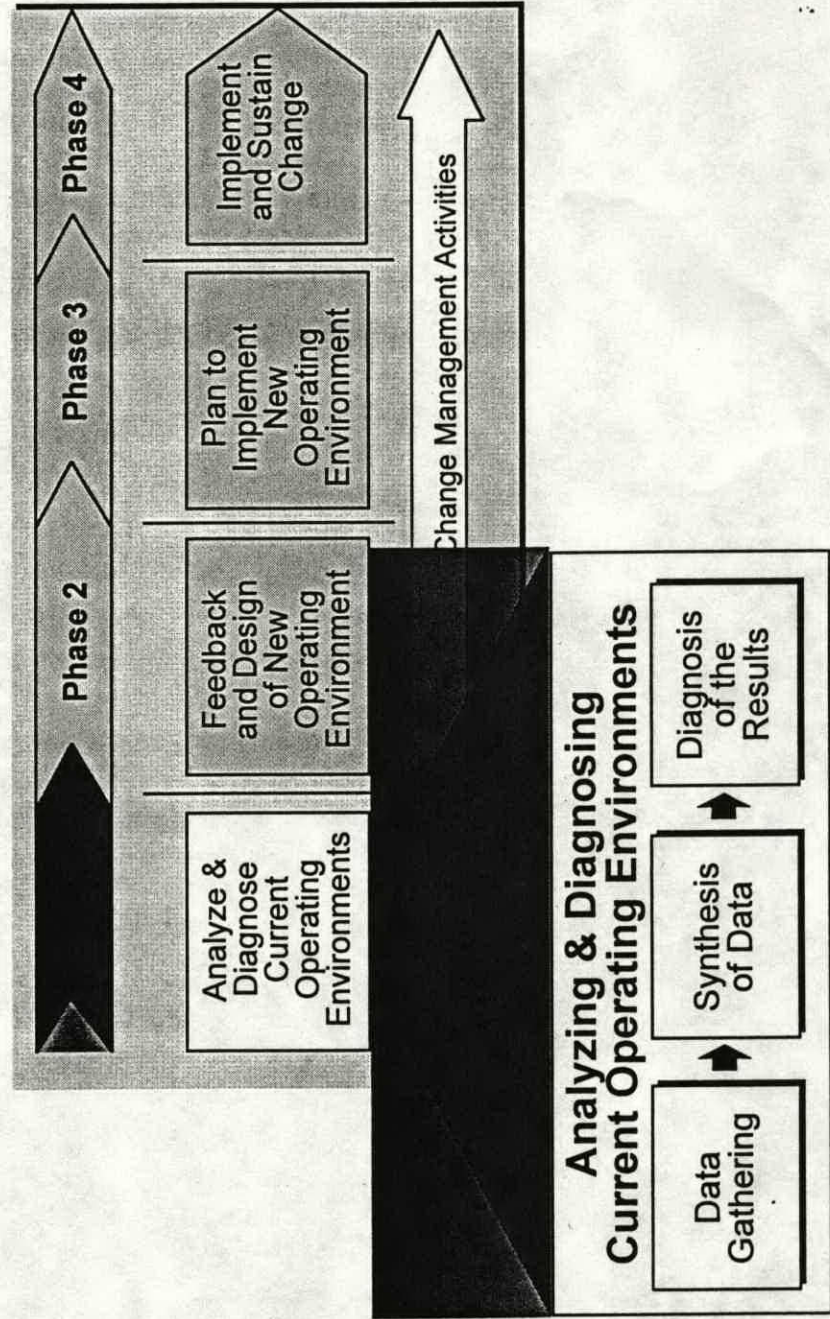


## Phase 1: Data Gathering and Analysis

Objective: To create a common fact-based data set of the current operating environments and their drivers to be used for senior leadership deliberation

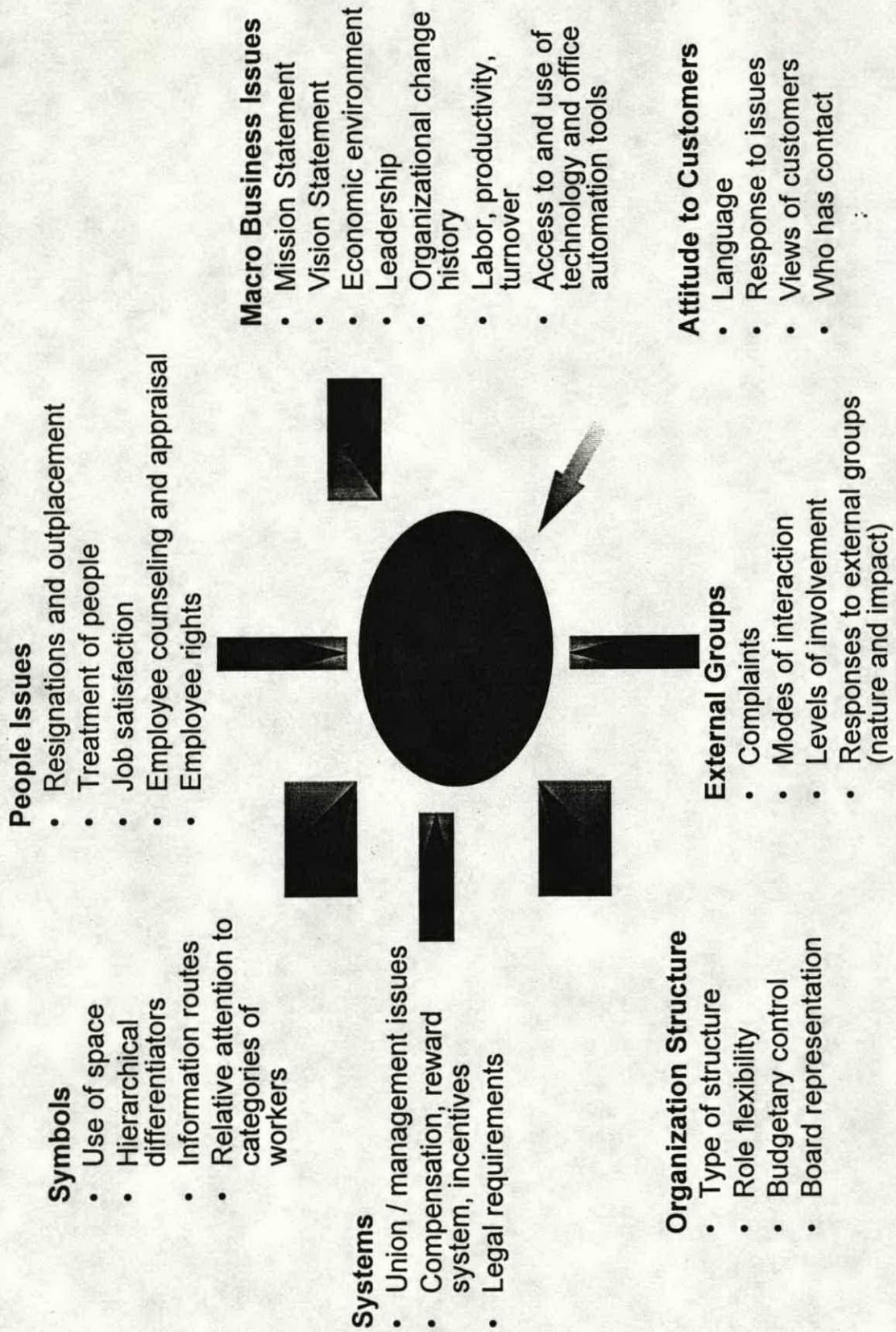


# Phase 1: Data Gathering and Analysis

<ul style="list-style-type: none"> <li>• Assess stakeholders, identify potential blockages and assess resistance</li> <li>• Collect and tabulate information on current operating environments from senior leadership (40-50) and from a representative sample of employees, across regional, Lines of Business (LOB) and enterprise layers</li> <li>• Analyze information for major themes and drivers (e.g., communications, leadership)</li> <li>• Determine which themes impact business performance</li> <li>• Determine how they must be modified in order to meet strategic objectives</li> </ul>	<ul style="list-style-type: none"> <li>• Baseline understanding of the current operating environments</li> <li>• Key themes and drivers which impact performance</li> </ul>	<p><b>Qualitative:</b></p> <ul style="list-style-type: none"> <li>• Focus groups</li> <li>• Structured interviews</li> <li>• Change readiness workshops</li> </ul> <p><b>Inferential:</b></p> <ul style="list-style-type: none"> <li>• Observation of culture in environment</li> <li>• Analysis of documents</li> <li>• Observation of operational activities (e.g., executive agendas, customer complaints, interactions)</li> </ul> <p><b>Quantitative:</b></p> <ul style="list-style-type: none"> <li>• Ability to Change and Transform (ACT) Survey</li> <li>• Organization Culture Inventory</li> </ul>
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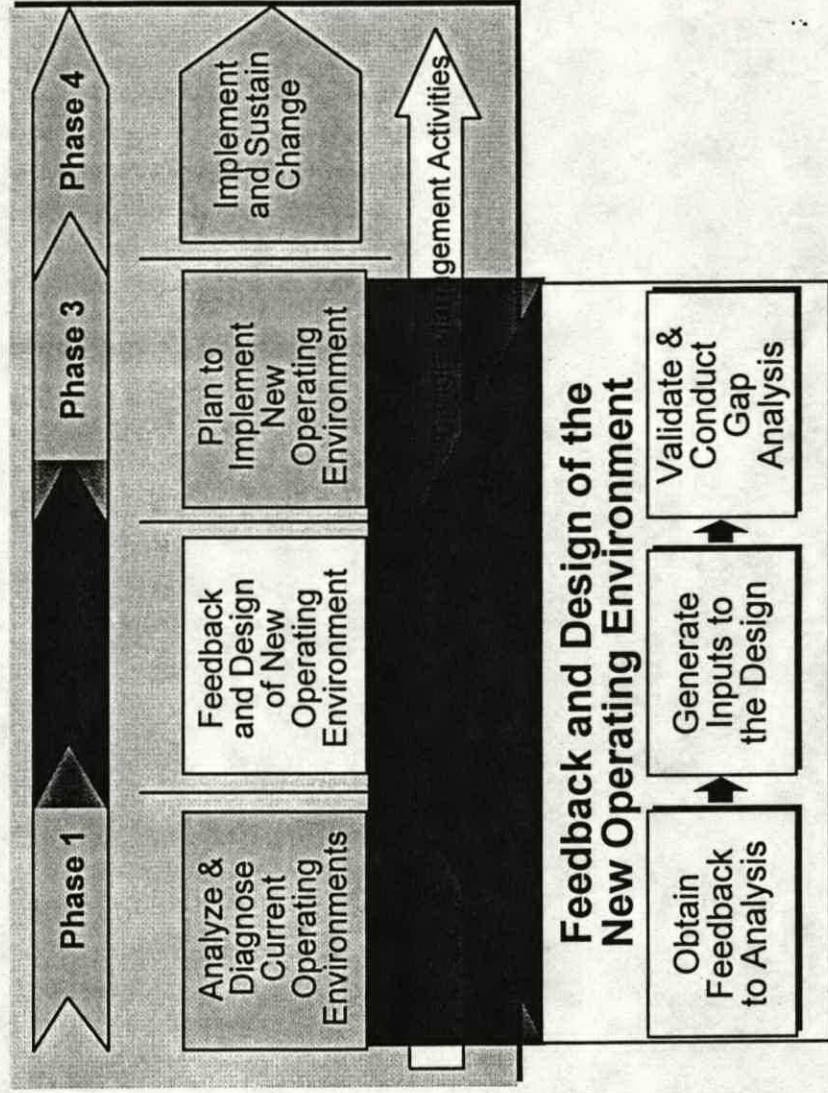
# Phase 1: Data Gathering and Analysis

## (Additional Data Sources)



## ***Phase 2: Feedback and Design of the New Operating Environment***

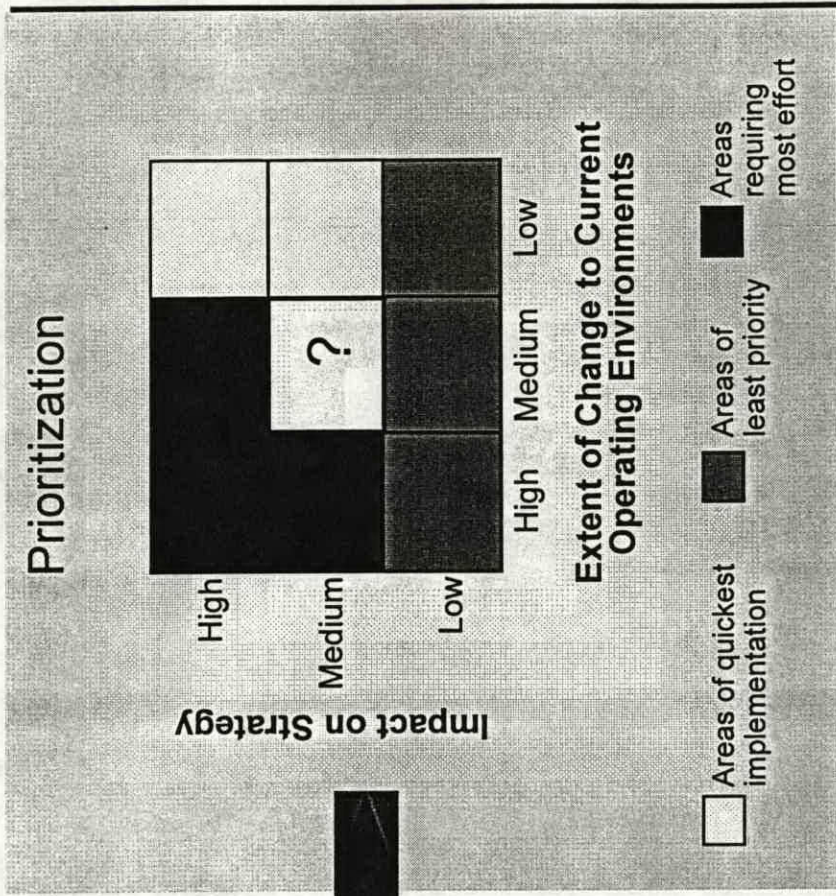
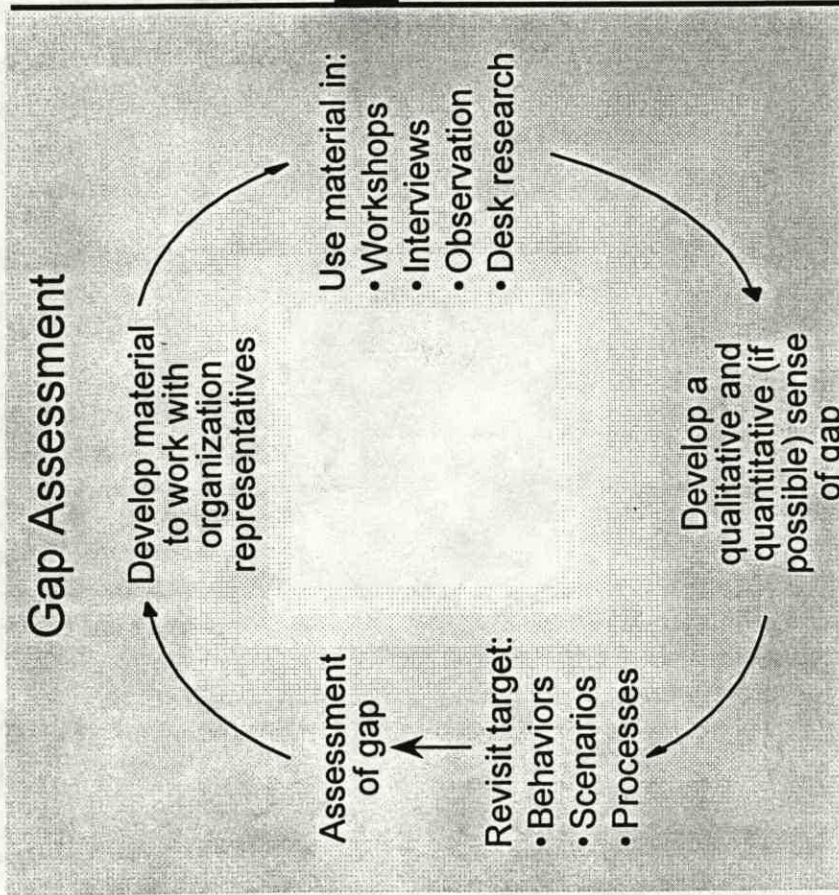
Objective: To feed back data to senior leadership in support of shaping the new operating environment



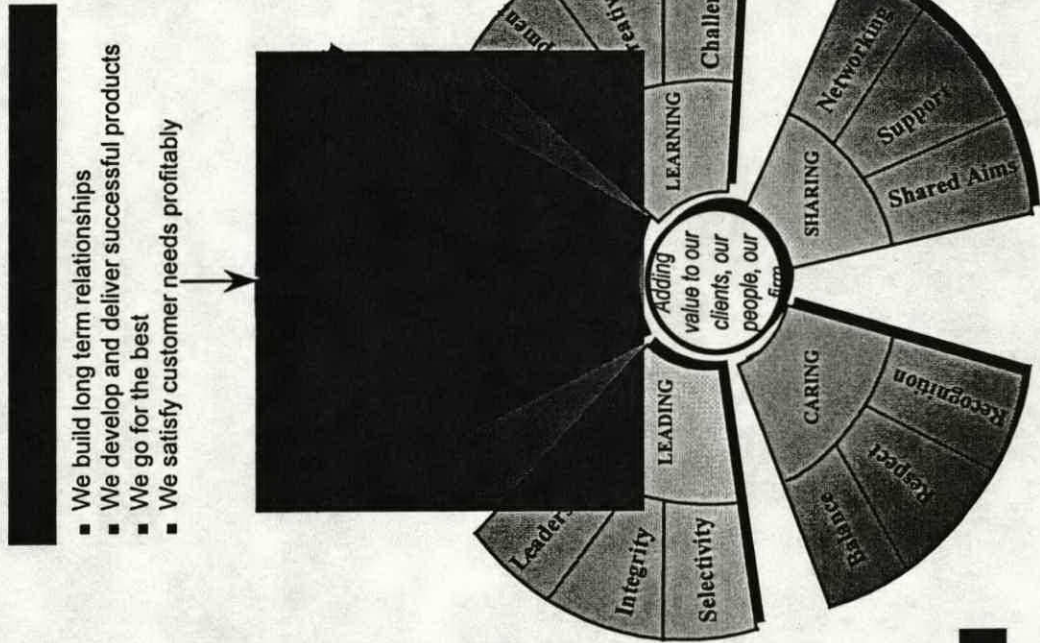
# Phase 2: Feedback and Design of the New Operating Environment

Possible Tools	Positive States	Possible Tools
<ul style="list-style-type: none"> <li>• Focus Groups</li> <li>• Workshops</li> <li>• One-on-one discussions</li> <li>• Ad-hoc meetings</li> <li>• Kirtan Adaptation Inventory (KAI)</li> <li>• DeBono's Six Hats method</li> </ul>	<ul style="list-style-type: none"> <li>• Shared baseline understanding of the current and desired state</li> <li>• Characteristics required to support the new operating environment</li> <li>• Alignment regarding relative contributions and challenges posted by the LCP and PCC operating environments</li> <li>• Views of how factors like the business model, strategy, structure, and customers contribute to the operating environment and how these will likely change in the future</li> <li>• Gap between current and desired state</li> <li>• Target operating environment</li> </ul>	<ul style="list-style-type: none"> <li>• Hold series of group sessions with senior leadership team to compare quantitative, qualitative, and inferential data</li> <li>• Validate data in preparation for defining the new operating environment</li> <li>• Document issues and opportunities</li> <li>• Document characteristics required to support or inhibit change</li> <li>• Agree on how the target operating environment will be described and depicted</li> <li>• Secure commitment to change and ownership of target operating environment</li> </ul>

# Phase 2: Sample Approach to Assessing and Prioritizing Change Initiatives



# Phase 2: An Example of a Target Operating Environment Created by a Business Services Firm



- We build long term relationships
- We develop and deliver successful products
- We go for the best
- We satisfy customer needs profitably

- We lead our people
- We work to the highest ethical standards
- We concentrate our efforts

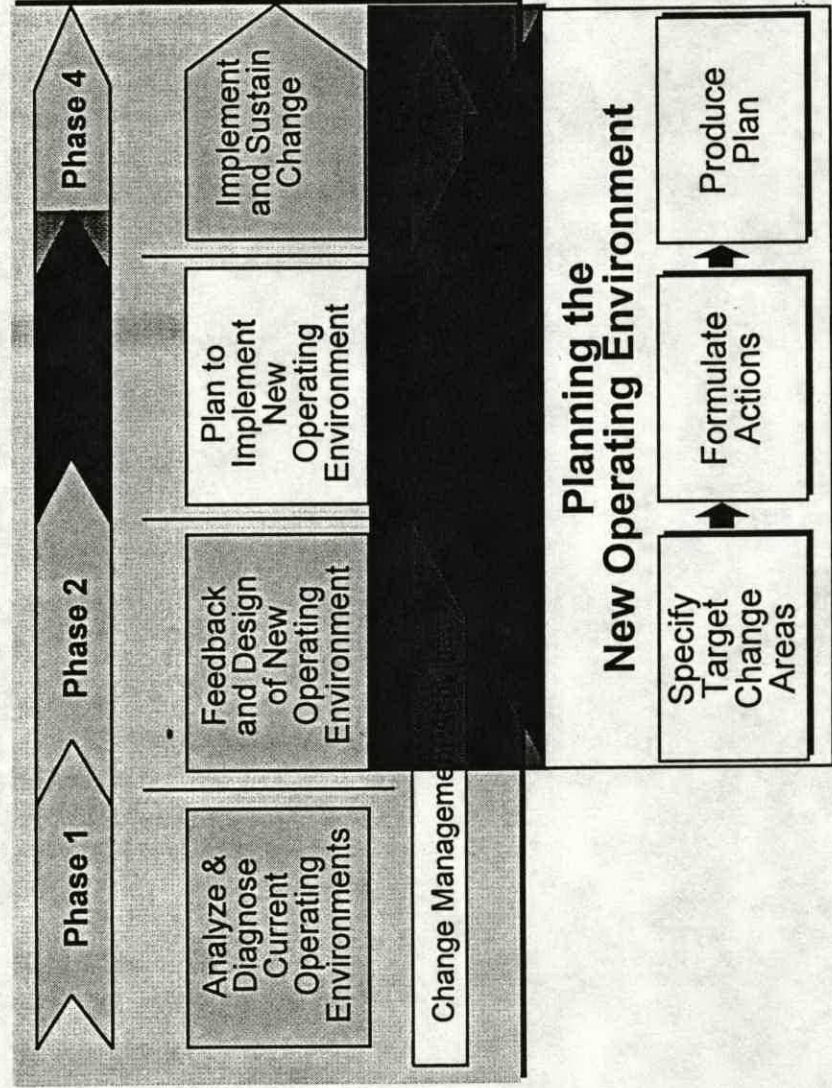
- We seek to balance work and personal life
- We value individual and cultural diversity
- We recognize and reward excellence

- We develop our professional and knowledge capital
- We are creative
- We question

- We share our expertise and experience
- We support each other selflessly
- We share the same aims

## Phase 3: Planning the New Operating Environment

Objective: To develop an implementation plan for transitioning to the new operating environment



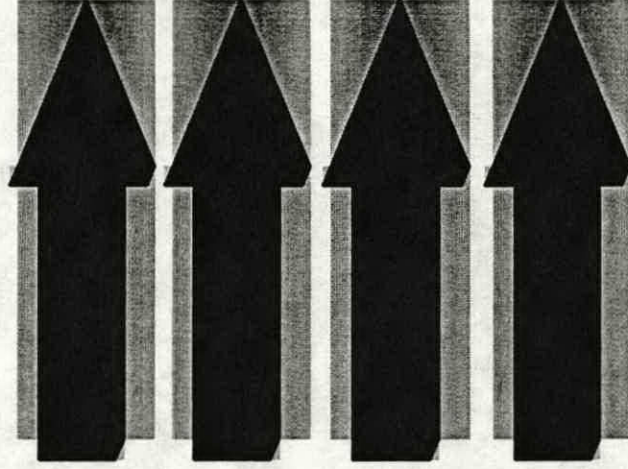
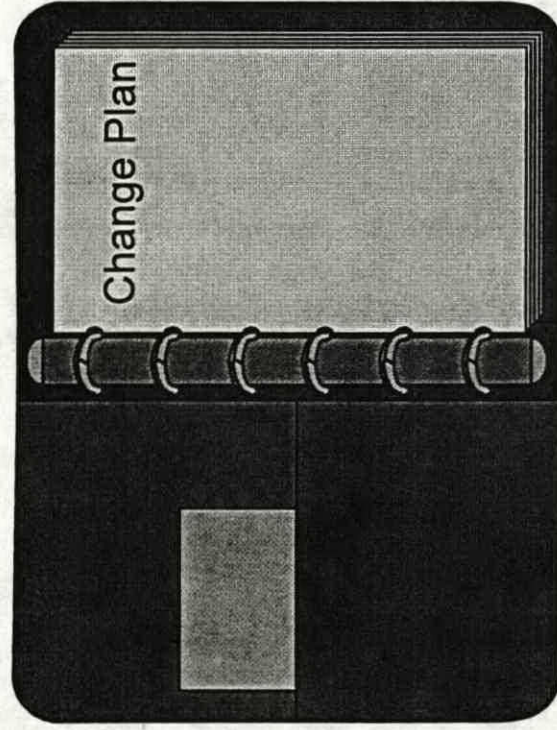


