solution we each initially proposed.
- Staying in the process of communication until we find an alternative we can both commit to 100%.
- Avoiding compromise."

Such principles give people both guidance and an uncompromising standard which bring out the best in people (and people perform best when there is inspiring challenge).

For these principles to be efficacious, people must understand them and be willing to try them. (And if they don't try them, they are of no value. That is the major reason you can't just pull a list of principles off the shelf.) That means they must see that they are feasible, relevant, and worthwhile.

"We will not pollute at all" may not seem feasible to anyone at 3M. But, "We will reduce emissions by 90 percent" probably seems feasible to people who have already accomplished a 70 percent reduction.

"We serve no wine before its time" may be very relevant for a vineyard, but may not be all that important in your work at Dow.

"We will only use _white_ paper" probably doesn't seem all that worthwhile.

Developing principles which are feasible, relevant, and worthwhile can be accomplished by utilizing another simple principle. "Involve people in the problem and work the solutions out together."

It is our experience that problems are best solved by involving all those who have a major stake in the implementation and the outcome. In fact, it really is an unavoidable principle, because if you don't involve the relevant stakeholders up front, you will end up problem solving with them later at a cost of more time, greater expense, and lost opportunities. Involving people in the processes enables them to personalize, internalize, and operationalize the principles.

The process of personalizing and internalizing should then be repeated at each level of the organization at which you wish to enable people to operationalize them.

After you have developed those principles then you will be engaged in an on-going effort at increasing alignment with those principles, and with the stream. That does not occur overnight, but the effort at alignment with principles is the very thing which produces prosperity.

The Declaration of Independence and the U.S. Constitution, the greatest sources of the principles by which our country operates, are a case in point. They consist of very lofty principles which we are still trying to live up to. (e.g., "All men are created equal.") But despite our shortcomings, those principles have empowered our country to respond to threats without (like war) and within (Watergate).

Our Role

We can fill at least three roles in this process:

- Facilitate bringing those principles out of you.
- Help you see that which you are blind to – help expand your paradigm.
- Empower you in additional processes to internalize and utilize those principles.

Facilitate Bringing Those Principles Out of You

There are two ways we can facilitate your group identifying relevant principles:

The simplest way would be to help conduct a workshop discussion for that purpose. Our expertise in identifying paradigms, principles, and processes should enhance the fruitfulness of your efforts. We can help with defining the differences between paradigms, principles, and processes, as well as helping you in the clarification process.

Perhaps a more high-leverage service would be for us to conduct a series of interviews with key members of your team, and maybe some of their reports. The purpose of these interviews is to identify a sense of what direction the individuals feel the group should be heading, and what makes it difficult to move in that direction.

These are anonymous interviews, from which we compile a group report summarizing the themes and trends which flow from the discussions. The interviews are by and large non-directive, and we do not seek to advocate a view or seek to ferret out any specific issues. With our experience at conducting these activities, and as a result

of the overview we receive through talking with a variety of people, we are often able to bring issues to the forefront which the group sees as important, but which they hadn't been able to put a finger on. Sometimes they are issues which they didn't realize many people shared, and sometimes they are important issues which only become obvious after they are articulated.

The findings from these interviews are then compiled in a report which we give to you. This report has significant stand-alone value even if we have no further involvement with the group. We can also be of service by facilitating the debriefing of the report and facilitating problem-solving around the issues.

In this particular case, we also recommend that those interviewed also write anonymous individual written reports as a result of the interviews. This would give them the opportunity to summarize the thoughts they had both during and after the interviews, based upon our stimulus questions. We would compile these reports as well.

The interviews and the written reports will serve as significant, well thought out pre-work for developing your group principles.

Expand Your Paradigm

As independent observers we may be able to provide a new perspective on your group and its activities, identifying issues which are important, but as was stated above, only become obvious after they are articulated.

For example, when we observed your group doing the electric fence activity during our outdoor exercise with you earlier this month, we were very impressed with the high degree of cooperation we witnessed during the early minutes of the activity. In fact, we speculated that your group would finish in record fashion.

As the activity progressed, the group actually took longer than we thought. We described what we observed as a high degree of harmony (valuing esprit de corps), but not a lot of cooperation (valuing the differences).

Several times we heard people make suggestions which we knew would be significant improvements in the process (based upon our observations of other groups), but when no one ac-

knowledged or listened to those suggestions the first time or two they were offered, then the person subordinated to the group. At times it more resembled group-think than a synergistic group mind.

This description may be accurate to a high degree, or to a low degree, but identifying issues like this and examining them can only serve to enhance synergy in your group.

Such independent viewpoints can help you clarify what you know, and help you see some things you might not otherwise.

Empower You in Additional Processes

Heightening your self-awareness and identifying principles are only first steps in increasing your effectiveness through Principle-centered Leadership. The effect of those processes can be greatly enhanced by teaching your people how to make decisions by principle, how to identify and clarify principles relevant to their responsibilities, and how to clarify those responsibilities.

As people understand the basic principles of effectiveness (through the Seven Habits), as they begin to clarify their role in achieving the objectives of the organization (though Win/Win Agreements), and as they begin to understand and operate utilizing the Leadership Model (operationalizing the principles you develop), your organization will be empowered to achieve new levels of effectiveness. We can facilitate those objectives through a number of different processes.

Recommendations

We highly recommend the interview/report process. Each interviewer can do five to six interviews per day. Fees for interviews are: Ron McMillan, $3750 per day, Lex Watterson $2500 per day. We would recommend:

- One man-day of interviews in Louisiana. (Lex)
- Two man-days of interviews in Texas. (Lex)
- Four man-days of interviews in Michigan. (Two days each by Ron and Lex.)
- One man-days of interviews in California. (Ron on May 4, or Lex on another date.)

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[1] The 3M example was not chosen to illustrate the importance of protecting the environment, nor by any perceived similarity in specifics to Dow, but as an excellent example of the results process: paradigms, principles, processes and traits to produce outstanding results.