## Phase 3: Planning the New Operating Environment

Possible Tools	Possible Tools	Possible Tools
<ul style="list-style-type: none"> <li>• Focus Groups</li> <li>• Feedback Sessions</li> <li>• Town Hall Meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Set of actions for both immediate implementation (e.g. leadership action and communication) and those for phased introduction to support the new PCC operating environment</li> <li>• Change initiatives at all levels of the organization</li> <li>• Detailed implementation plan</li> <li>• Communications Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Conduct sessions with senior leadership team to generate early implementation planning</li> <li>• Develop action agenda for each key culture drivers as well as any other dimensions that are unique to PCC (leadership actions, performance measures, people practices, vision, purpose &amp; strategy, structure, competitive context)</li> <li>• Develop change initiatives at every level of the organization to create consistent messages, management practices and other direction-setting devices to define and support new PCC operating environment</li> </ul>

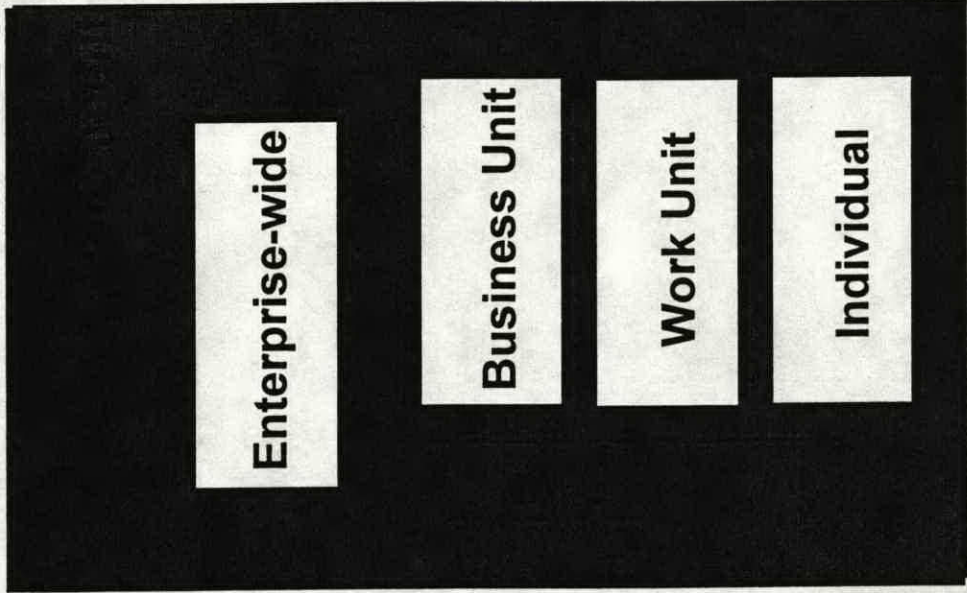
### Phase 3: Planning the New Operating Environment

Effective, rapid change is accomplished through operationalizing the vision, identifying target behaviors, designing measurement systems and developing approaches to reinforce positive behavior



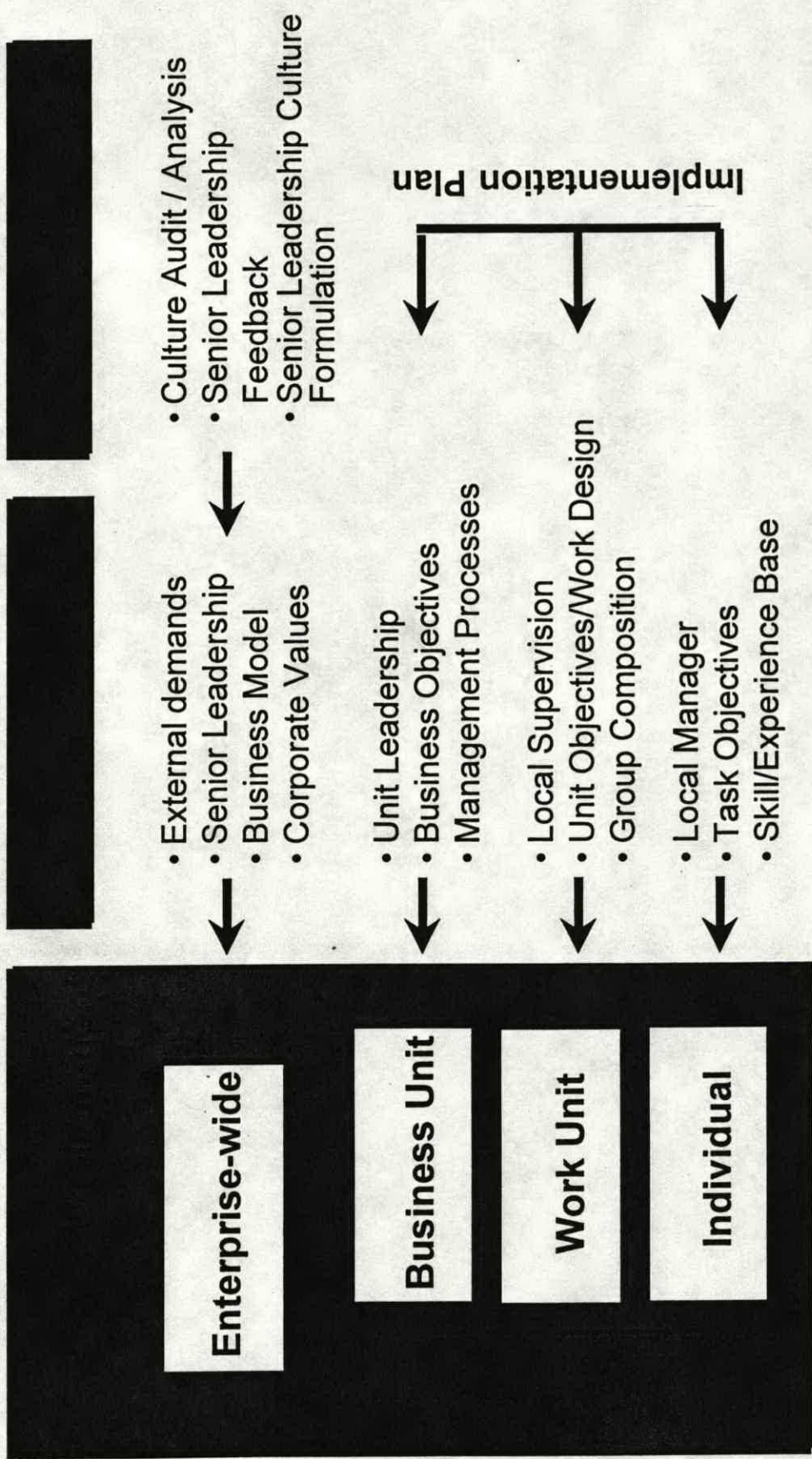
**The change plan helps an organization to bridge the gap between the current and desired operating environment.**

# ***Effective Change Management Impacts Each Level of the Organization***

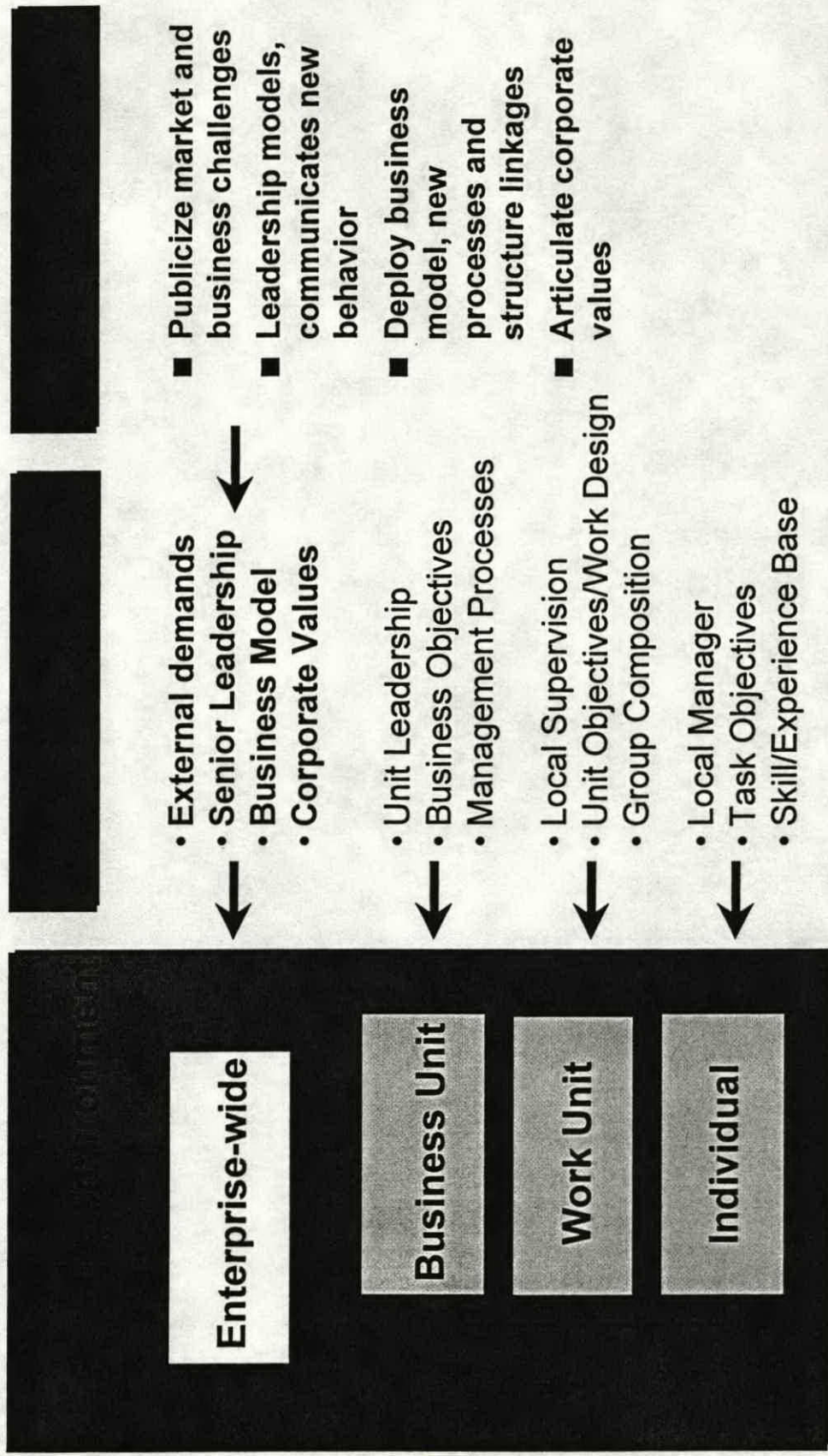


1. Establish the Operating Environment
2. Evaluate Key Drivers
3. Establish Change Initiatives

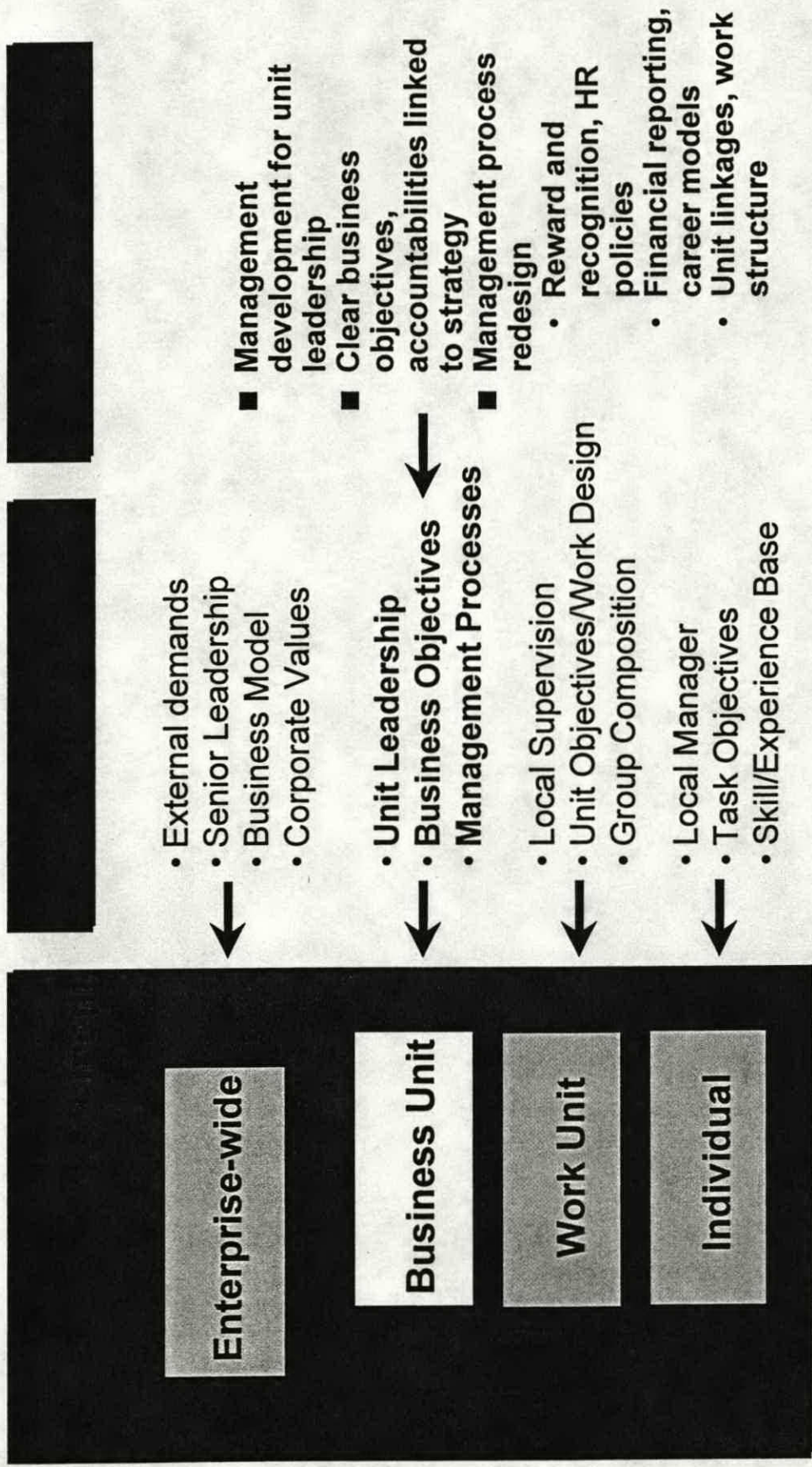
# Change Implementation Process



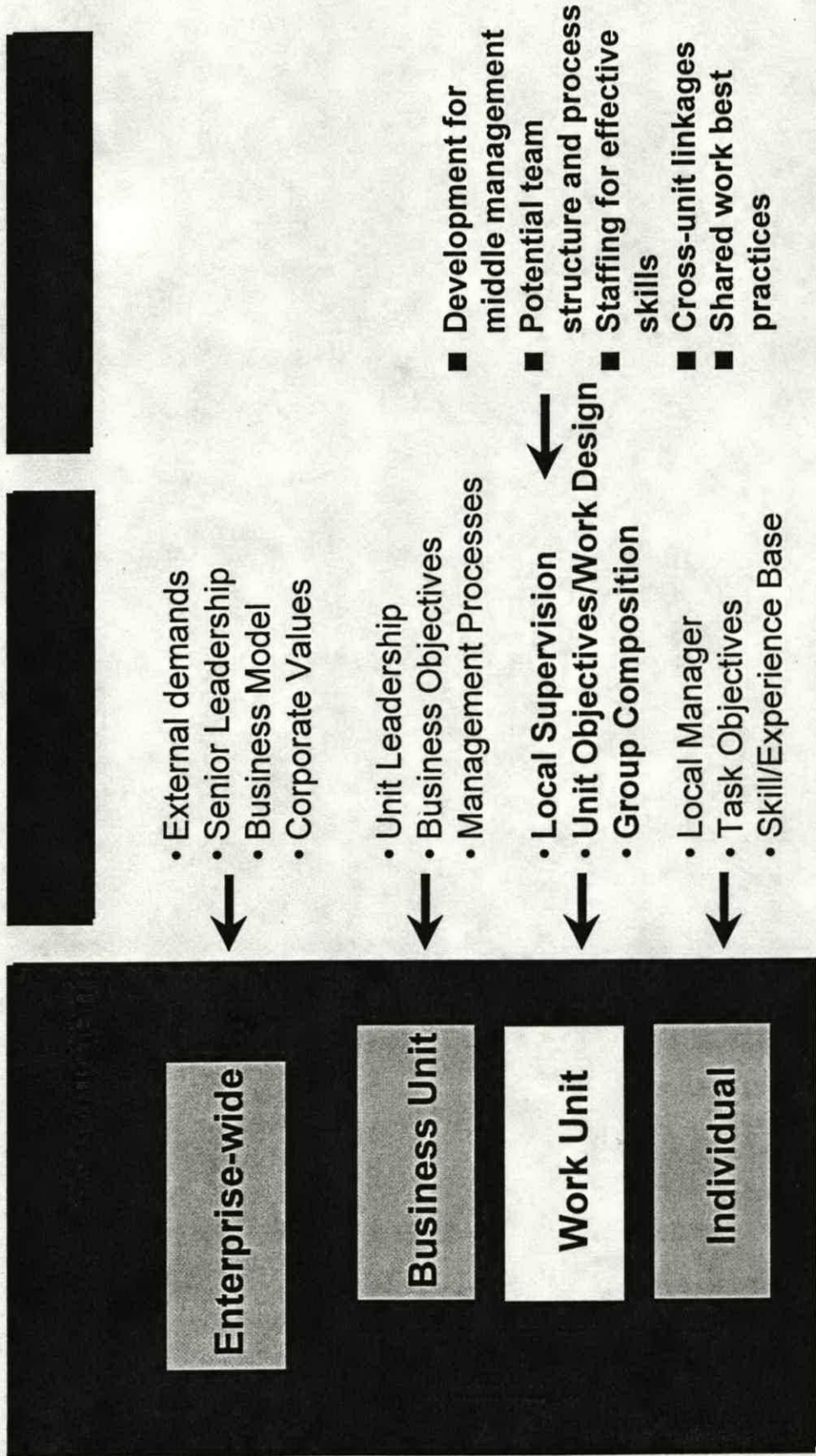
# Change Implementation Tactics: Enterprise Wide



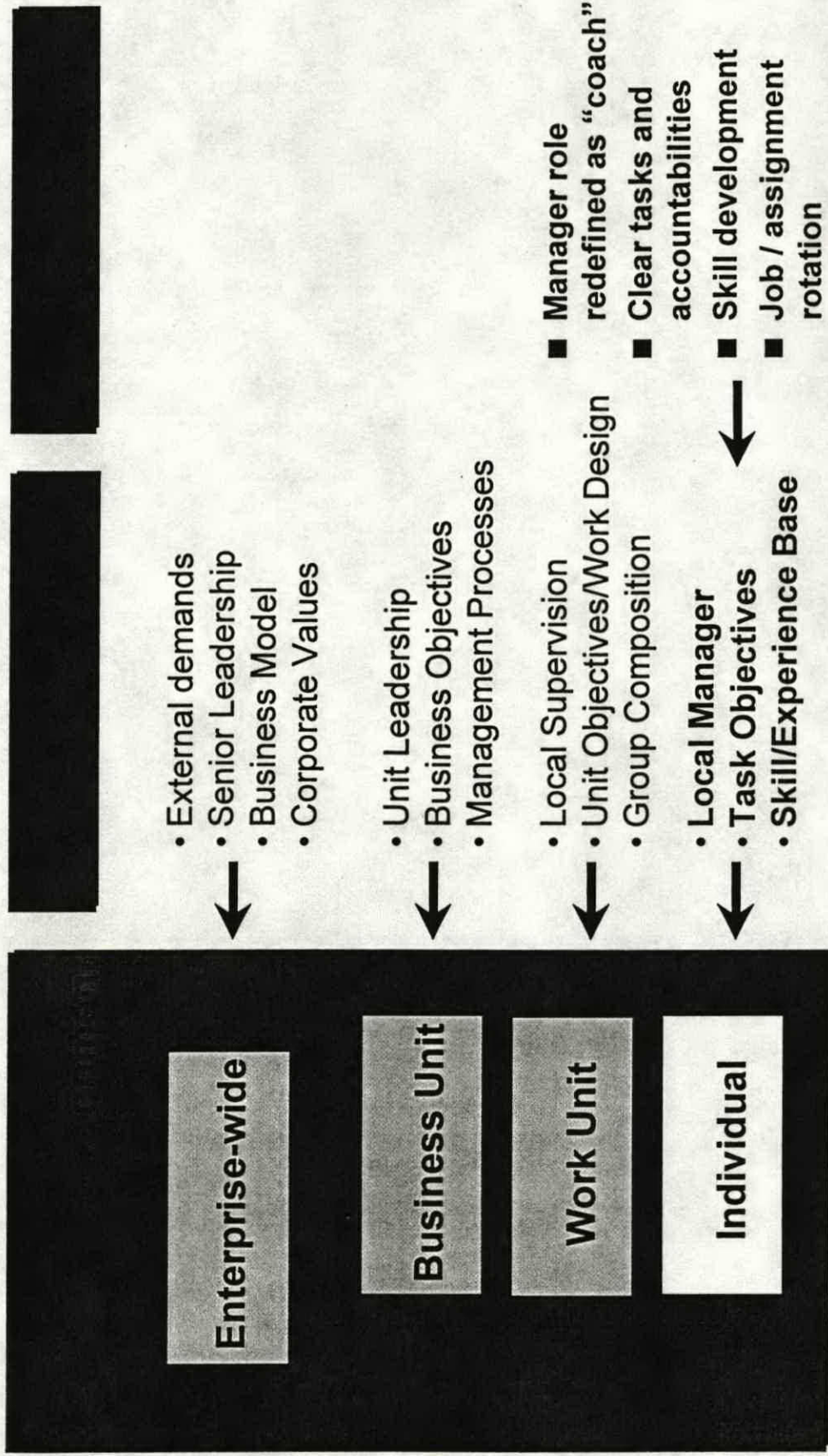
# Change Implementation Tactics: The Business Unit



# Change Implementation Tactics: The Work Unit



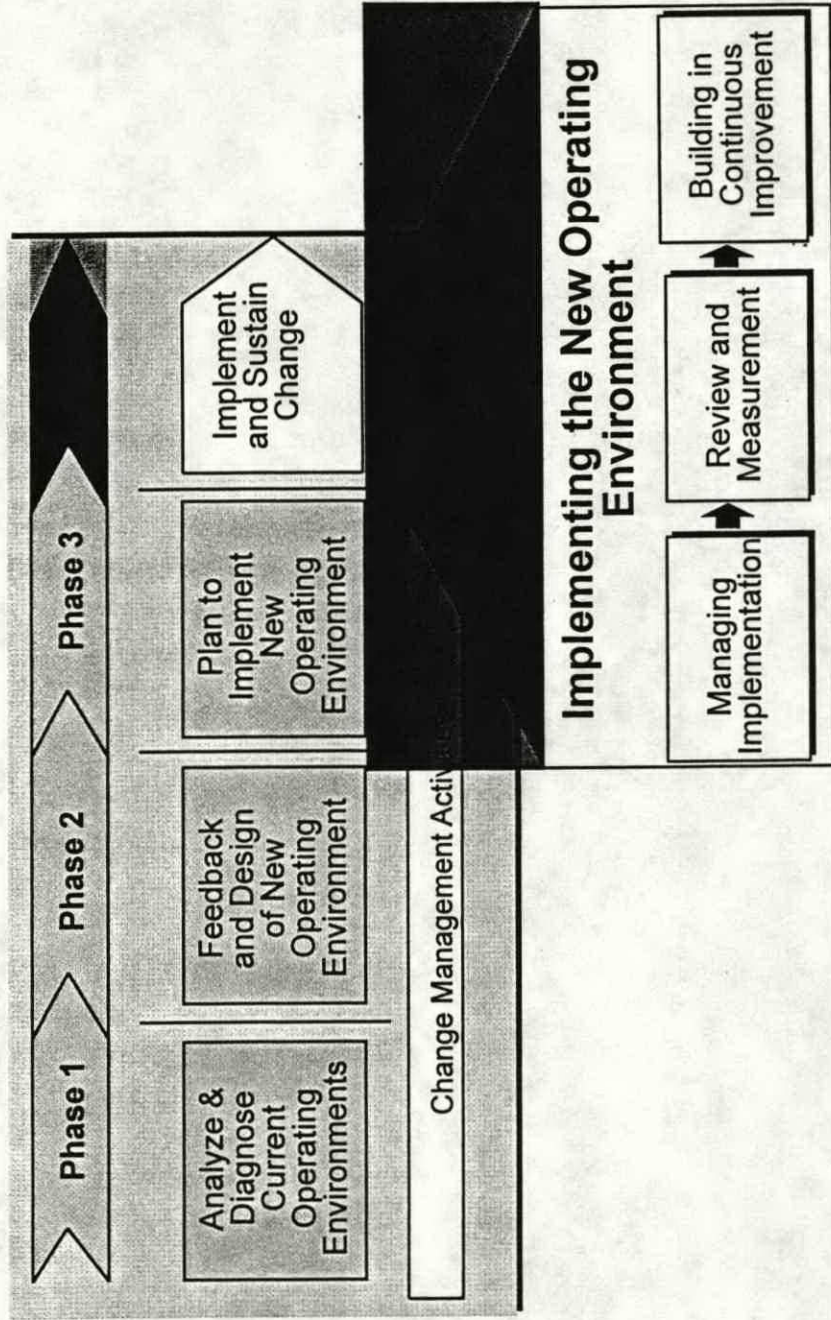
# Change Implementation Tactics: The Individual





## Phase 4: Implementing the New Operating Environment

Objective: To implement change initiatives developed in the planning stage



## Phase 4: Implementing the New Operating Environment

<ul style="list-style-type: none"><li>• Implement programs and processes around the new operating environment</li><li>• Implement new operating environment</li><li>• Seek "Quick Wins" and symbolic actions to generate buy-in</li><li>• Initiate pilot projects when possible, celebrate successes and milestones</li><li>• Evaluate implementation plan according to target environment design</li><li>• Revise implementation plan, as necessary</li><li>• Develop continuous improvement plan</li></ul>	<ul style="list-style-type: none"><li>• Realization of new operating environment</li><li>• Institutionalization of organizational capability to continuously improve</li><li>• Train the trainer instruction</li><li>• Implementation assessment against original performance measures and target target operating environment</li></ul>	<ul style="list-style-type: none"><li>• Train the trainer instruction tools to implementation teams</li><li>• Continuous improvement methodology</li><li>• Survey instruments and feedback mechanisms</li></ul>
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## Phase 4: Implementing the New Operating Environment

### Culture Change Implementation Rules for Effective Implementation

**1. Avoid creating "yet another initiative"**

Organizations are often flooded with different initiatives as they come into and out of fashion. Culture change is not about single projects, but about a fundamental re-orientation of thinking and behavior.

**2. Involve the factholder**

Operational staff command the facts and are poised to implement the new steps. Yet many projects impose change, without consultation, on the very people who have the most to contribute to shaping effective change. Creating a realistic change plan requires the counsel and cooperation of staff in operational units.

**3. Make clear the need for change**

Many organizations do not react until they are in crisis often when it is too late. Employees need to be convinced that change is imperative and desirable, not a management ploy to downsize or restructure.

**4. Don't give up if it doesn't immediately go right**

Cultural change is about a long-lasting commitment to a new way of working, not about quick fixes. Change agents must think in the long term and work through opposition and cynicism to overcome the inevitable organizational barriers.

**5. Communicate, communicate, communicate**

Rumor and distrust can undermine culture change at its roots. To guard against this, ensure that open, honest and effective communication continues through all stages of the process.

**6. Find the pioneers, then support and encourage them**

Releasing the energy of key managers and tapping into pent-up sources of frustration can be a very powerful way of driving change throughout the organization.

**7. Win over hearts and minds**

Although difficult to measure, employee trust and loyalty are vital to the success of a culture change project. Ultimately, behavior is determined by how individuals feel about the organization. If they have the right tools, a committed and enthusiastic work force can achieve anything. Those tools are useless if people are indifferent or alienated.

## **Phase 4: Implementing the New Operating Environment**

### **Culture Change Implementation Rules for Effective Implementation (continued)**

**8. Plan change excessively**

Because culture change seems somewhat intangible, there is a tendency to believe that it can be neither planned nor controlled. In fact, planning even the smallest details helps to ensure success and provides structure and security for those who find uncertainty difficult to tolerate.

**9. Make changes relevant to the business**

Staff need to understand why a particular change is necessary, and what it means to them, before they will commit to it. Change unrelated to clear business goals will be perceived as merely another management "good idea."

**10. Sweep away politics, allow no boundaries**

Culture change must be a holistic process, unimpeded by fiefdoms or political maneuverings. In many cases, senior management must demonstrate the new behavior before employees will believe that change is to be truly company-wide.

**11. Involve users early**

By cooperating with key staff early in the project to develop a shared vision, senior managers will gain commitment to subsequent projects and changes.

**12. Allocate appropriate resources**

Allocating insufficient resources or only paying lip service to the idea of culture change is worse than doing nothing at all. The result is cynicism, and a depleted ability to achieve real change in later attempts. Once culture change is underway, it must be wholeheartedly pursued.

**13. Develop a vision based on sound analysis**

The preconceived ideas of senior people are not sound foundations on which to build a program. To be effective, the rationale for change must be well documented and researched. The underlying analysis must convince virtually everyone in the organization.

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## REDESIGN SUMMARY

Redesign is a fundamental change of one or more functions

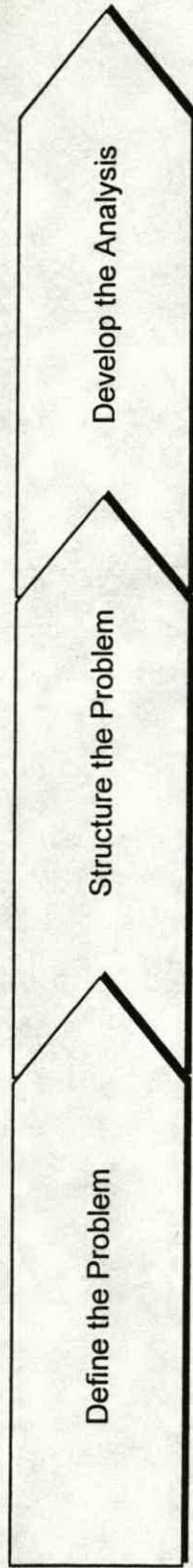
Redesign is often necessary when a strategy cannot be executed due to:

- basic constraints within a function
- lack of coherence between functional strategy and business unit strategy

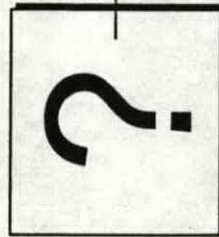
In some cases, functional redesign may drive strategy

There are several key outputs that should be generated from the planning process. These outputs will be detailed in the following sections.

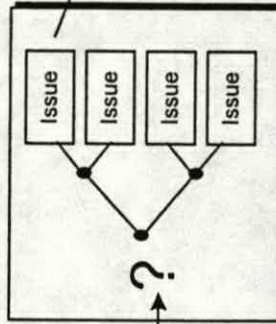
**OUTPUTS FROM PLANNING PROCESS**



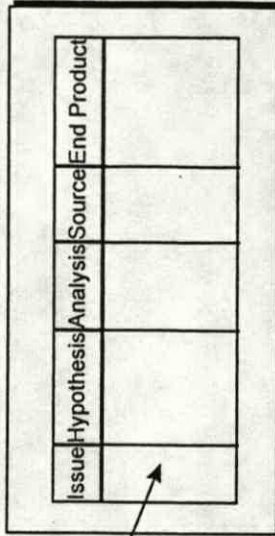
**What is the key question to be answered?**



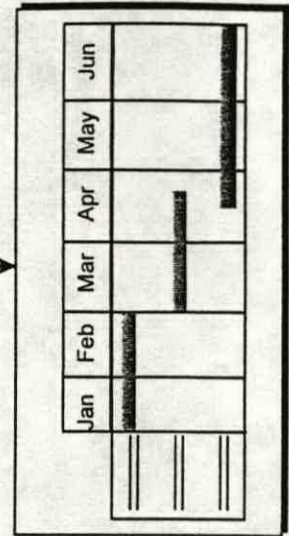
**What are the issues associated with the key question?**



**What are the key analyses needed to address the issues? What are the end products from the analyses?**



Analysis Plan



## Define the Problem



Defining and agreeing on the problem to be addressed is crucial at the start of any project.

### PURPOSE OF PROBLEM DEFINITION

Activity	Purpose	Questions
Problem definition	<ul style="list-style-type: none"><li>• Gives team ownership of focused, rich problem question</li><li>• Initiates team momentum</li><li>• Ensures client and team are in agreement on problem</li></ul>	<ul style="list-style-type: none"><li>• What is the problem?</li></ul>

The problem and 4Cs will generally be defined in the proposal or before a project is initiated. It is normally revisited and refined at the beginning of the engagement as well.

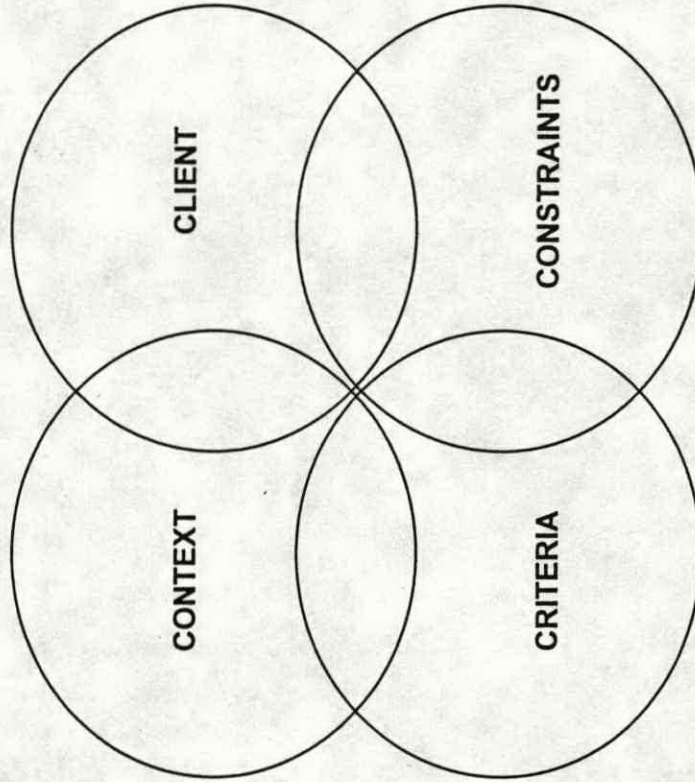
#### 4Cs OF PROBLEM DEFINITION

##### The Company

- Customers
- Performance/Trends
- Competition

##### The Client(s)

- Position
- Perspective
- Red flags/vested interests
- Experience with consultants
- Problem-solving approach



##### The Project

- How will it help?
- What is success?
- Acceptable recommendations

##### The Scope

- Timing
- Available data
- "Do Not Touch"
- Available staff (ours and theirs)







Context helps us more fully define what the problem is from an external perspective. Furthermore, it gives indications of the magnitude of issue and potential solutions to the issue.

### CONTEXT FROM OUR PERSPECTIVE

#### **Financial Performance**

- Is the client creating/destroying shareholder wealth?
- Are competitor volumes trending similarly?

#### **External Perspective**

- Are unit sales/industry margins deteriorating?
- Have new competitors emerged?
- Has new technology redefined customer segments?

#### **Time Horizon**

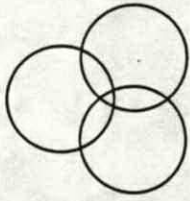
- Have client decisions over the last five years been consistent with the general industry trends?

#### **Managerial Situation**

- What is current leadership's tenure?
- What general performance appraisal would customers/competitors give to management?

Several frameworks can be used to structure the basic analyses that set the context in a proposal or at the beginning of a project. The information from these analyses will be helpful in defining the question and developing the hypotheses.

**ANALYSES FOR SETTING CONTEXT**



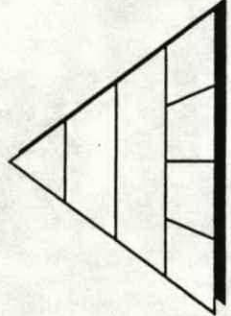
**3-C Analysis**

- Customers
- Company
- Competition



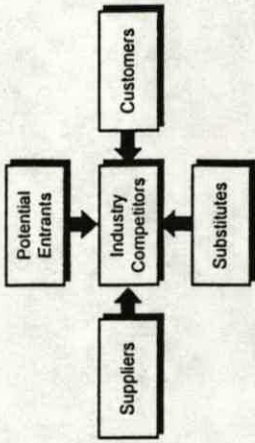
**Business System**

- Issues
- Key Success Factors
- Gaps



**7-S Analysis**

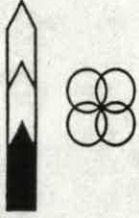
- Shared Values
- Strategy
- Style
- Structure
- Skills
- Staff
- Systems



**5 Forces Model**

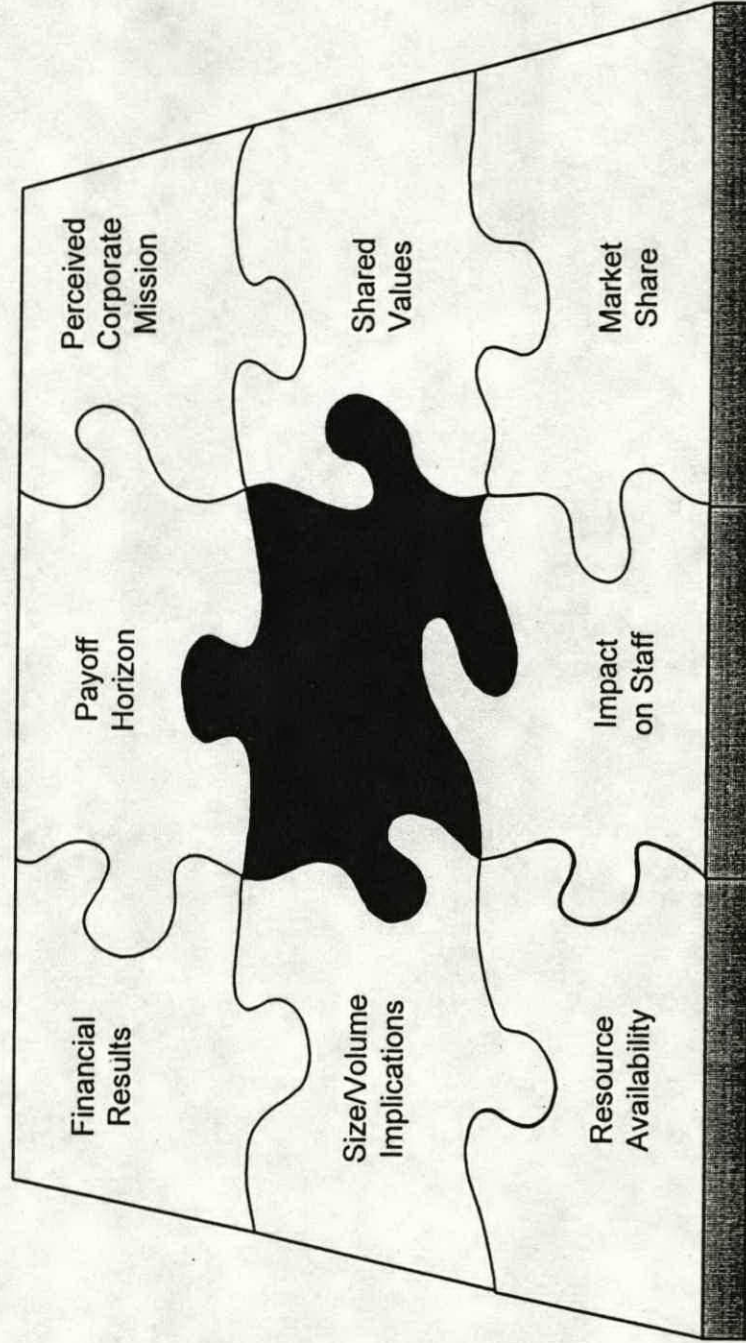
- Customer
- Suppliers
- Entry/Exit Barriers
- Substitutes
- Competitive Rivalry





Understanding how the client will measure success will impact your approach, communications plan and level of rigor in the final analysis.

**CLIENT CRITERIA – SOME EXAMPLES**



Both of these examples indicate the need for feedback between functional strategy and product/market strategy.

**MARKET AND FUNCTIONAL STRATEGY INTERACTION**

**1. PRODUCT/MARKET STRATEGY ELEMENT**

Provide 98 percent service level to top 20 customers

**2. IMPLICATION FOR DISTRIBUTION STRATEGY**

Multiple warehouse  
High inventory  
Truck delivery

**3. EVALUATION**

Reduction to 92 percent service level provides significant savings

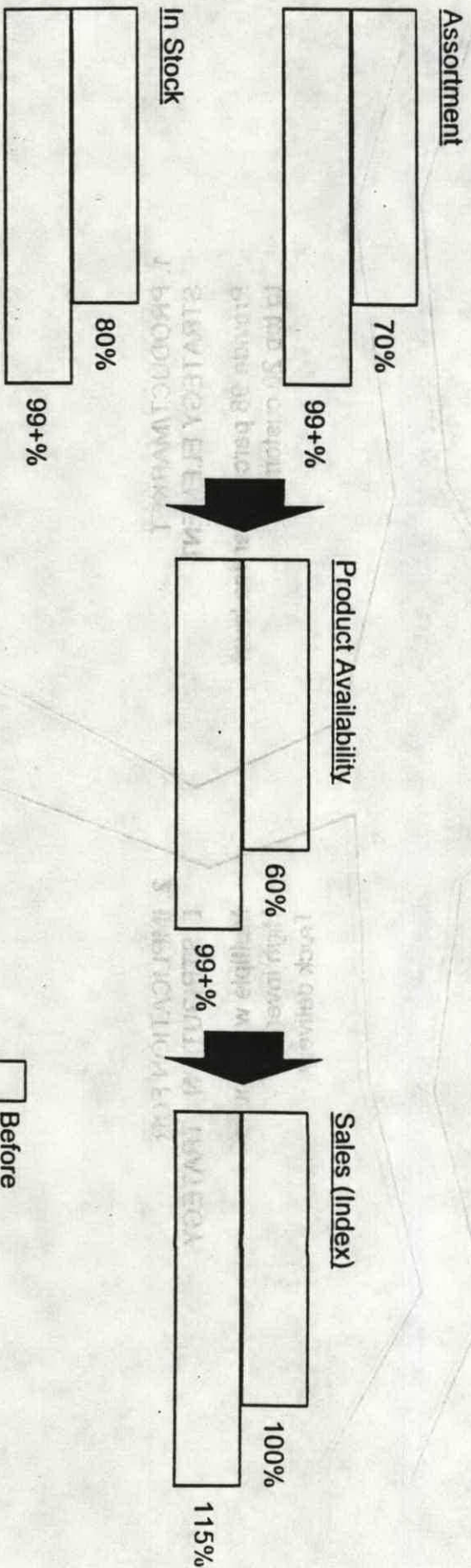
- 10 percent distribution costs
- 15 percent inventories

**4. FEEDBACK**

Options for re-evaluation of P/M strategy

...but incremental sales through improved service far outweighed these additional costs.

**REVENUE IMPACT**



**MARKET AND FUNCTIONAL STRATEGY INTERACTION**

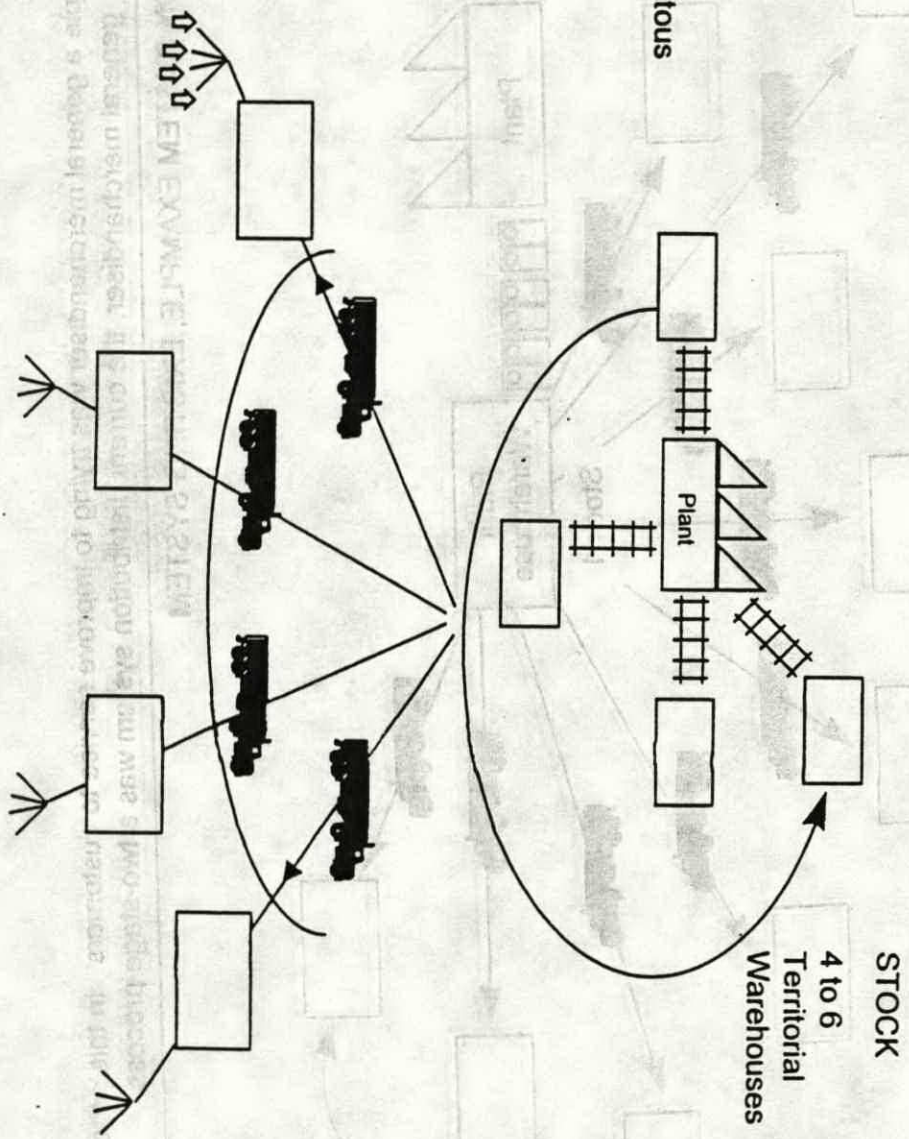
Profit of these examples indicates the need for feedback between functional strategy and product/market strategy

Before  
 After

Analysis led to a business system redesign which was somewhat more expensive...

### DISTRIBUTION SYSTEM EXAMPLE, PROPOSED SYSTEM

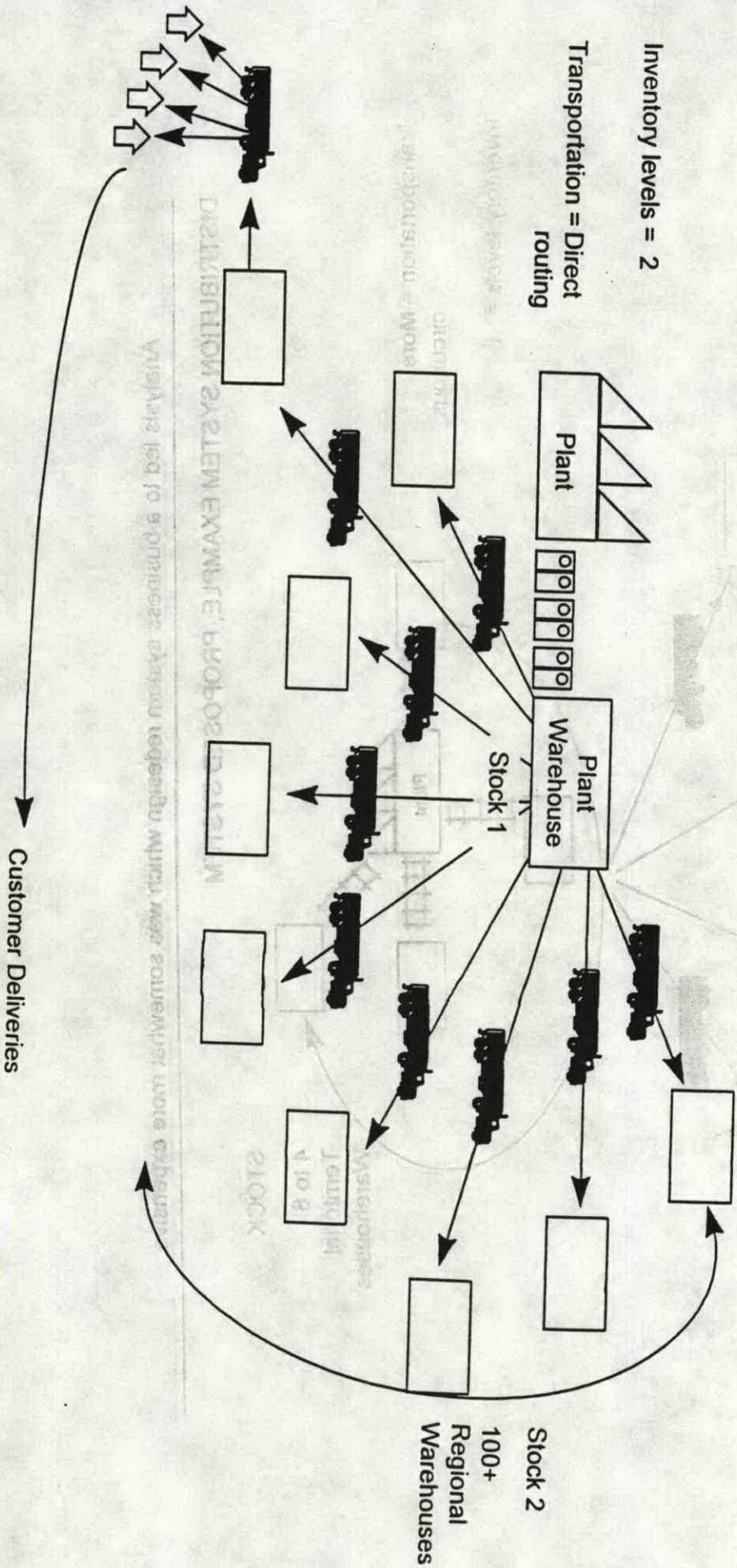
Transportation = More circuitous  
Inventory levels = 1



In one example a general merchandiser was trying to improve service to customers. In this case of a large general merchandiser, the current distribution system was a two-stage process.

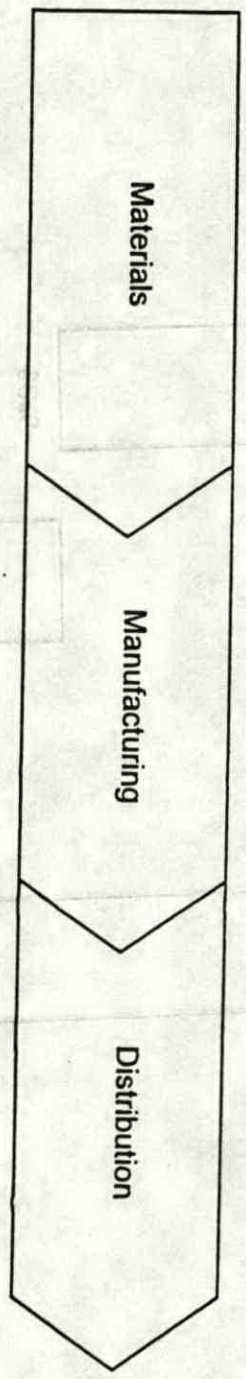
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**DISTRIBUTION SYSTEM EXAMPLE, EXISTING SYSTEM**



Japanese steel producers have gained an enormous cost advantage over the United States due to production economics.

**STEEL PRODUCTION (\$PER NET TON)**



Japan  
\$154

United States  
\$196

Manufacturing Comparison

Raw material costs comparable

U.S. producers have large maintenance expense to repair old facilities

Major labor cost advantage

- Process economics
- Rate

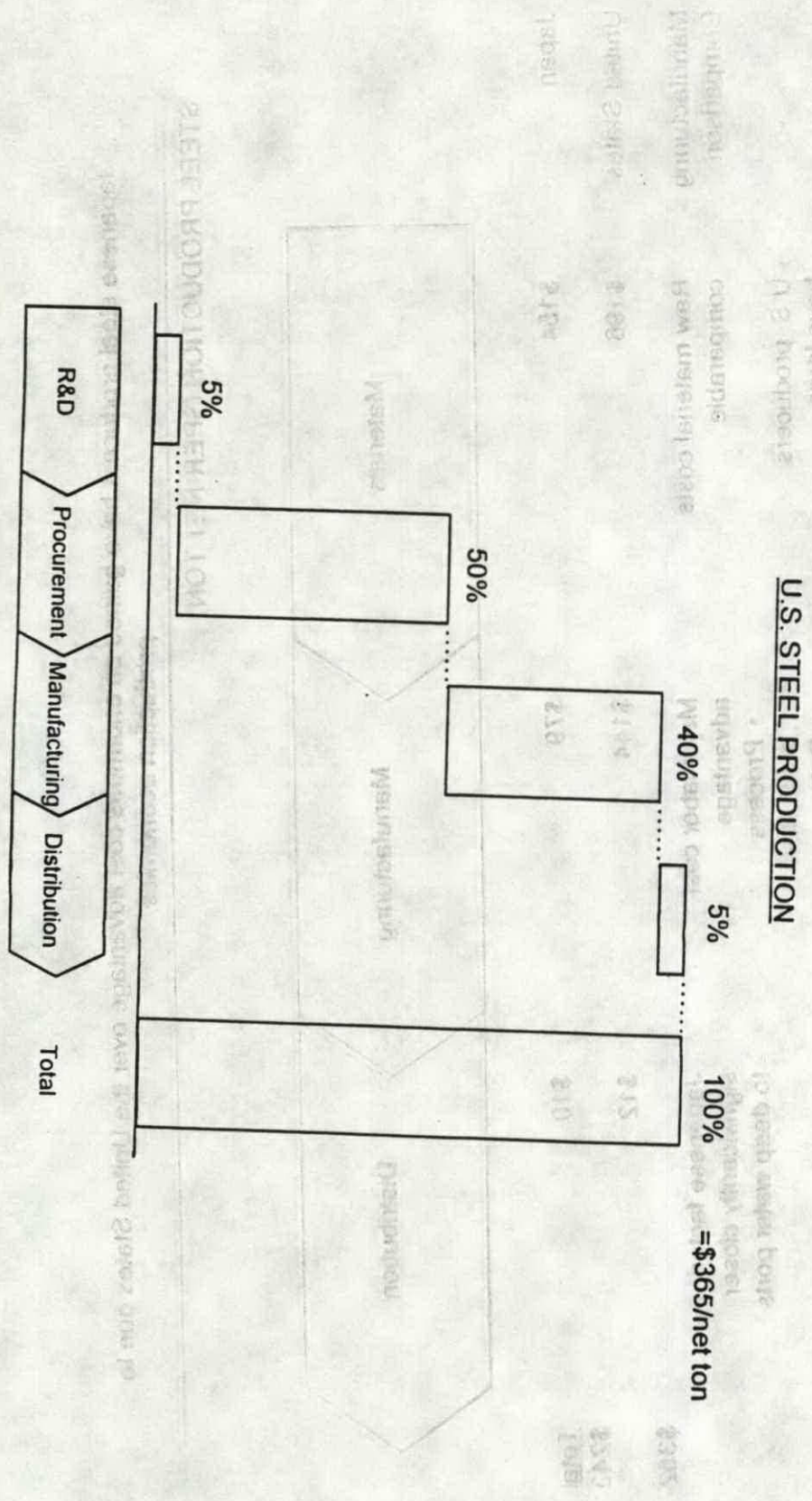
Japanese factories significantly closer to deep water ports

Average Japanese facilities almost double size of U.S. facilities

Greater use of continuous casting



**In commodity businesses, like steel products, purchasing and manufacturing costs drive total costs.**  
**IMPROVING BASIC ECONOMICS IN STEEL**



## Redirecting Strategy Due to Functional Changes

Occasionally, a functional redesign will allow, or even dictate, a redirection in strategy. This usually occurs when either the function contributes a large proportion of total costs, or there is a drastic, fundamental change in the function. Two examples of this are for a client in the steel industry, and a general merchandising client.

### SAMPLE REDESIGN STRATEGIES

<p><b>Industry</b></p> <p>General Merchandising</p>	<p><b>High Impact Function(s)</b></p> <p>Manufacturing</p> <p>Distribution</p>	<p><b>Fundamental Change</b></p> <p>New production techniques</p> <p>Centralized inventory</p>	<p><b>Strategic Implication</b></p> <p>Basic cost advantage</p> <p>Better service increases sales</p>
<p><b>Steel</b></p> <p>General Merchandising</p>	<p><b>High Impact Function(s)</b></p> <p>Manufacturing</p> <p>Distribution</p>	<p><b>Fundamental Change</b></p> <p>New production techniques</p> <p>Centralized inventory</p>	<p><b>Strategic Implication</b></p> <p>Basic cost advantage</p> <p>Better service increases sales</p>

### FUNCTIONAL LEADERS?

The question whether to use direct sales methods or distributors is an example of how competitors' pricing affects the decision whether to use direct sales methods or distributors.

The decision whether to use direct sales people or distributors is an example of how companies must make fundamental business system choices between utilizing external and utilizing internal resources.

**DISTRIBUTION TRADEOFFS**

<b>Direct Sales Force</b>	<p>Cost</p> <p>Higher fixed cost</p> <p>Commissions Training &amp; Support Inventory</p>	<p>Coverage &amp; Deployment</p> <p>Geographic spread increases cost</p> <p>Easier to allocate customers</p>	<p>Time Allocation &amp; Effectiveness</p> <p>Greater ability to track call activity and success rate</p> <p>Better market intelligence</p>	<p>Flexibility</p> <p>Reduces flexibility</p>
<b>Distributor/ Representative</b>	<p>Higher variable cost</p> <p>Margin</p> <p>Some fixed cost</p>	<p>Less control of territory and customers</p> <p>Greater breadth with less overhead</p>		<p>Improves flexibility</p>

**SWAPLE REDESIGN STRATEGIES**

Two examples of this are for a client in the steel industry and a...  
 which either the production companies or the distribution of their...  
 companies a functional redesign will allow, or even create a...  
 the terms of...

Change


Redesigning operations, etc. to improve...



Through a business system redesign in which specialized distributors were used, the company dramatically improved its penetration.

**DISTRIBUTION COMPARISON**

Client	Salesmen		Distributors		Product Line
	Original	Redesign	Original	Redesign	
Competitor A	8	4	0	30	Graphics Typewriters Copiers
Competitor B	4	4	25	25	Graphics

 Spread overhead across broad line

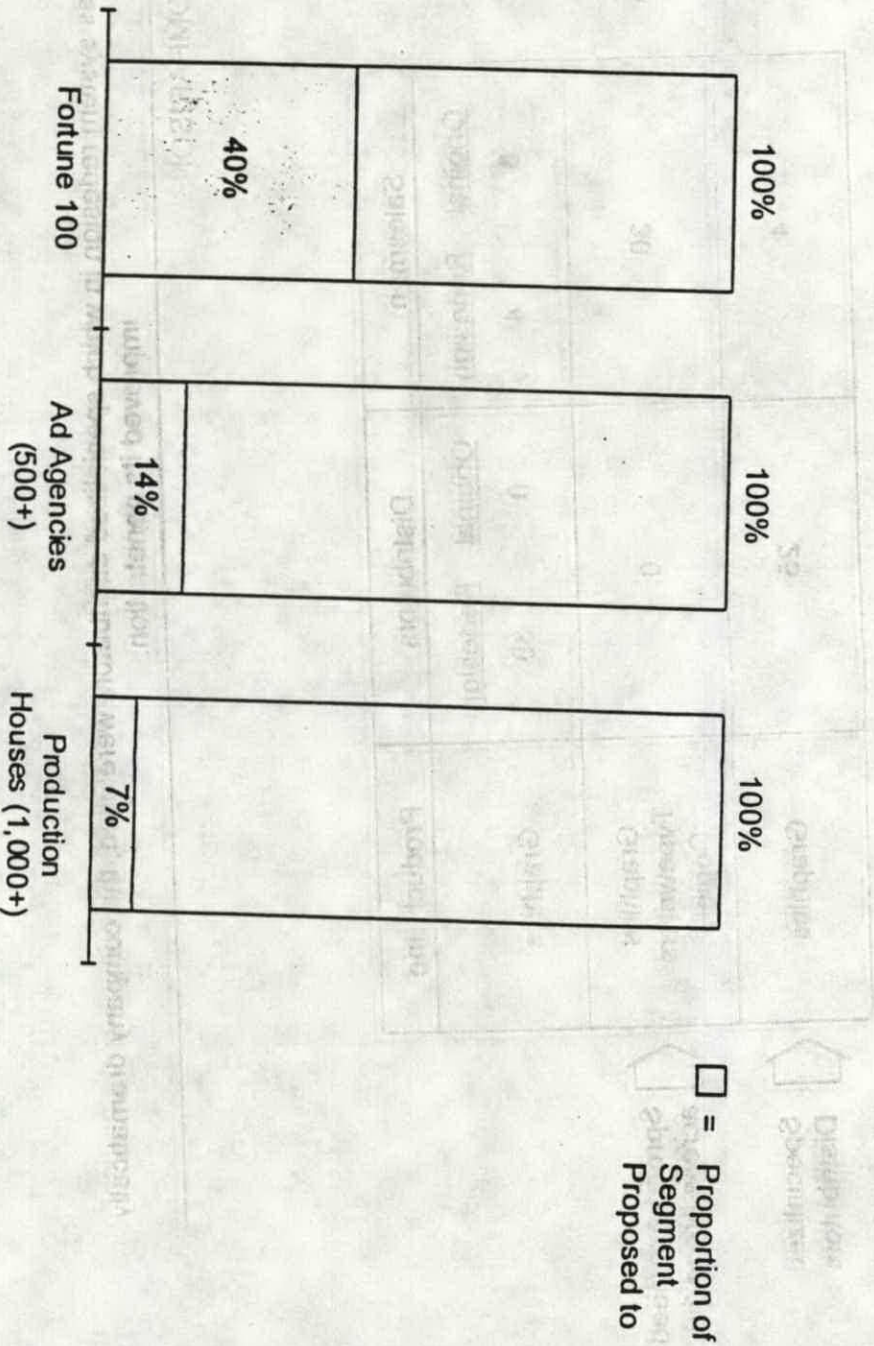
 Specialized Distributors

**MARKETING STRATEGIES BY SEGMENT**

However, against market conditions were extremely low, indicating the presence of an exceptionally consistent...

However, actual market coverage was extremely low, indicating the presence of an executional constraint within the sales function.

**GRAPHICS PROPOSALS BY SEGMENT**



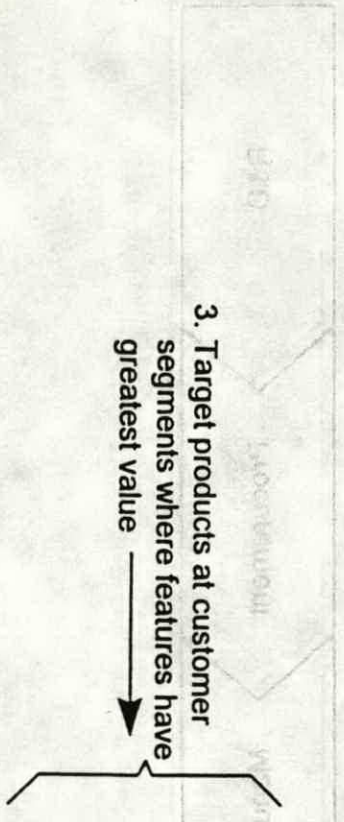
...in the Sales department, the functional strategy was consistent with the overall business unit strategy.  
**REDESIGNING SALES**

Business Unit Strategy

- 1. Offer leadership products
- 2. Build in reliability and serviceability

Sales Strategy

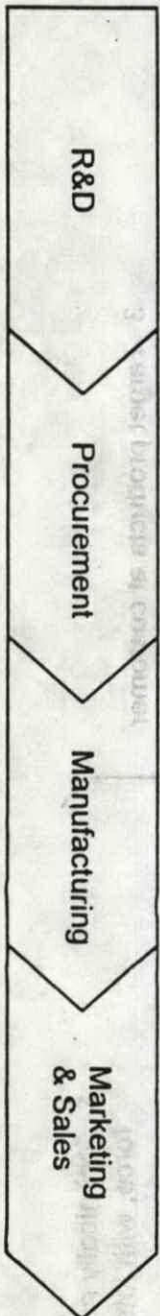
- 1. Technically proficient direct sales force, with lots of experience
- 2. High-potential customers were targeted
  - Call list
  - Demonstrations



**4. De-emphasize cost reduction**

Given these poor results, the executional aspects of each function were examined to determine whether a redesign approach could produce a turnaround. For example...

**EXAMINATION OF FUNCTIONAL EXECUTION**



Functional Execution

- 1. Is functional mission coherent with strategy?
- 2. Are there operational constraints preventing execution?

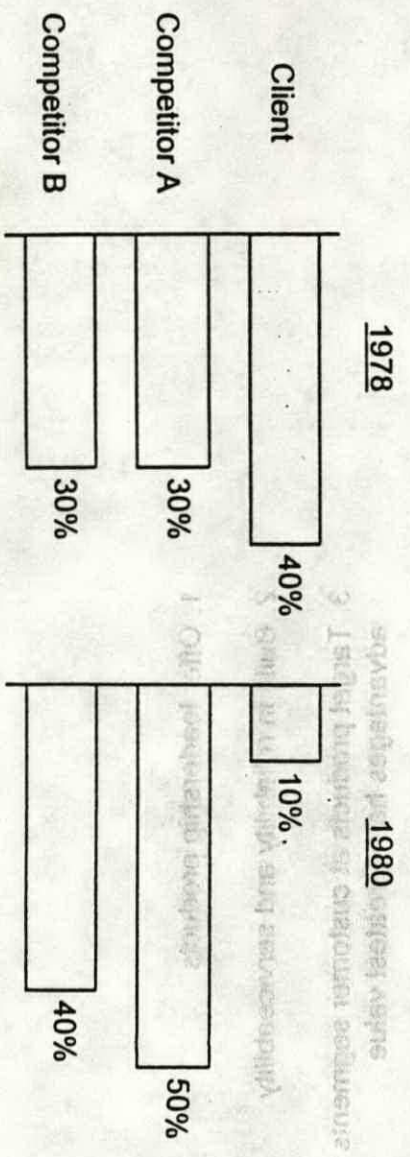
**REDESIGNING SWTCs**

In the 21st century, the functional strategy was consistent with the overall product's functional strategy.

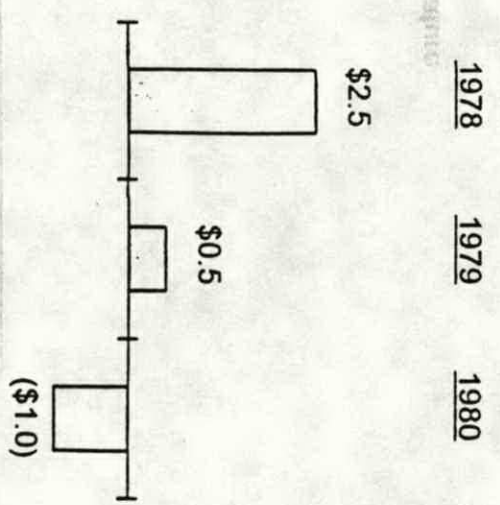
This strategy led to sharp market decline and financial disaster.

RESULTS OF STRATEGY

MARKET SHARE



PROFITS (LOSS)  
(\$ MILLIONS)



COMPUTER GRAPHICS STRATEGY

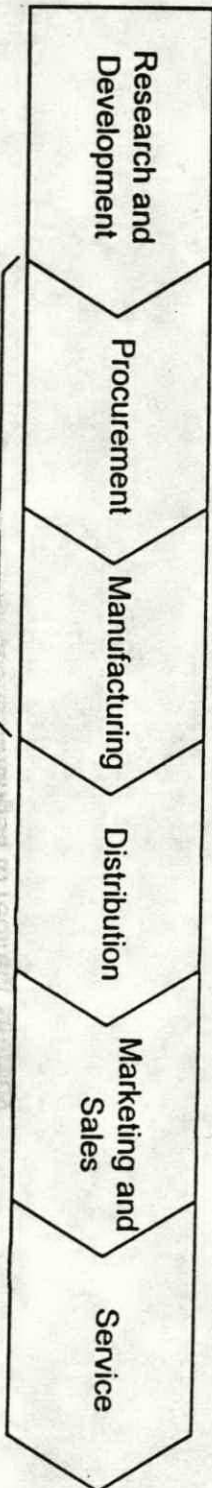
A study was conducted of computer graphics and its impact on the industry. The study found that the industry was not prepared for the changes that were taking place.

The study was conducted with the assistance of the following companies:



Redesign options normally have two dimensions: external and internal and involve basic choices within each functions.

**REDESIGN OPTIONS**



**EXTERNAL VERSUS INTERNAL**

License technology  
Own R&D

Buy/Subcontract

Public  
Own warehouse/fleet

Distributor or reps  
Reps or Dealers

Own sales force  
Internal service network

Make

Own warehouse/fleet

**BASIC CHOICE WITHIN FUNCTION**

Basic research  
Applied research

- Manufacturing
- Automation
  - Number and size of facilities
  - Location
- Procurement
- Contract versus spot buying
  - Central versus local buying

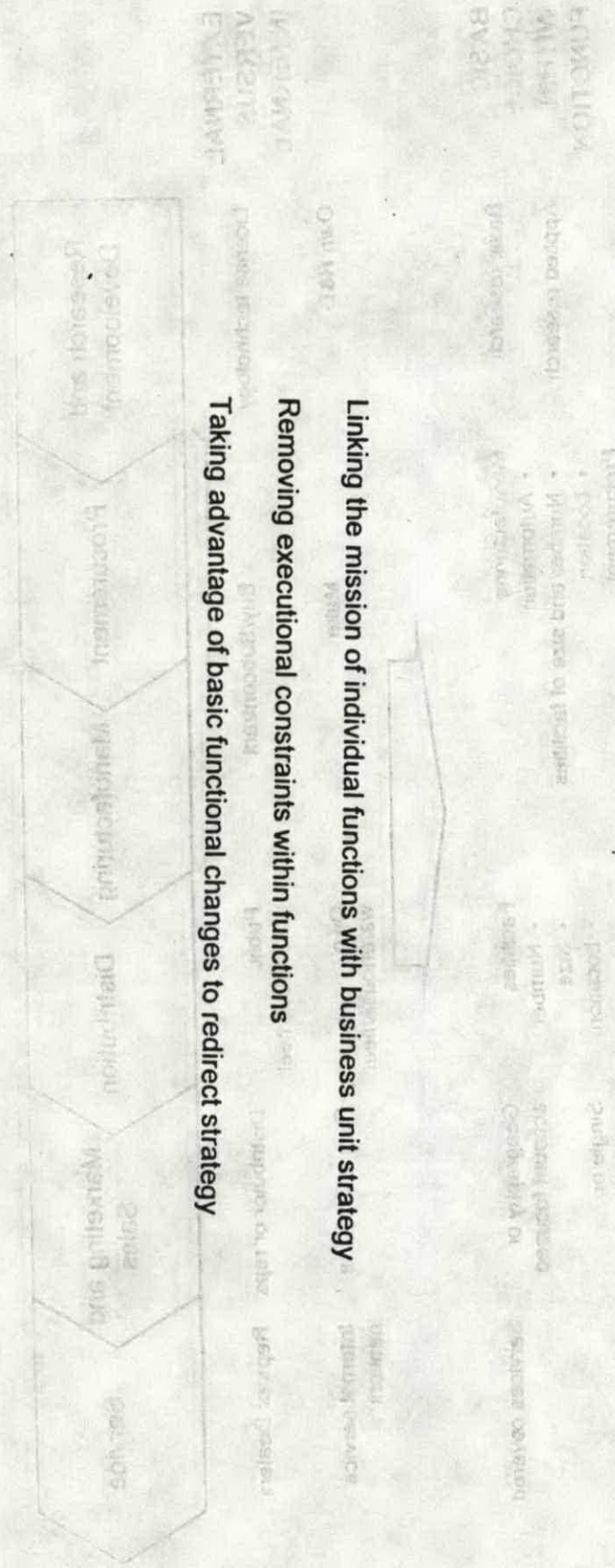
- Facilities
- Number
  - Size
  - Location

Geography or account focused  
Single or multiproduct  
Services covered

## Redesigning the Business System

Redesigning the business system may be appropriate for several reasons. However, regardless of the reason, the business system must fundamentally be consistent with strategy.

### "REDESIGNING" THE BUSINESS SYSTEM



Linking the mission of individual functions with business unit strategy

Removing executional constraints within functions

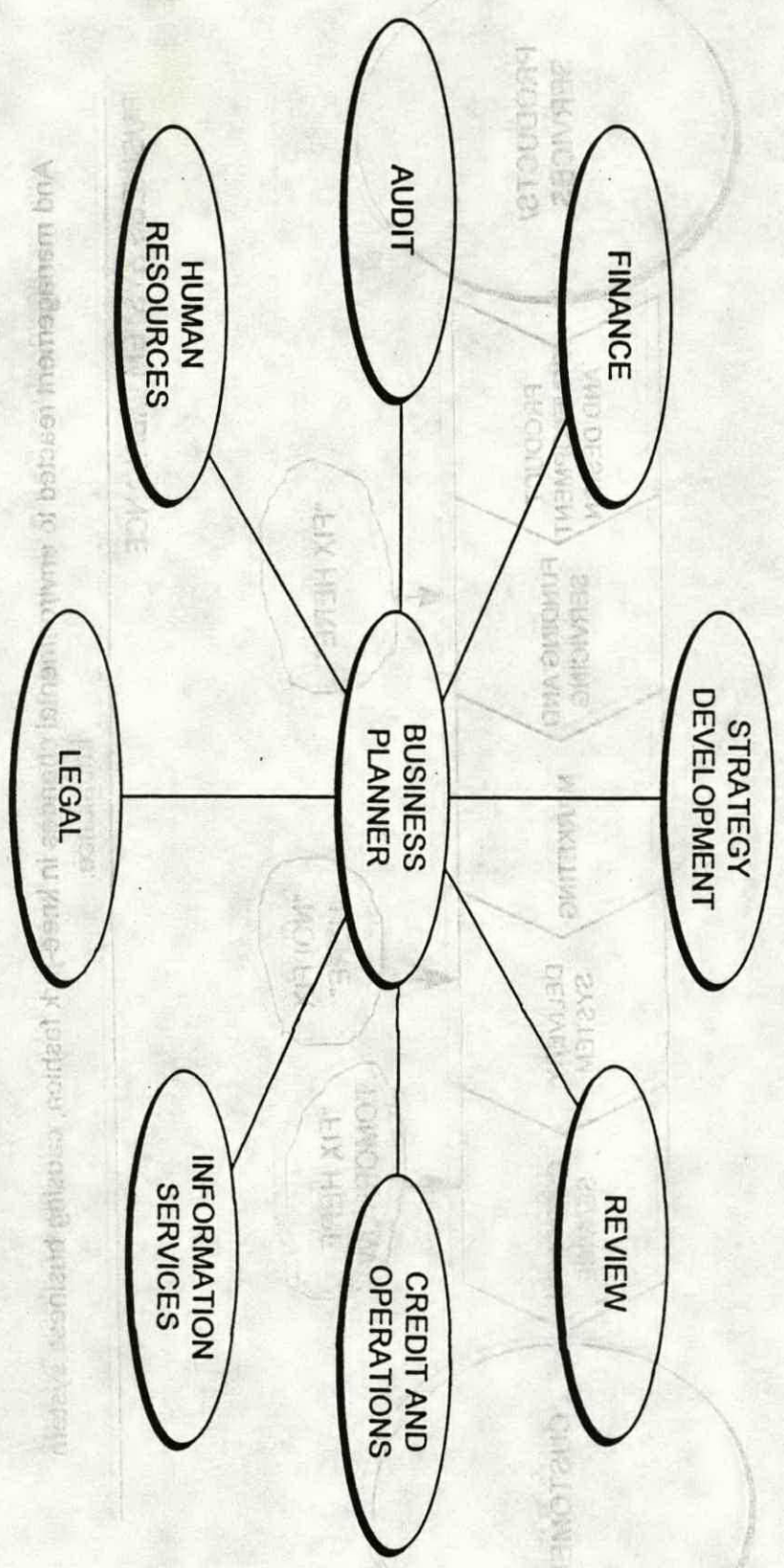
Taking advantage of basic functional changes to redirect strategy

### REDESIGN OPTIONS

Redesign options normally have two dimensions: execution and business and involve basic process within

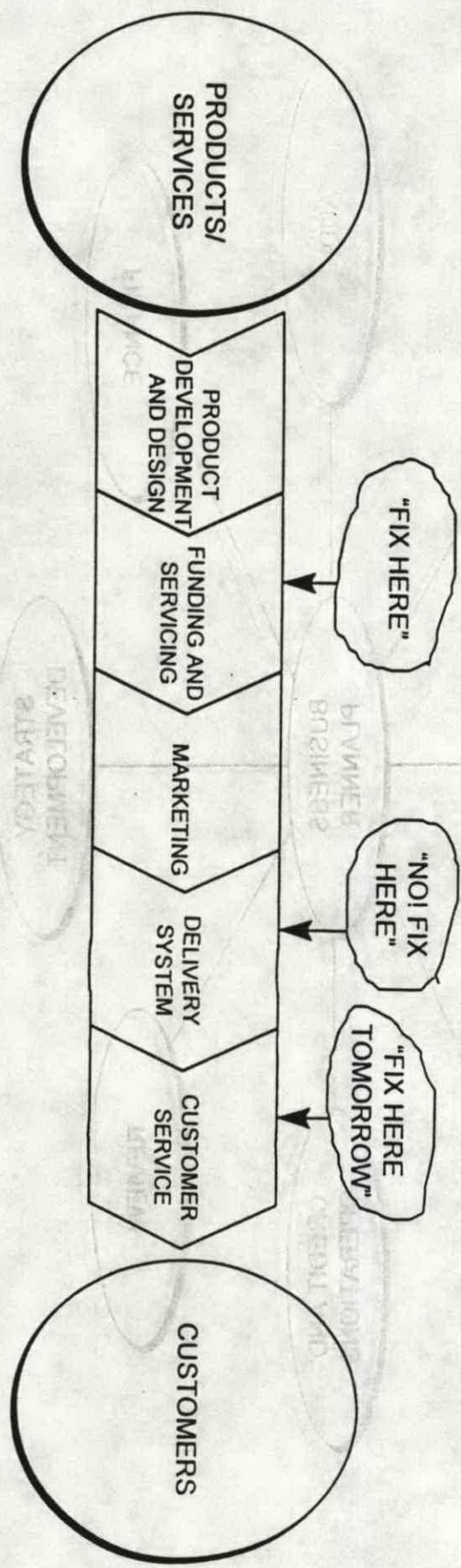
Therefore the organizational structure of the client had to be altered to manage the interfaces. The development of a product planning function will greatly simplify the planning process and allow more effective control and continuity of actions.

**PROPOSED BUSINESS PLANNER LINKAGE**



And management reacted to environmental changes in knee-jerk fashion, causing business system imbalance.

**BUSINESS SYSTEM IMBALANCE**

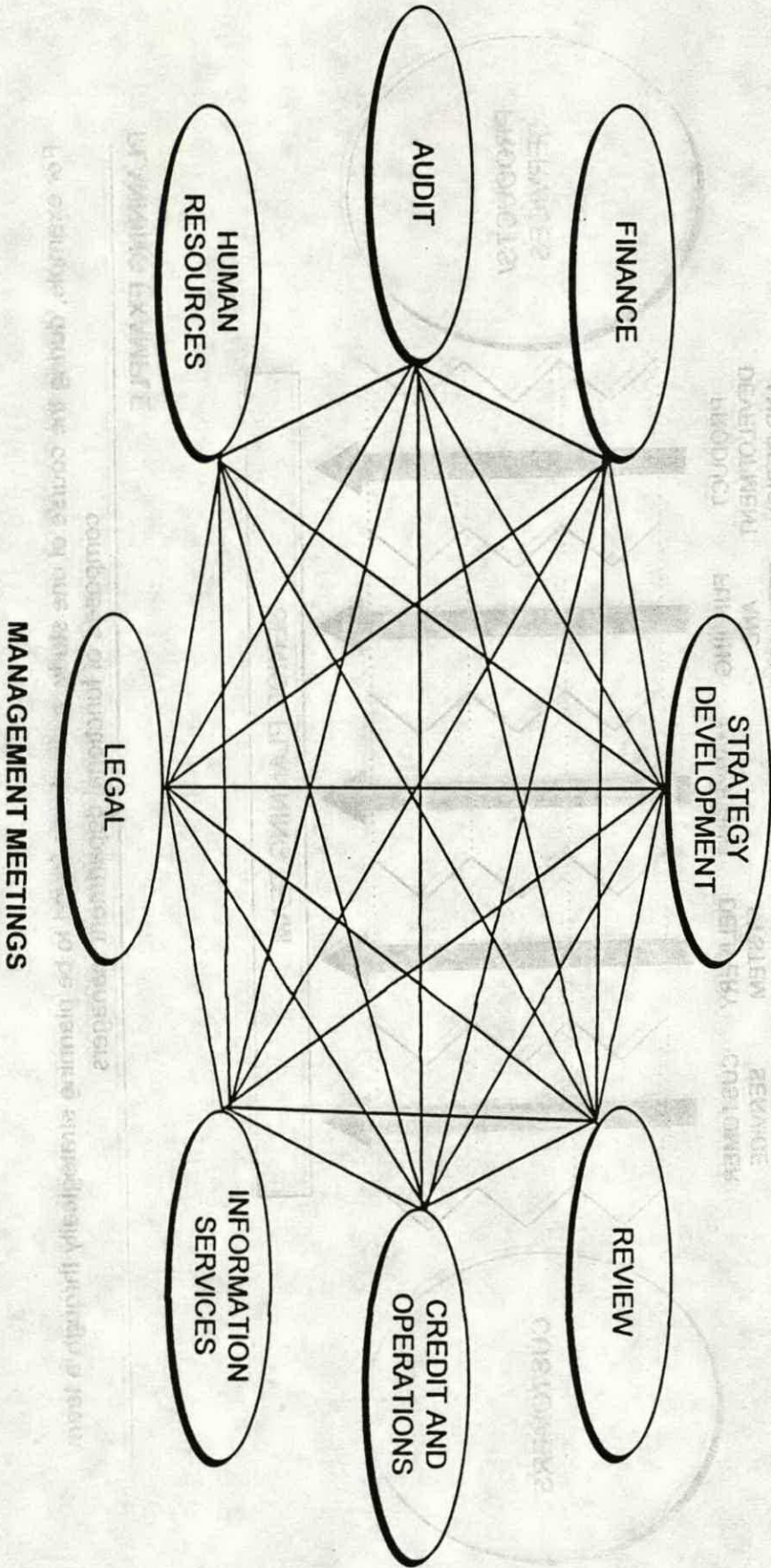


**PROPOSED BUSINESS PLANNER FRAME**

effective control and continuity of actions  
development of a product planning function will greatly simplify the planning process and allow more  
flexible the organizational structure of the client to be affected to manage the interface.

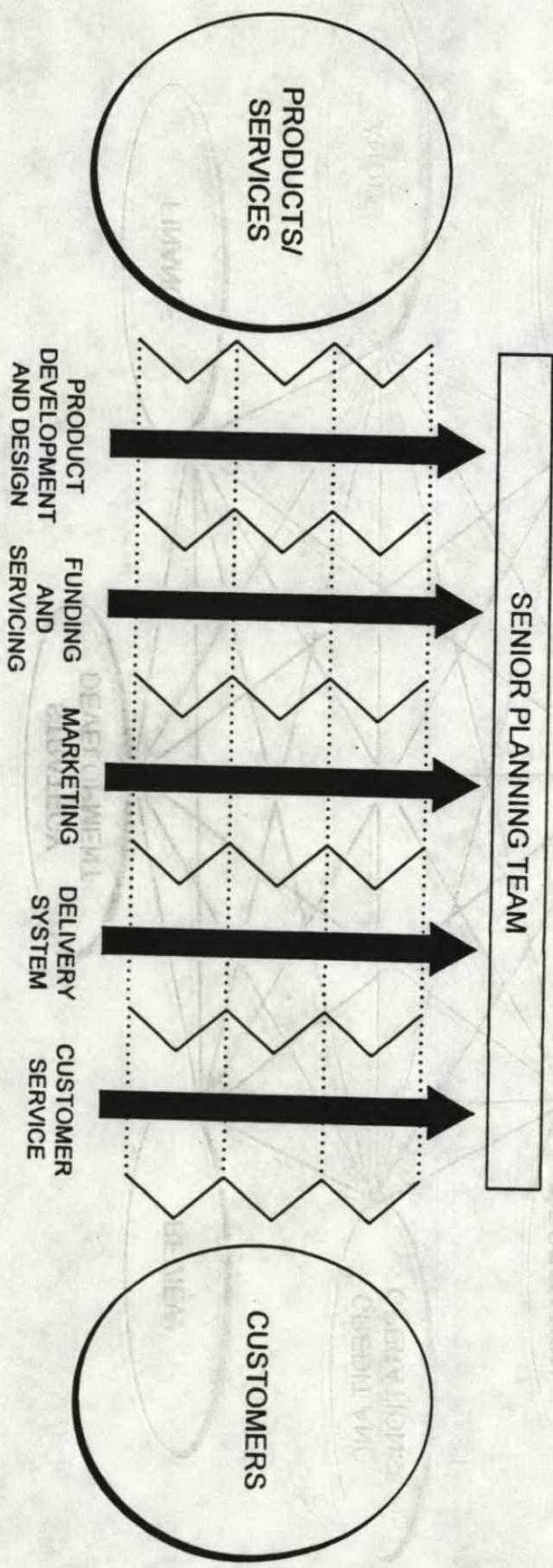
This led to strong operational planning problems as well as strategy development difficulties due to the complexity of inter-functional communications and functional concepts.

**PLANNING MATRIX**



For example, during the course of one study, a client was found to be planning strategically through a team composed of functional department managers.

**PLANNING EXAMPLE**



PLANNING MATRIX

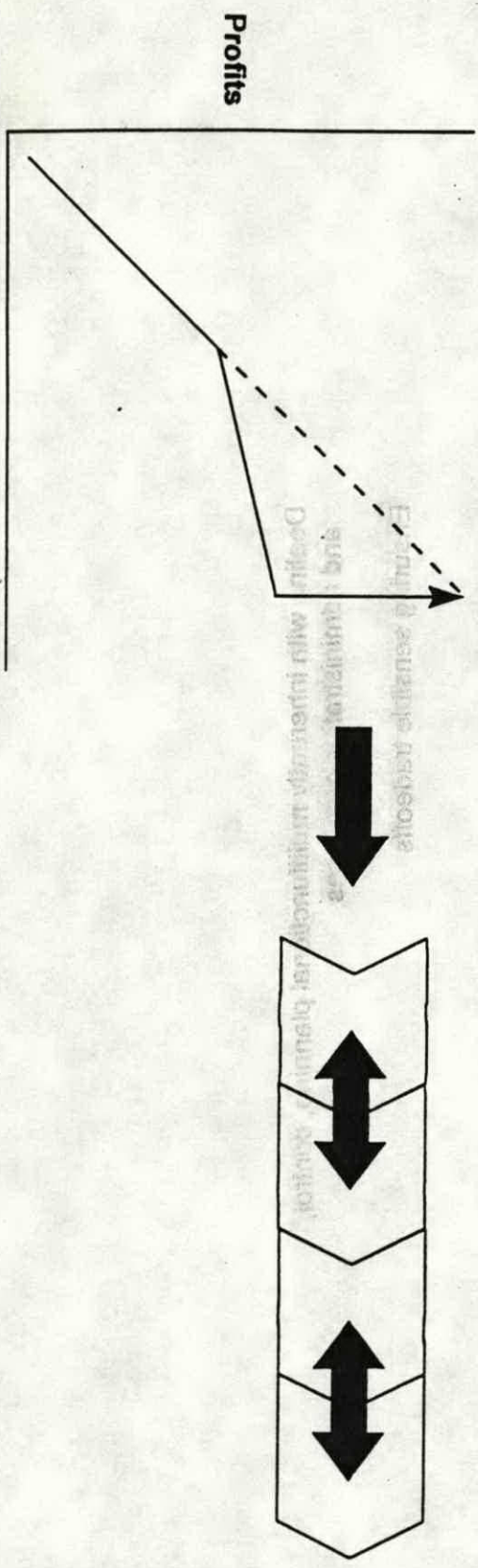
complexity of inter-functional communications and functional overlaps  
interact to shape operational planning programs as well as strategic development difficulties due to the

Multi-functional tasks, performed properly, close the performance gap.

**PERFORMANCE IMPROVEMENT THROUGH "BALANCING"**

**PERFORMANCE GAP**

**BALANCE**



**BALANCING THE BUSINESS SYSTEM**

When the interfaces among functions are critical, the focus should be on identifying the right personnel

Most cost reduction techniques have a detailed documented methodology in common.

**COST REDUCTION METHODOLOGIES**

Technique	Detailed documented methodology (documents and procedures)	Project Approach	Use of Client Staff	Stretching Targets	Typical Savings Achieved
OVA Overhead value analysis	✓	✓ <sup>(1)</sup>	✓	✓	15-25% overhead reduction
CAR Current asset reduction	✓	✓ <sup>(1)</sup>	✓	✓	20-25% current asset reduction
OPI Operating profit improvement	✓	✓ <sup>(1)</sup>	✓	✓	Profit improvement 3-5% of sales
PIP Profit improvement project	✓	✓	✓	✓	Profit improvement 3-5% of sales

*(1) This also exists as a separate document of cost reduction techniques which lists the techniques in detail.*



Finally, a first look to surface opportunities within the service function should address both cost and levels of service.

**SERVICE ISSUES**

---

Are service levels budgeted, controlled and measured?

Can service cost/assets be significantly reduced?

- Labor and inventory for field failures
  - Mix of preventative maintenance
- Are customer service levels too high/low?

**DISTRIBUTION ISSUES**

---

Service levels

Are there any opportunities to improve service levels?

**Quick diagnosis for manufacturing opportunities also involves answering some fundamental questions.**  
**MANUFACTURING ISSUES**

- Can manufacturing cost per unit be reduced?
- Reducing cost for existing volume
- Increasing volume at existing cost
- Can manufacturing performance be improved?
- On-time delivery
- Quality

**MANUFACTURING ISSUES**

Can manufacturing cost per unit be reduced?

Therefore, most "fix" studies focus on traditional "operations" functions, in which large short-term cost-reduction opportunities frequently exist.

**COST REDUCTION FOCUS AREAS**

- Manufacturing
- Purchasing
- Distribution
- Service

**MANAGEMENT IMPACT**

...

Short-term improvements usually have small immediate profit impact on those functions which are primarily "revenue-producing."

---

## REVENUE IMPROVEMENT IMPACT

Revenue increases produce lower profit increases than cost reductions because of margin considerations

Range of actions where short-term impact is limited

- R&D
  - Adding to existing product line, building on existing technologies
  - Improving products in a minor way
- Marketing
  - Increasing prices selectively
  - Repositioning/pruning some portion of product line
  - Stepping up promotion campaign

Obviously, all functions have both a cost and revenue influence; however, in a six to eighteen month time frame, actions in some functions will impact the income statement primarily by producing revenue and others largely by accumulating costs.

**IMPROVING SHORT-TERM PROFITS**

Overall performance cannot be compared. Other indicators may be better or worse than the industry.

**Revenue Producing**

Marketing/Sales	Service						

**Cost Accumulating**

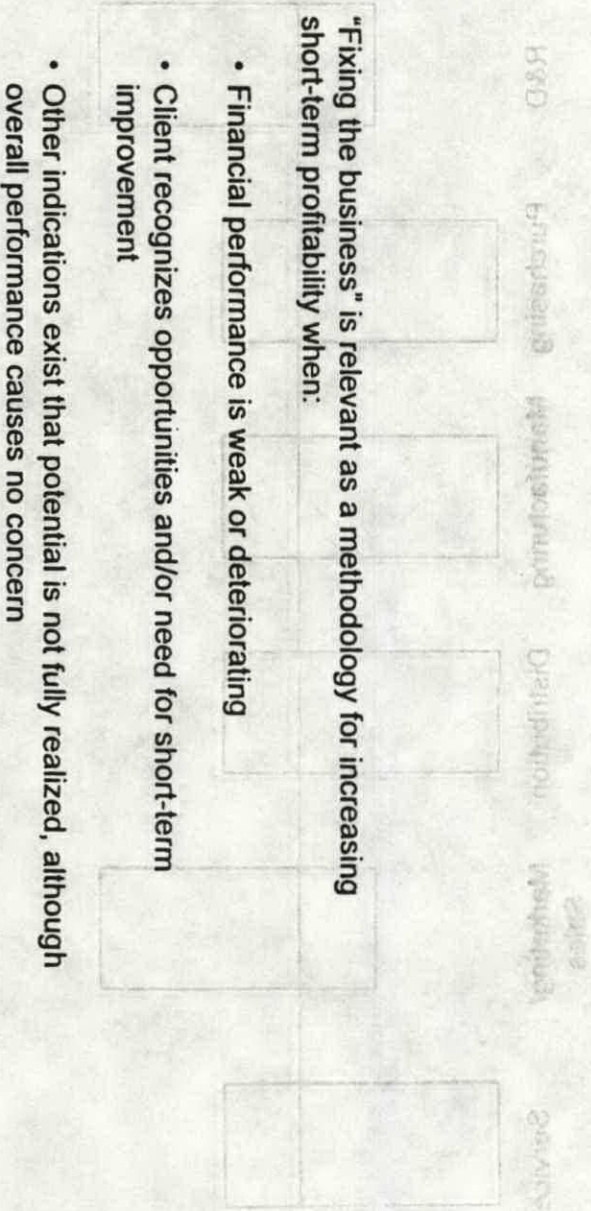
R&D	Purchasing	Manufacturing	Distribution	Marketing/Sales	Service

**INDICATORS FOR FIXING**

Areas of Improvement

Often typical "red lights" will indicate that individual elements of the business system need "fixing."

**INDICATORS FOR "FIXING"**



**IMPROVING SHORT-TERM PROFILES**

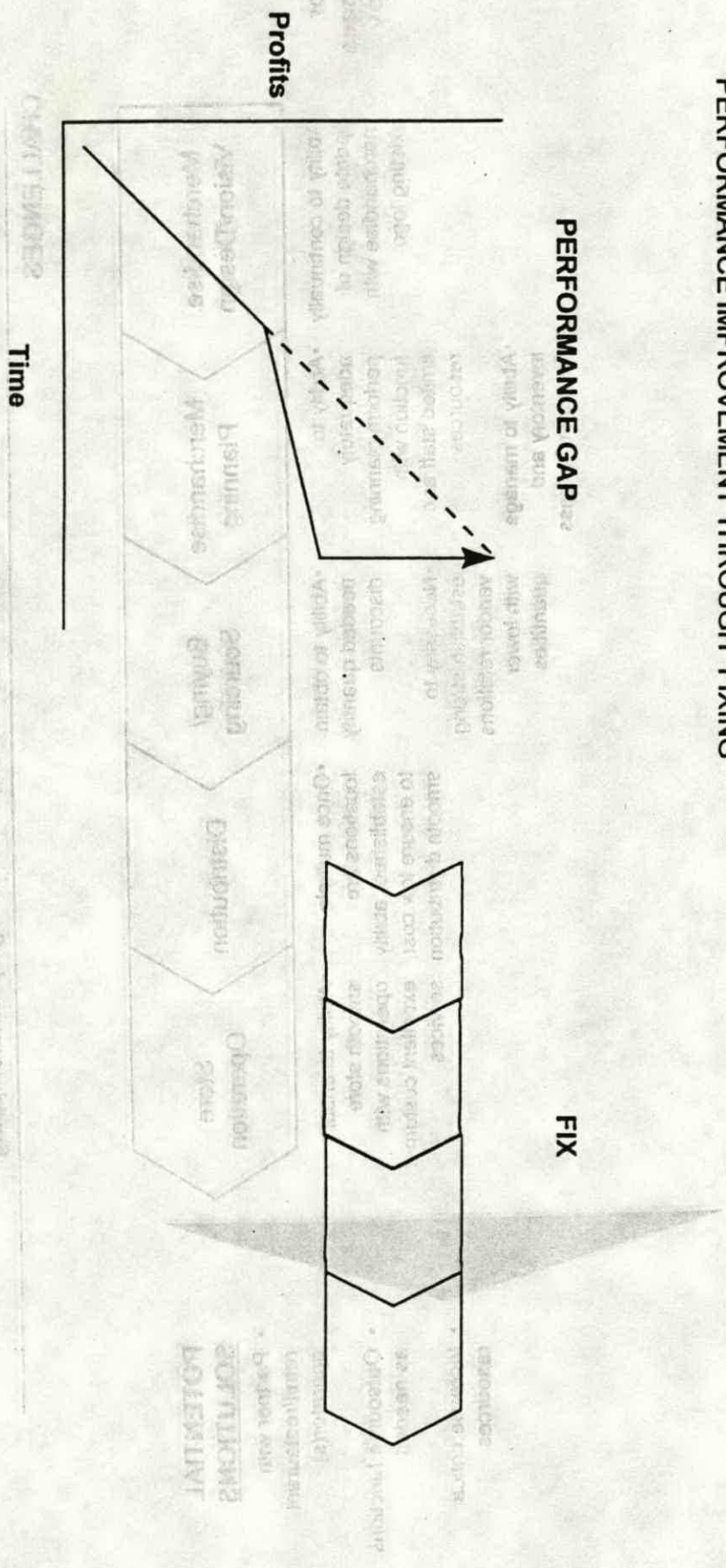
Issues: Increase in sales, decrease in costs, improve customer satisfaction, improve employee productivity, improve marketing effectiveness, improve financial performance, improve overall business performance.

## Fixing the Business System

Now we will review each way to modify the business system starting with "fixing" the business system.

---

### PERFORMANCE IMPROVEMENT THROUGH "FIXING"



Even though you have a lot of experience in developing an enterprise-level retail concept, it does need to overcome some organizational challenges. The challenges are usually operational and administrative. Even though you have a lot of experience in developing an enterprise-level retail concept, it does need

Even though SPY has a lot of strengths for developing an entertainment-based retail concept, it does need to overcome some organizational challenges. The challenges are mainly operation- and infrastructure-oriented and could potentially be overcome through partnerships.

**CHALLENGES**



- Ability to continually update design of merchandise with existing logo
- Ability to adequately perform planning function with limited staff and resources
- Ability to manage inventory and dispose of excess
- Ability to obtain needed quantity discounts
- Necessity to establish strong vendor relations with lower quantities
- Once multiple locations are established, ability to ensure low cost, smooth distribution
- Ability to ensure smooth store operations with excellent customer services

PERFORMANCE IMPROVEMENT THROUGH FIXING

FIX

**POTENTIAL SOLUTIONS**

- Partner with retail/restaurant operator(s)
- Outsource functions as needed
- Increase critical resources

PERFORMANCE IMPROVEMENT THROUGH FIXING

How we will reverse each way to modify the business system starting with... the business system



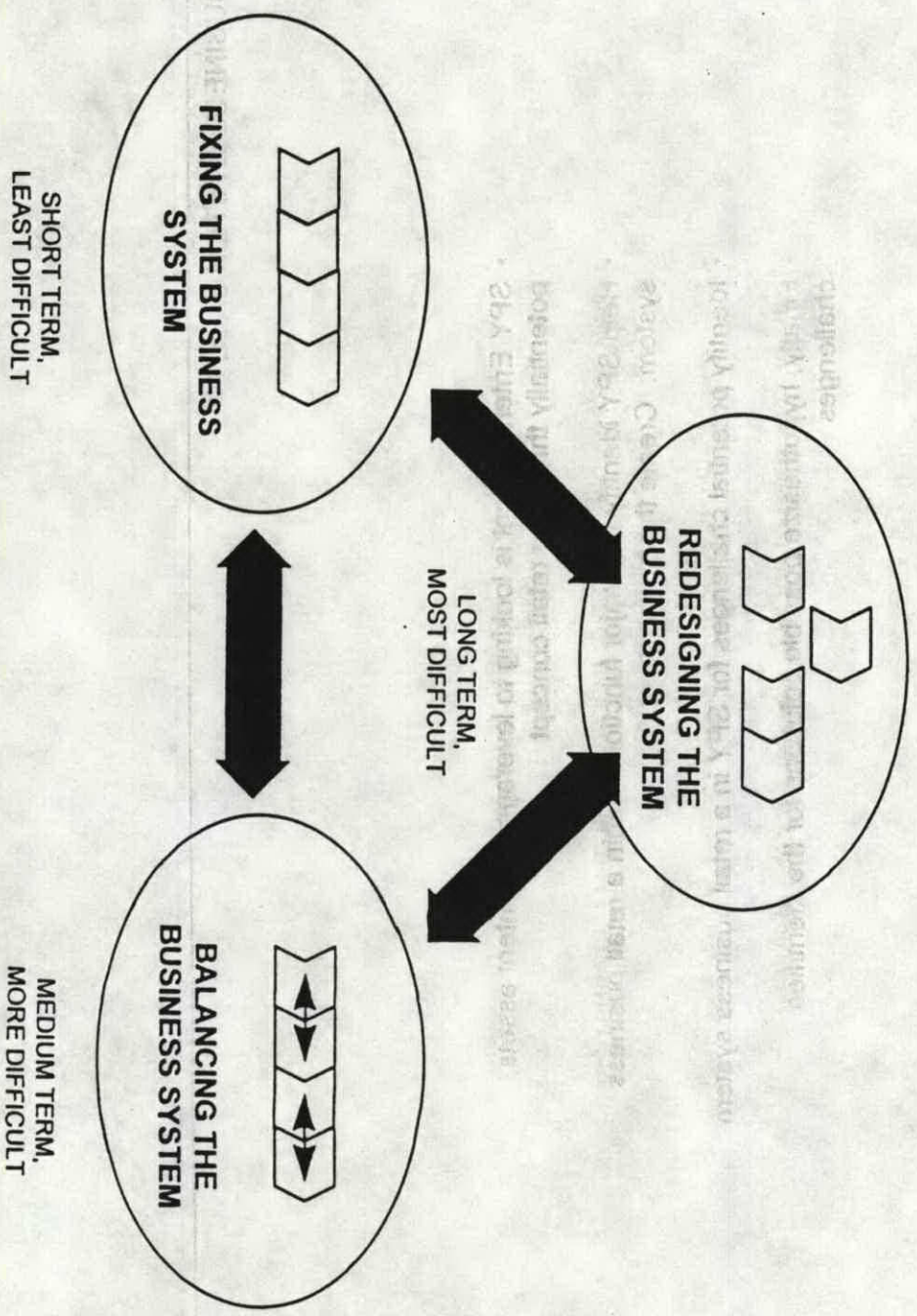
### Business System Case

#### BUSINESS SYSTEM CASE

- SPY Entertainment is looking to leverage its content assets, potentially through a retail concept
- Help SPY identify the major functions within a retail business system. Create the business system
- Identify potential challenges for SPY in a retail business system
- Finally, hypothesize possible solutions for the identified challenges

Identify potential challenges for SPY in a retail business system

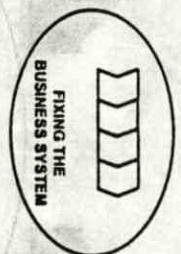
Timing horizons and difficulty of improvement opportunities vary.



Along these three dimensions, the business system can provide a prescriptive map outlining alternative ways to gain a competitive advantage.

**BUSINESS SYSTEM MODIFICATION ADVANTAGE MAP**

**WAYS TO MODIFY THE BUSINESS SYSTEM**



Fix

Balance

Redesign

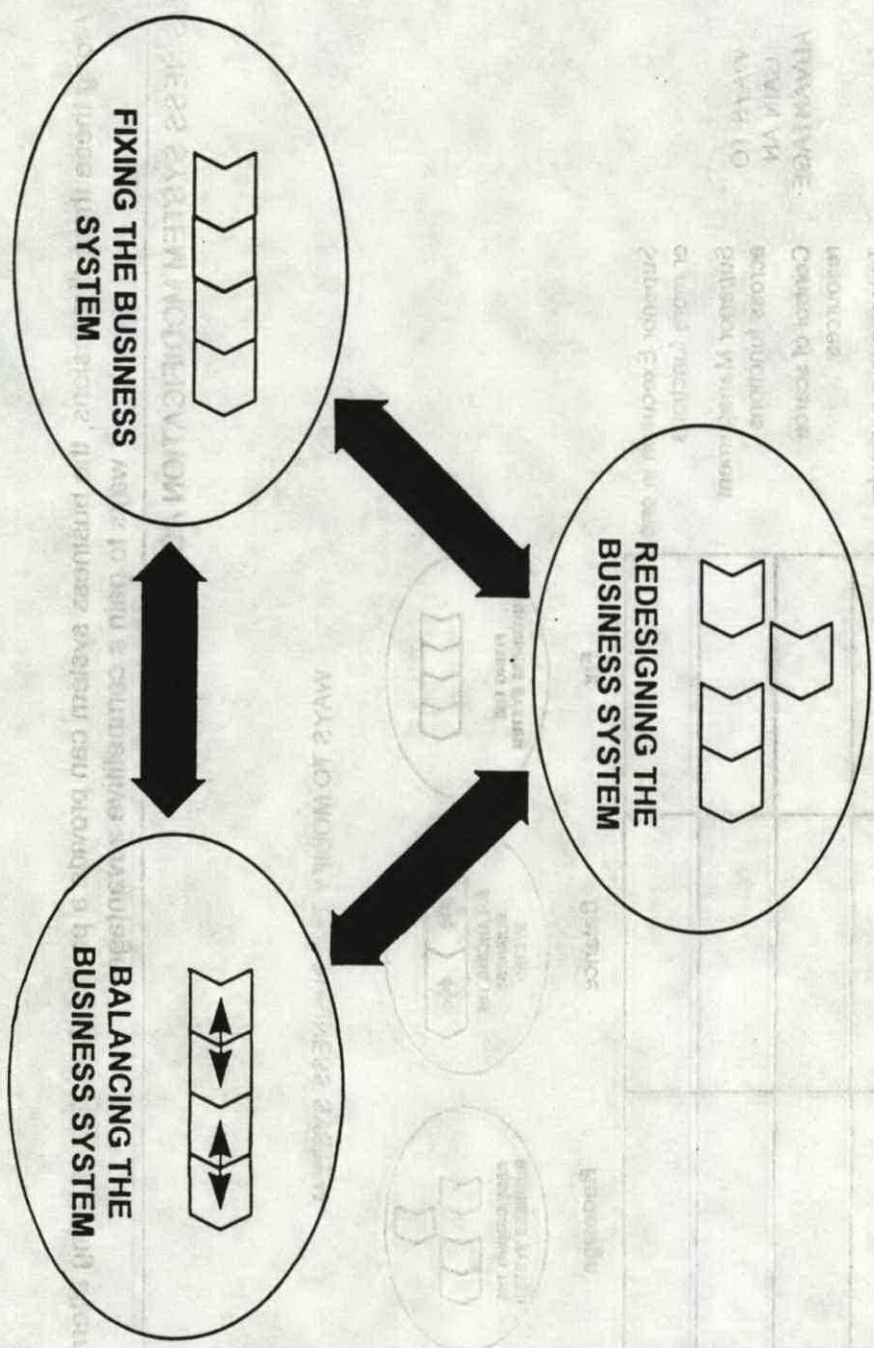
**WAYS TO GAIN AN ADVANTAGE**

- Superior Execution in one or more functions
- Superior Management across functions
- Control of scarce resources
- Tailoring to a particular segment
- Creation of a superior business system

	Fix	Balance	Redesign

### USE IN CLIENT PROJECTS

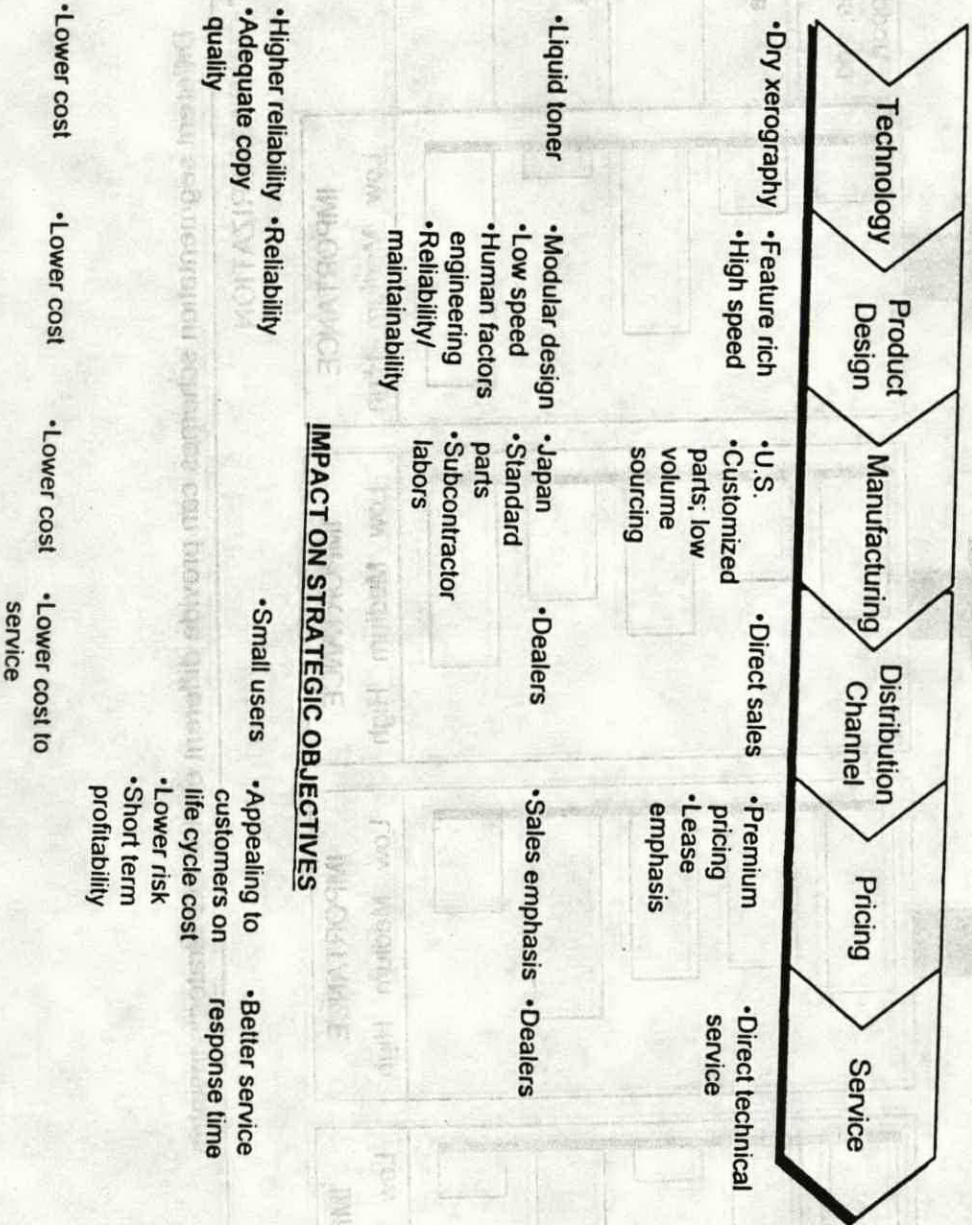
We use business system analysis to distinguish among three levels of needed change in a client.



# Modify Business System

The business system framework illustrates how Savin/Ricoh managed to create competitive advantages as they implemented a strategy designed primarily to cope with Xerox's formidable entry barriers.

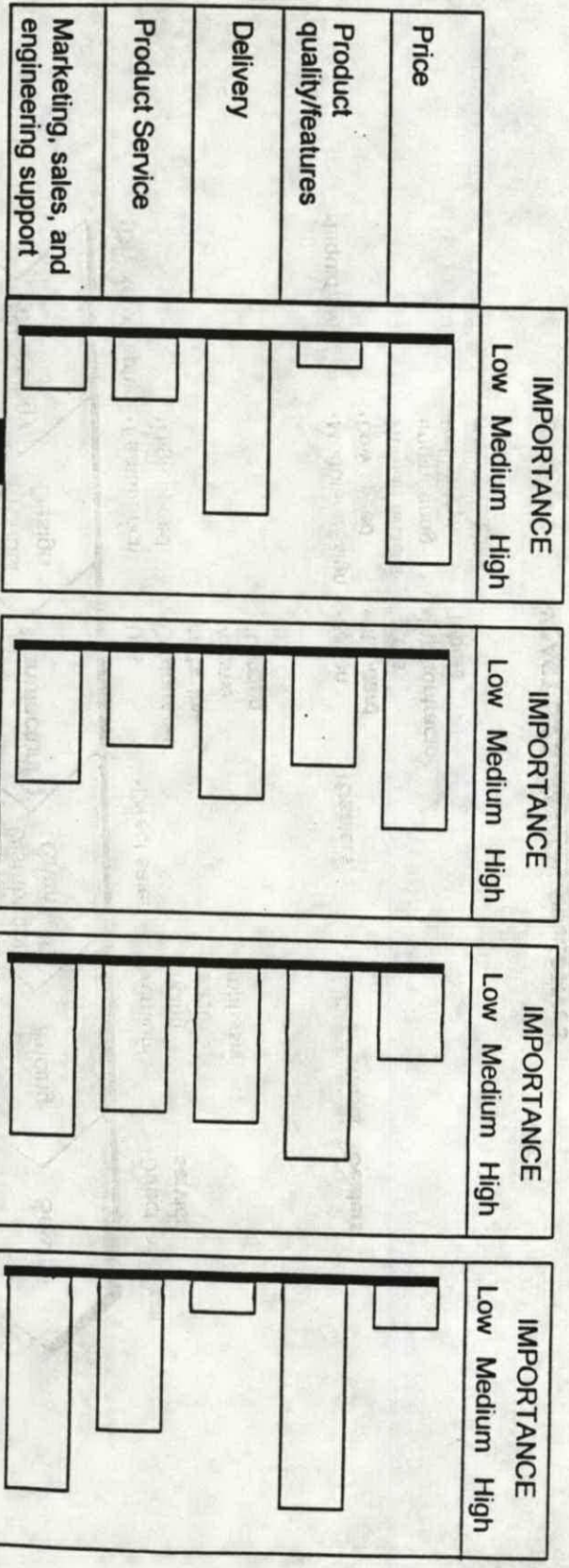
**COPIER INDUSTRY EXAMPLE**



Different segmentation schemes can provide different exploitable strategic insights.

SEGMENT CHARACTERIZATION

KEY BUYING FACTORS



- A**
- Extremely price sensitive
  - Standard product
  - Large lot size
  - Few large customers

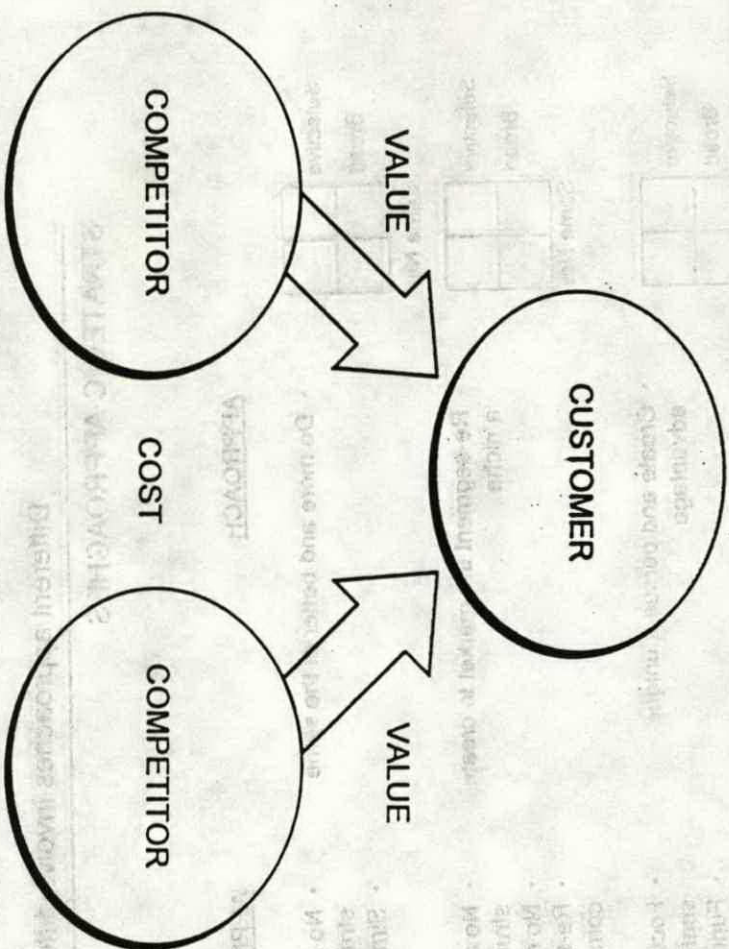
- B**
- Price sensitive
  - Modified product
  - Medium lot size
  - Many medium size customers

- C**
- Price often secondary
  - Nonstandard product
  - Small lot size
  - Many small customers

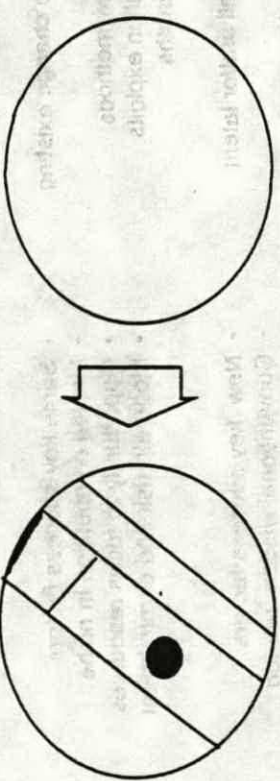
- D**
- Price secondary
  - Specially designed product
  - Large lot size
  - Few large customers

**CUSTOMER SEGMENTATION**

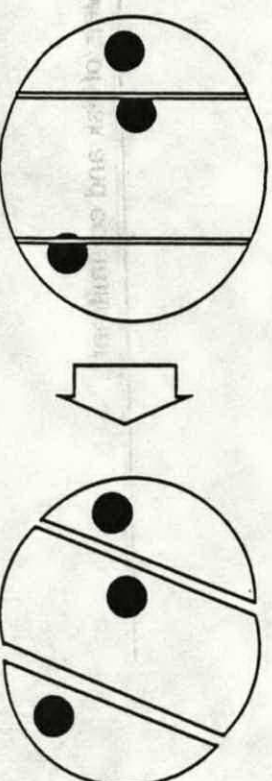
Customer segmentation or re-segmentation is key to bringing value.



**1. Segmentation (Market is...)**



**2. Resegmentation (Market really is...)**



Key: ● = High-profit customers

## Focus on a Strategy

Different approaches involve different levels of risk and commitment.

### STRATEGIC APPROACHES

#### APPROACH

- Do more and better of the same

Selective		
Broad		
Same New		

#### APPROACH

- No attempt to change industry structure
- Similar customer segmentation

#### RESULTS

- Same key success factors
- Often fierce price competition
- Low short-term risk and low commitment

- Re-segment the market to create a niche

Selective		
Broad		
Same New		

- No attempt to change existing structure
- No radical new methods
- Re-segmentation exploits company strengths

- Same key success factors
- Limited competition in niche
- Opportunity to focus resources
- Moderate risk and commitment

- Create and pursue a unique advantage

Selective		
Broad		
Same New		

- Focus on small and/or latent segment
- Fundamental changes in business
- New or different customers
- Market redefinition to suit company strengths

- New key success factors
- Conventional wisdom refuted
- Longer term advantage, higher profits
- Moderate risk, sustained commitment

- Exploit unique advantage industry wide

Selective		
Broad		
Same New		

- Focus on entire market
- Fundamental changes in business
- Focus on competition vs. market/customers
- Market redefinition to suit company strengths

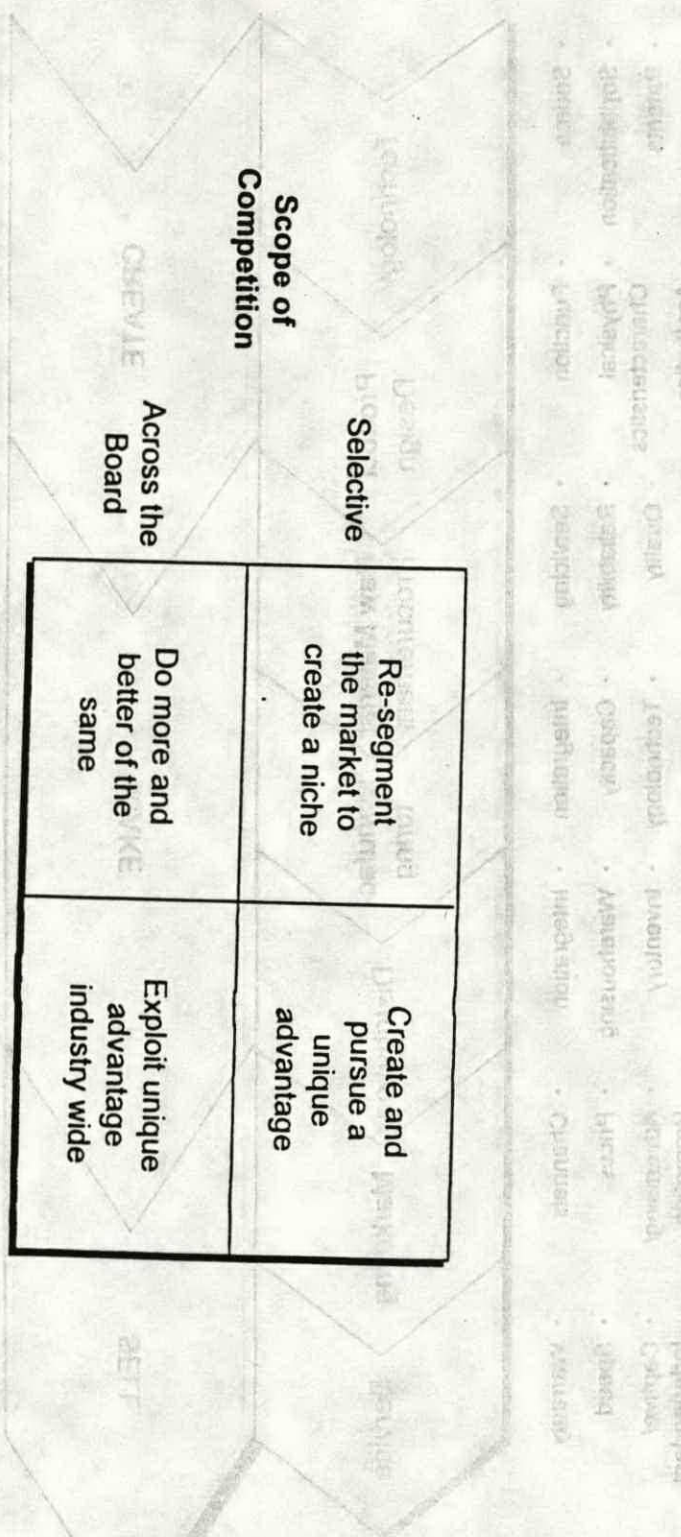
- New key success factors irrelevant
- Conventional wisdom made irrelevant
- Higher profits, longer term advantage
- High risk, sustained major commitment



### Determine Scope and Mode of Competition

One of the first tasks involved in modifying the business system is to assess where and how the client can most effectively compete.

#### THE STRATEGIC GAMEBOARD

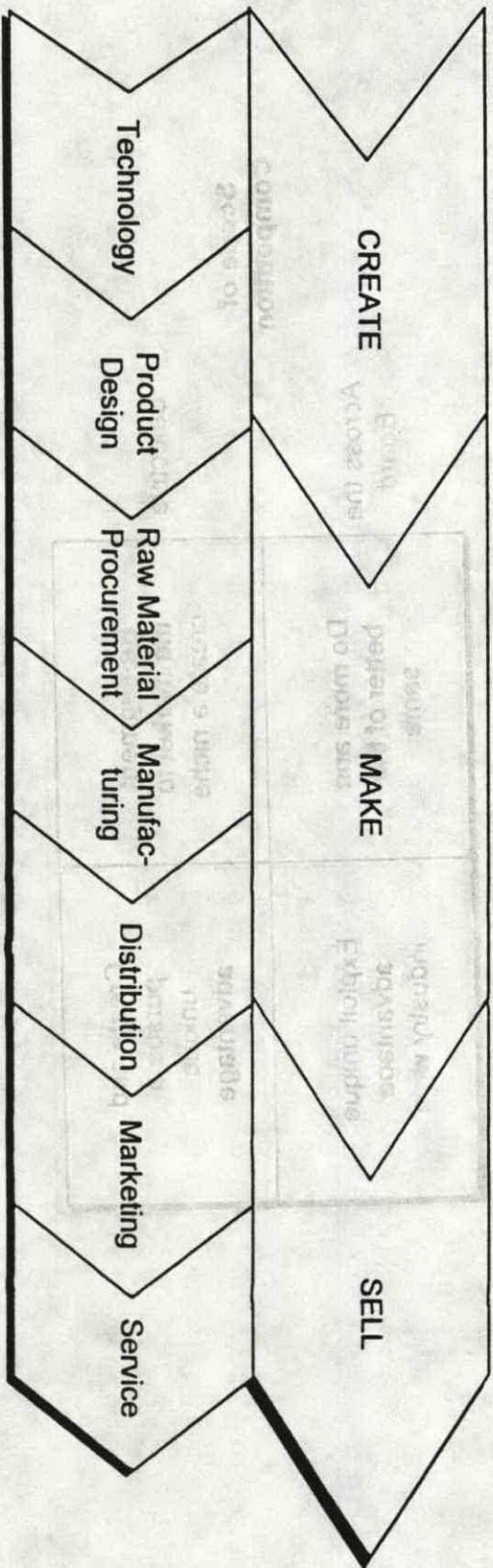


BUSINESS SYSTEM DEGREES OF FREEDOM

Use matrix to assess degree of freedom in key areas to determine the strategic degrees of freedom and their

The ability to create options depends on your ability to understand the strategic degrees of freedom and their limits.

BUSINESS SYSTEM DEGREES OF FREEDOM



- Source
- Sophistication
- Patents
- Products/Process
- Choices
- Levers
- Economic Limits
- Function
- Physical Characteristics
- Aesthetics
- Quality
- Capabilities
- Servicing
- Reliability
- Quality
- Integration
- Capacity
- Technology
- Inventory
- Transport
- Integration
- Warehousing
- Channels
- Prices
- Advertising/Promotion
- Sales Force
- Warrantly
- Speed
- Captive/Independent
- Prices
- Packaging
- Brand

## IMPROVING A BUSINESS SYSTEM

After appropriately defining and analyzing the business system, the next challenge is to improve it to provide a sustainable competitive advantage for the clients. There are basically three ways to do this: by "fixing" elements, by "balancing" elements, and/or by "redesigning" the business system.

### STEPS TO IMPROVE A BUSINESS SYSTEM

---

1. Define, analyze, and understand the business system. Identify the strategic degrees of freedom of each business system element
2. Determine the scope and mode of competition (where and how to compete)
3. Focus on a particular type of strategy (cost, differentiation, focus)
4. Modify elements of the business system to support strategic advantage by
  - "fixing" elements
  - "balancing" elements
  - "redesigning" the business system.

As an analysis tool, the business system provides a conceptual framework around which key sources of competitive advantage can be found.

**BUSINESS SYSTEM ANALYSIS SUMMARY**

Competitive advantage can only be obtained through lower costs, product differentiation, or a combination of the two in selected segments (focus)

The business system framework enables us to consider gaining a competitive advantage in several ways:

- superior execution in one or more functions
- superior management across the functions
- control of scarce resources
- tailoring functions to a particular customer group
- creation of a superior business system

Examination of business system element costs allows us to identify key leverage points and focus future analyses

Comparison of perceived customer value with the product differentiation attributes of each business system element allows us to identify a client's key sources of product differentiation

A competitive advantage either through lower costs, product differentiation, or both can come from any element of the business system

Once you know where leverage occurs, you can focus on key analyses and issues to ascertain how well your client is doing and what he might do to improve.

**FOCUSING ON KEY LEVERAGE POINTS**

**POINT OF LEVERAGE**

**KEY ANALYSES/ISSUES (e.g.)**



- R&D productivity/cycle time for new product development
- Business/technical coupling
- Knowledge gap



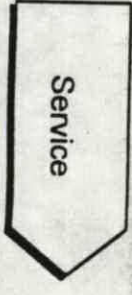
- Product/service parity
- Product performance gap
- Design competitiveness



- Supplier management
- Productivity constraints
- Cumulative manufacturing experience
- Logistics
- Raw material, labor, energy cost, and procurement

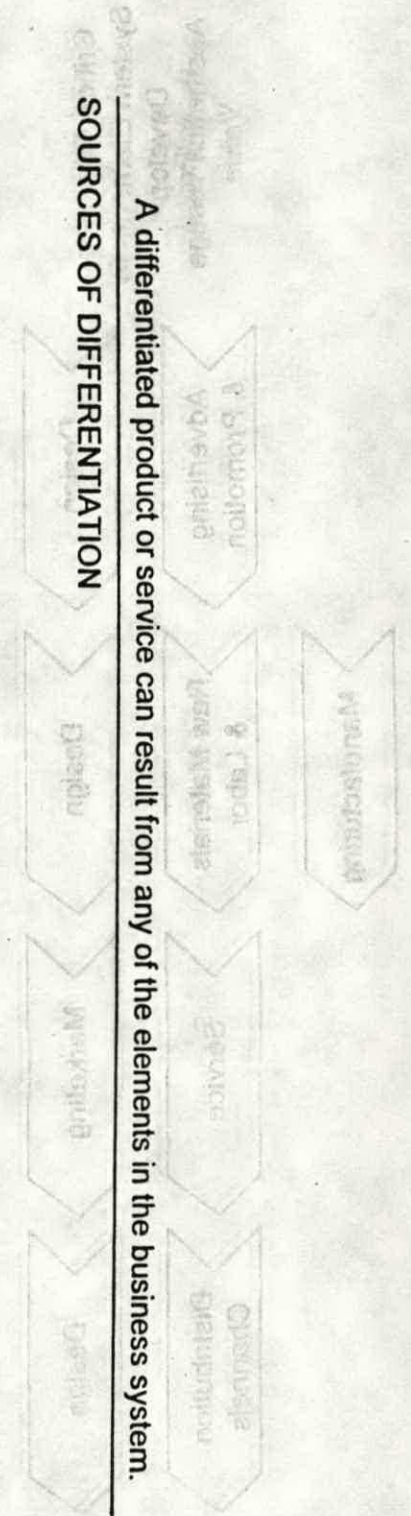


- Strategic segmentation
- Economic value to the customer
- Sales force effectiveness
- Pricing

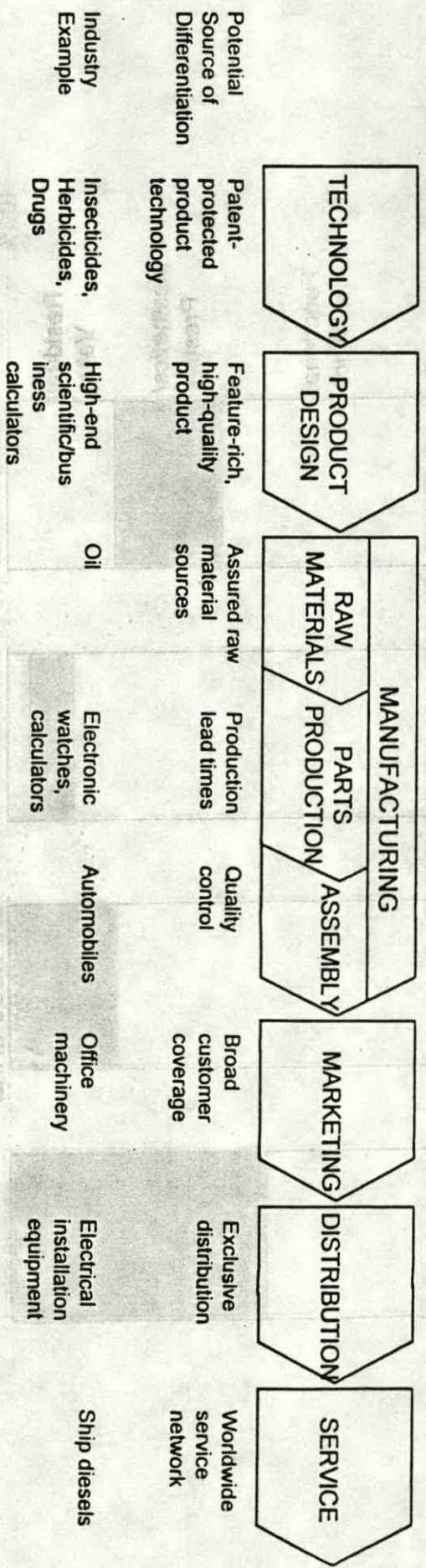


- Key buying factors
- Economic value to the customer
- Task analysis

A differentiated product or service can result from any of the elements in the business system.



**SOURCES OF DIFFERENTIATION**

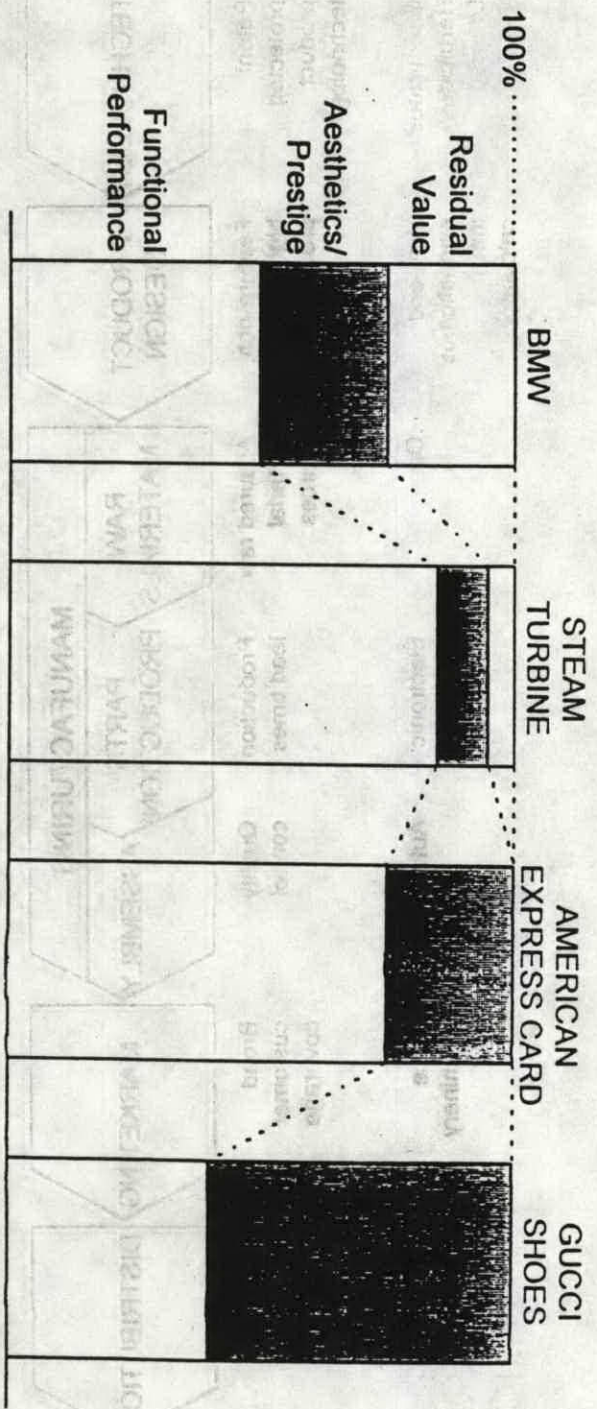


**SOURCE OF RELATIVE VALUE**

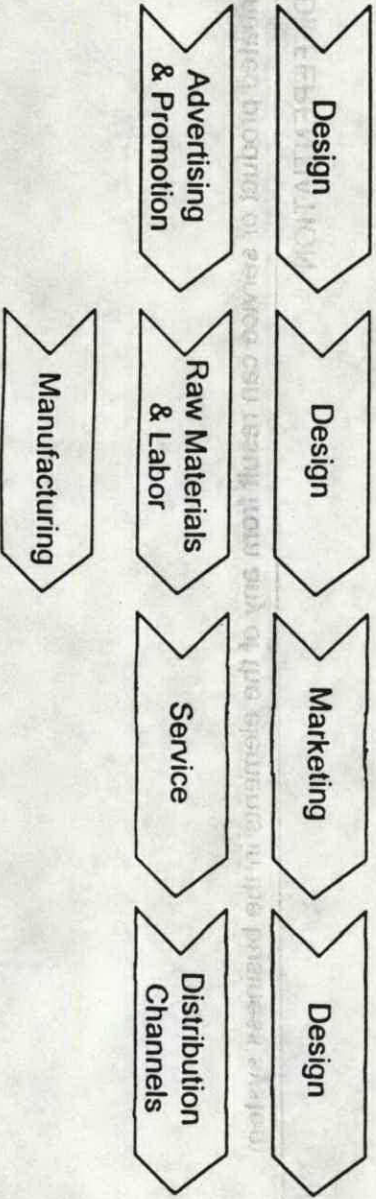
Source of relative value: Insecticides, Herbicides, Drugs; High-end scientific/business calculators; Assured raw material sources; Production lead times; Quality control; Automobiles; Office machinery; Electrical installation equipment; Ship diesels.

Product differentiation manifests itself in the form of value perceived by the customer. This value can take many forms and, as we see, varies considerably across products.

**SOURCE OF RELATIVE VALUE**

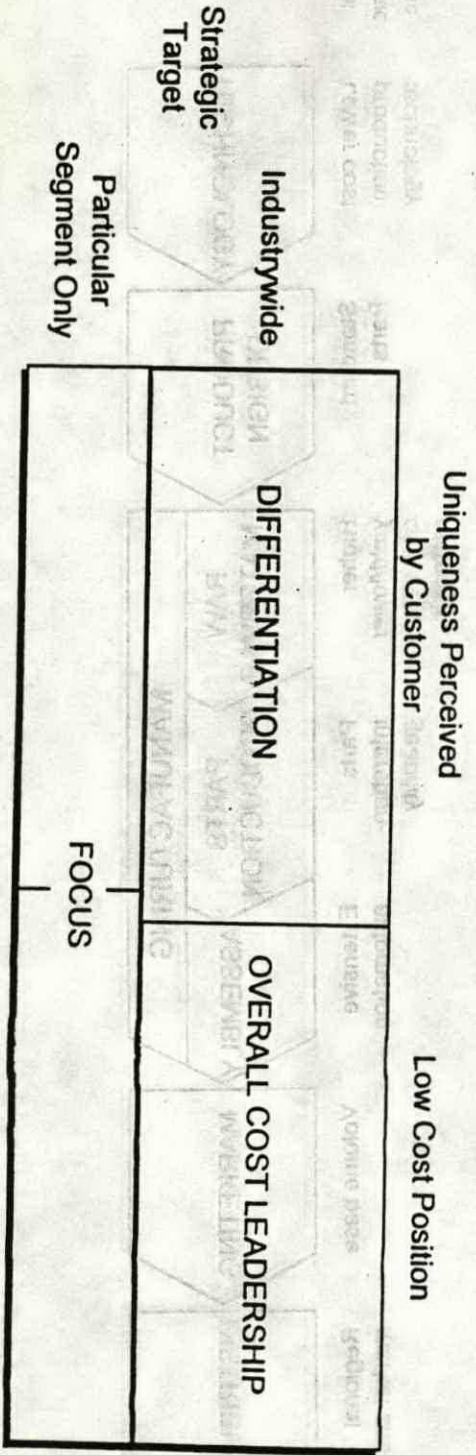


Critical Business System Elements to Develop  
Aesthetic/Prestige Value



In a similar manner, thorough analysis of the business system will identify opportunities for the client to better differentiate its products.

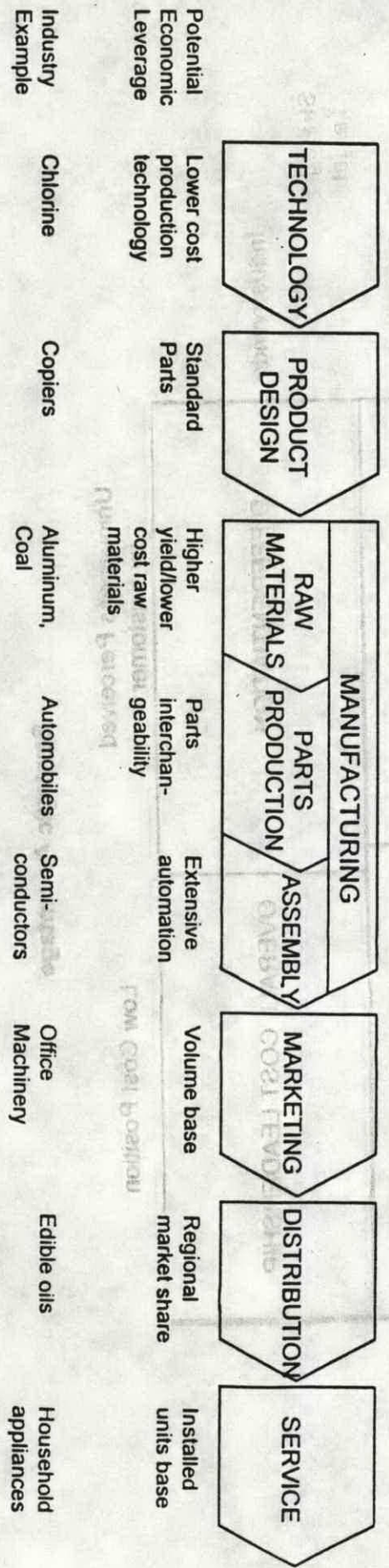
### GAINING A DIFFERENTIATION ADVANTAGE





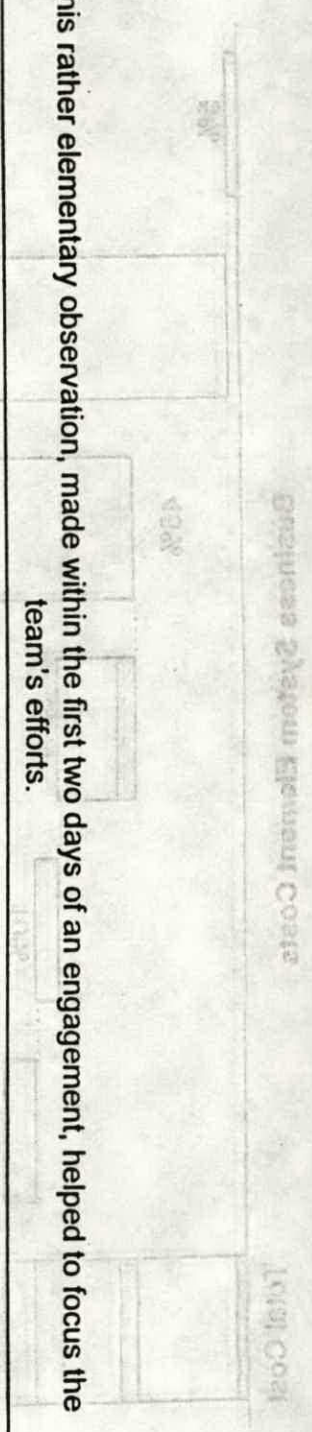
Each business system element can provide unique economic leverage points.

**SOURCES OF ECONOMIC LEVERAGE**



**GAINING A DIFFERENTIATION ADVANTAGE**

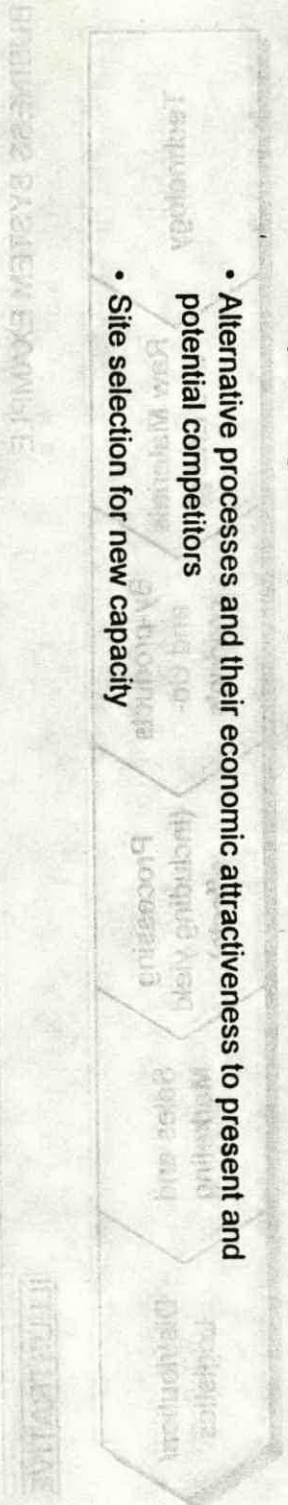
Higher differentiation advantages exist in the products of a business system. The business system will identify opportunities for the system.



This rather elementary observation, made within the first two days of an engagement, helped to focus the team's efforts.

**FOCUS OF FURTHER STUDY**

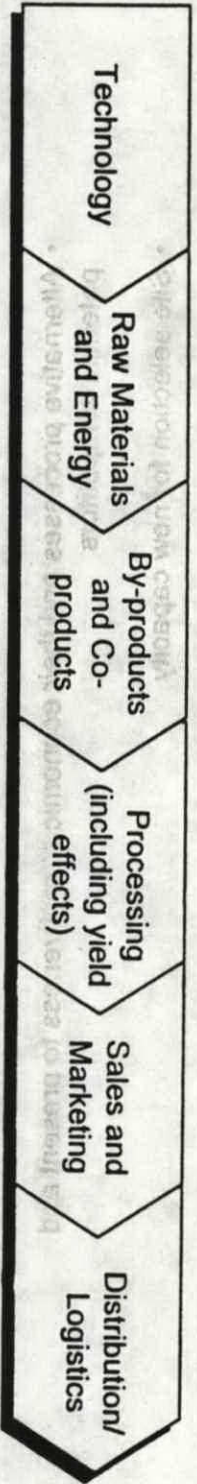
- Market development opportunities for co-product streams
- Raw material cost comparisons with major competitors
- Scope for significantly improving yield of current process
- Alternative processes and their economic attractiveness to present and potential competitors
- Site selection for new capacity



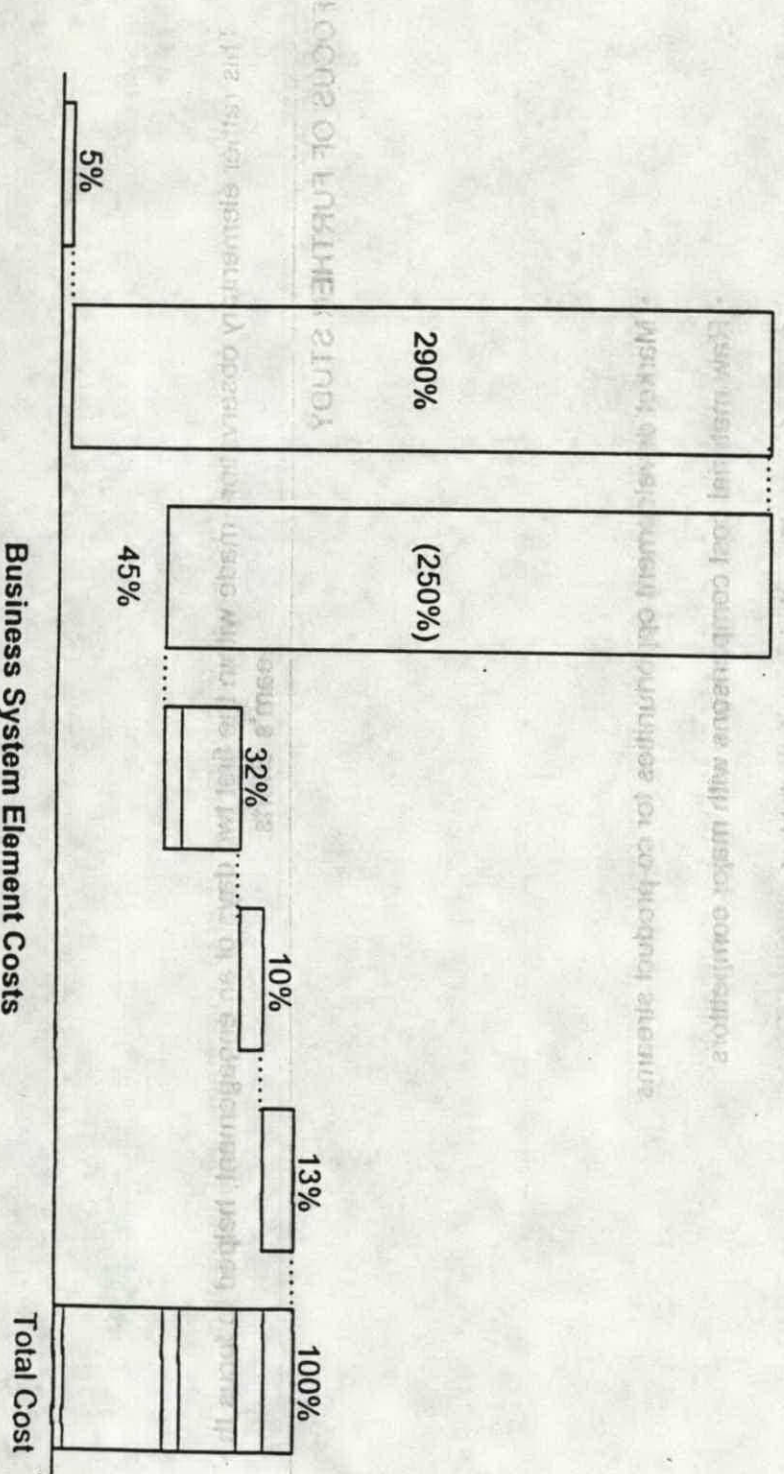
Business System Example: To raw material, process efficiency and position for the development of hydrolysis oxide, the element cost parameter course from the active or co-product streams

In the production of propylene oxide, the greatest cost leverage comes from the value of co-products relative to raw materials, process efficiency and location.

**BUSINESS SYSTEM EXAMPLE**

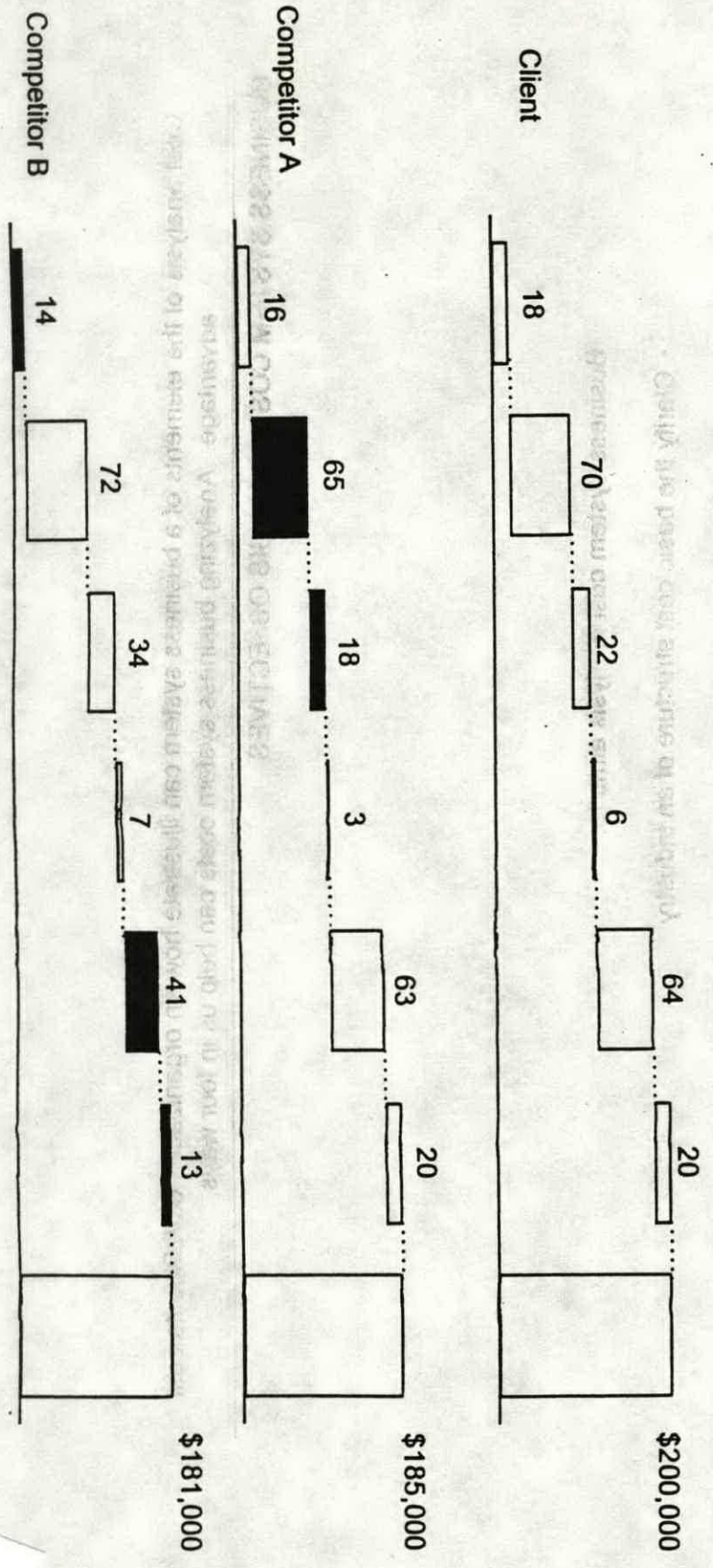
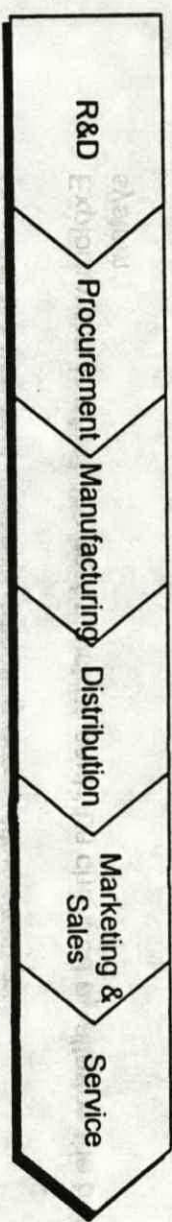


ILLUSTRATIVE



Economic comparisons allow identification of overall cost structure as well as key cost elements (leverage points). Thus, we can explore ways in which the cost structure can be changed by altering the business system.

### BUSINESS SYSTEM COMPARISONS



Cost analysis of the elements of a business system can illustrate how an organization develops its cost advantage. Analyzing business system costs can help us in four ways.

### BUSINESS SYSTEM COST ANALYSIS OBJECTIVES

- Business system cost analysis aims to:
- Clarify the basic cost structure of an industry
- Pinpoint the key cost elements affecting competitive strategy
- Explore ways in which the cost structure could be changed by altering the business system
- Identify alternative business systems and competitors to be assessed in greater depth

### BUSINESS SYSTEM COMPARISONS

Analysis of the business system will allow the team to identify opportunities for the client to achieve a lower cost position.

**GAINING A COST ADVANTAGE**

Creation of a customer preference system

Uniqueness Perceived by Customer

Low Cost Position

<p><b>DIFFERENTIATION</b></p>	<p><b>OVERALL COST LEADERSHIP</b></p>
<p><b>FOCUS</b></p>	

Industrywide

Particular Segment Only

Strategic Target

**GAINING A COST ADVANTAGE**

To achieve a cost or differentiation advantage, the client must possess a strategy focusing on design and

To achieve a cost or differentiation advantage, the client must possess a strategy designed to develop and exploit opportunities within and across the business system.

### GAINING AN ADVANTAGE

	FOCUS
Lower costs and/or differentiation can be achieved through:	
• Superior execution at one or more stages of the business system	
• Superior management across the stages of the business system	
• Control of a scarce resource (resources) at one (or more) stages	
• Tailoring one or more elements of the business system to the requirements for serving a selected customer group (or groups)	
• Creation of a superior business system	

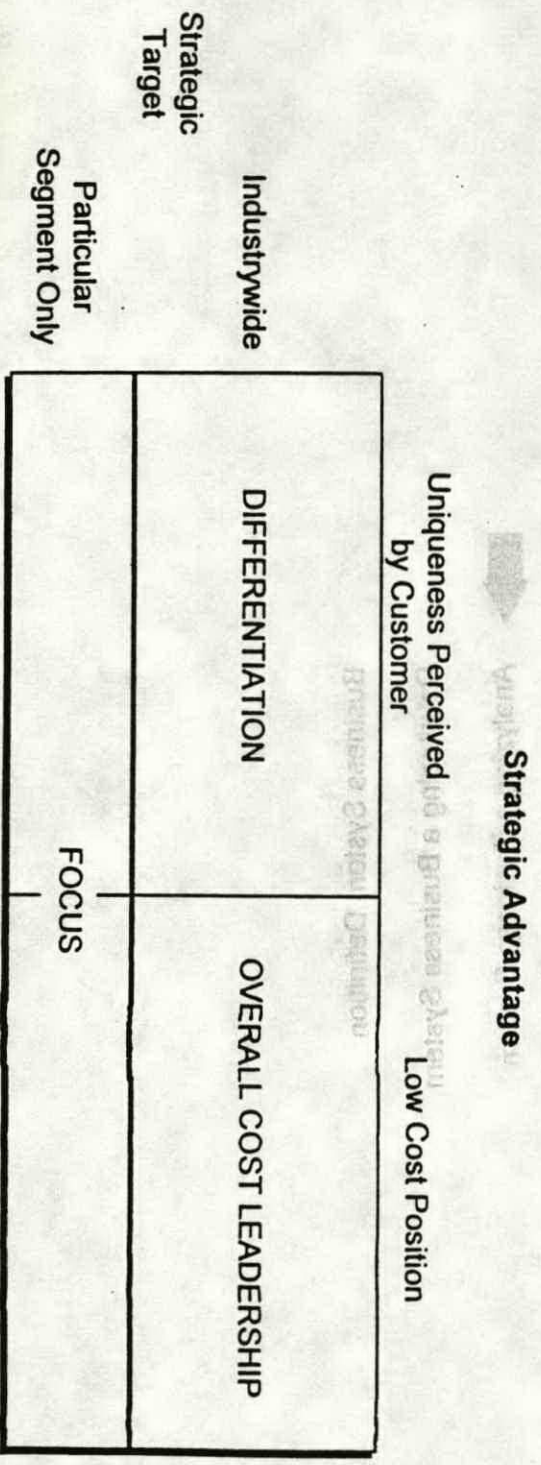
### GAINING A COST ADVANTAGE

Cost benefits

ANALYZING A BUSINESS SYSTEM

The business system framework helps us to highlight and determine the sources of the strategic advantages or disadvantages clients possess compared with their competitors. Generic advantages fall into two basic categories, cost and differentiation, both of which comprise focus for isolated segments.

GENERIC COMPETITIVE STRATEGIES





## DEVELOPING A BUSINESS SYSTEM

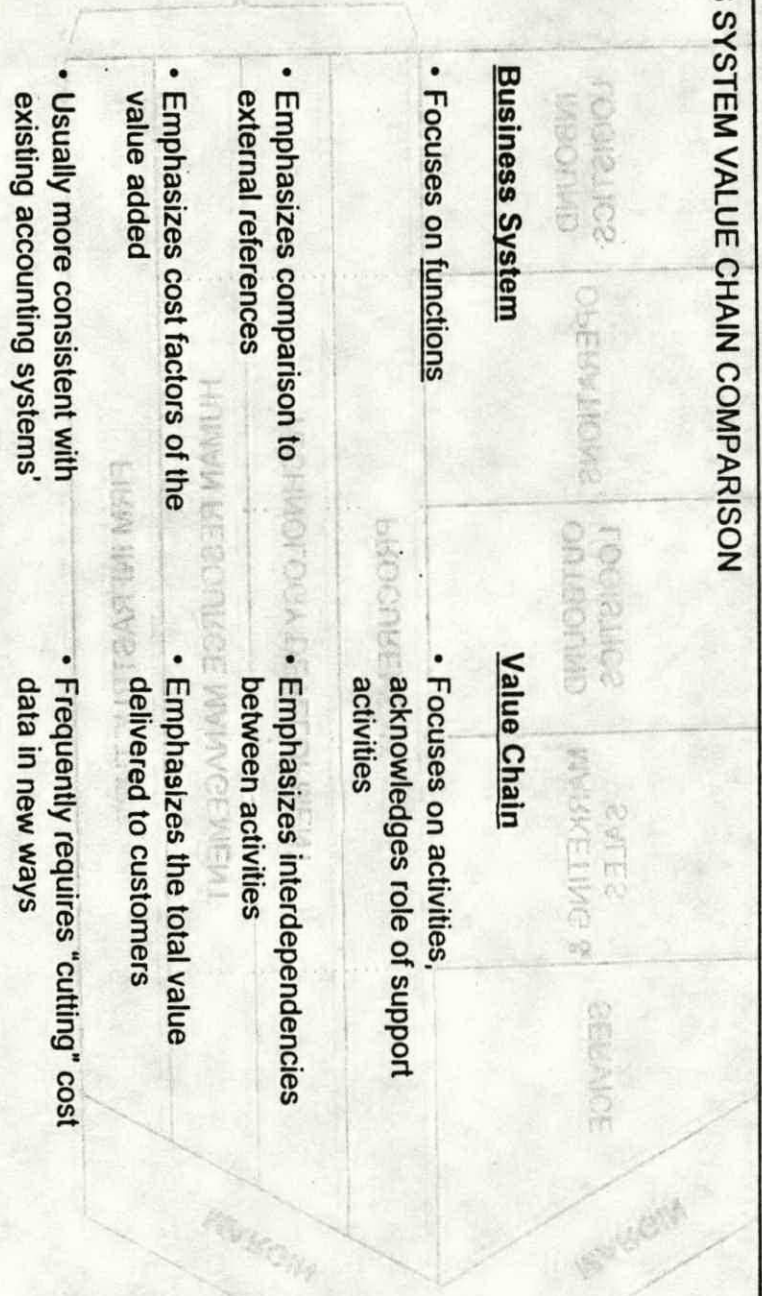
Supported by in-depth research and analysis, the business system model will indicate which components of the client's business serve as leverage points to the client or its competitors.

### STEPS TO DEVELOP A BUSINESS SYSTEM

1. Break the client's business into the appropriate components contributing to the create, make or sell process
2. Characterize the approach used in each components
3. Establish a measure for each business system component and quantify the measures. Possible measures include:
  - cost of component
  - number of employees in a component
  - assets in a component
4. Identify key leverage points in the business system both in terms of cost and product differentiation
5. Evaluate and compare approaches used by competitors
6. Evaluate and compare key leverage points of client and competitors

There are subtle, but important differences between the business system framework and the value chain framework. The business system framework is useful for quickly highlighting major differences in the ways that competitors deliver value and for thinking about new approaches to delivering that value. The value chain framework is more useful when analyzing the intricacies of the relationships between activities.

**BUSINESS SYSTEM VALUE CHAIN COMPARISON**

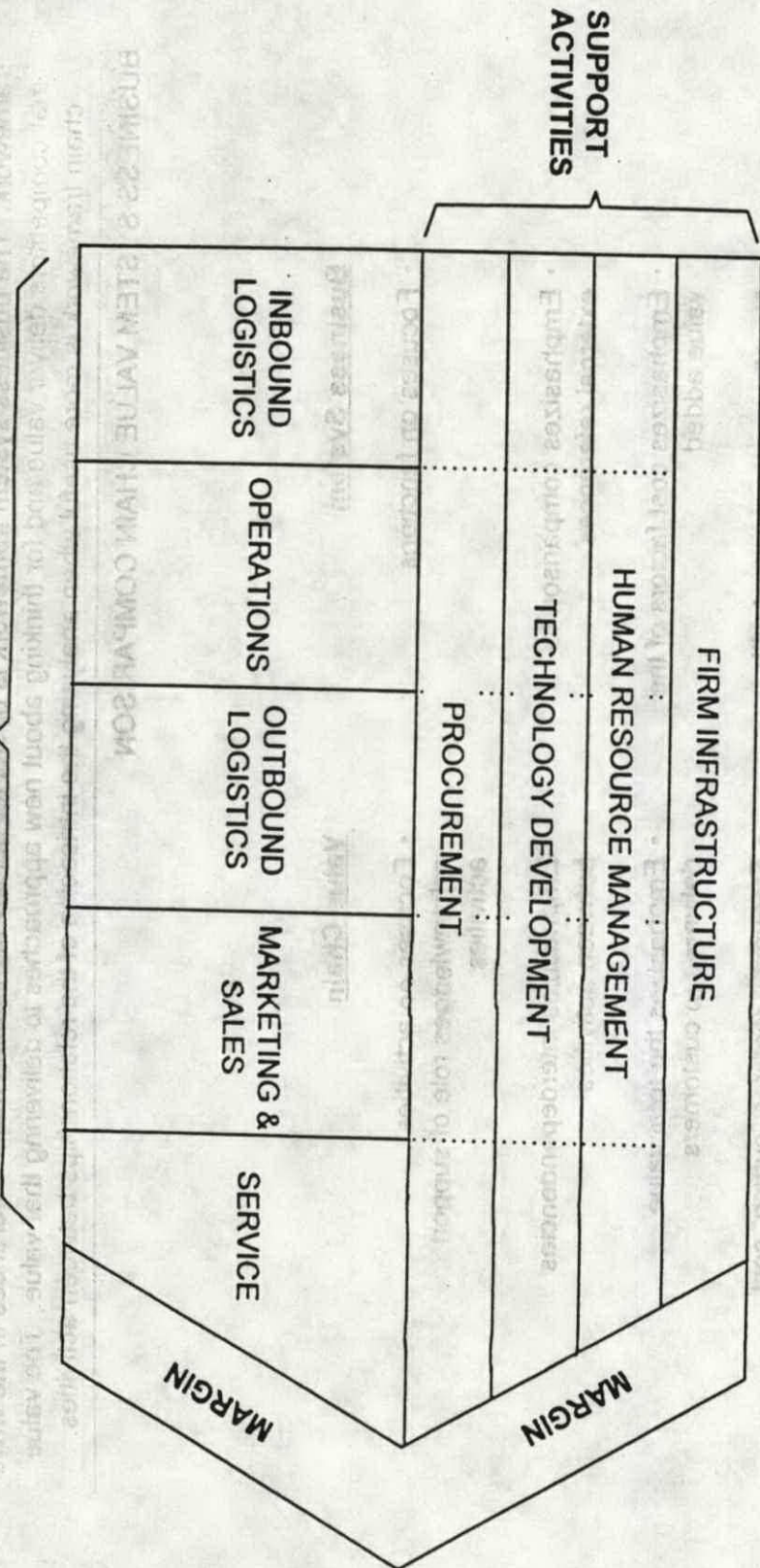


**VALUE CHAIN FRAMEWORK**

existingly used framework for many of our enterprises  
 which places a greater emphasis on activities rather than functions within an organization. It too is an  
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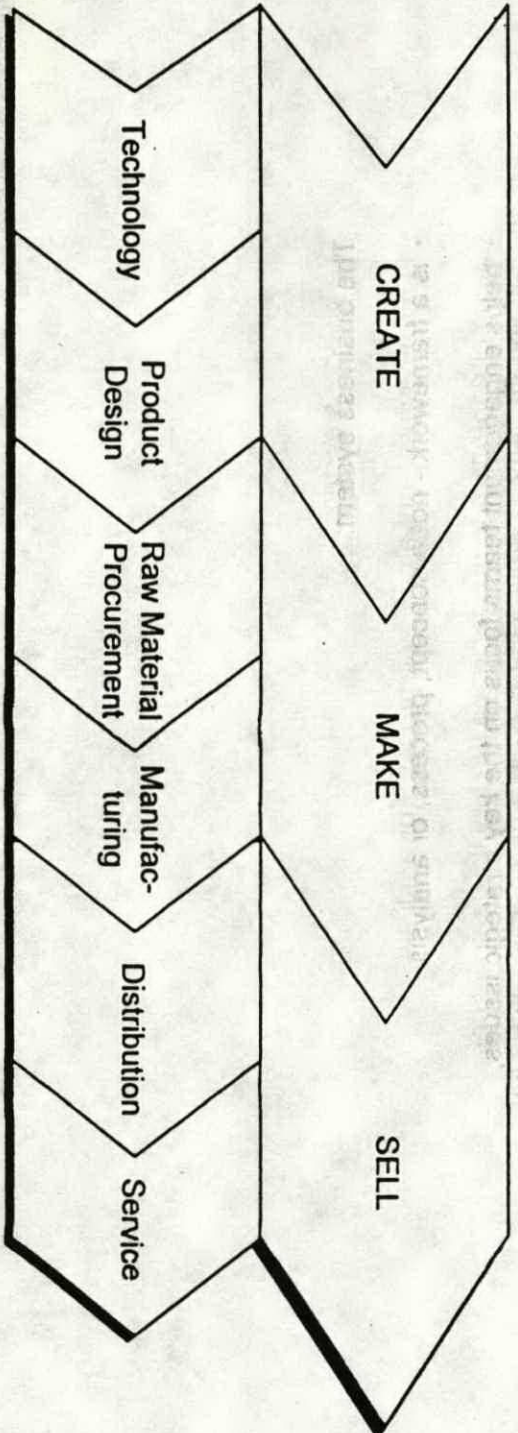
**VALUE CHAIN FRAMEWORK**



A number of components comprise the business system of most companies.

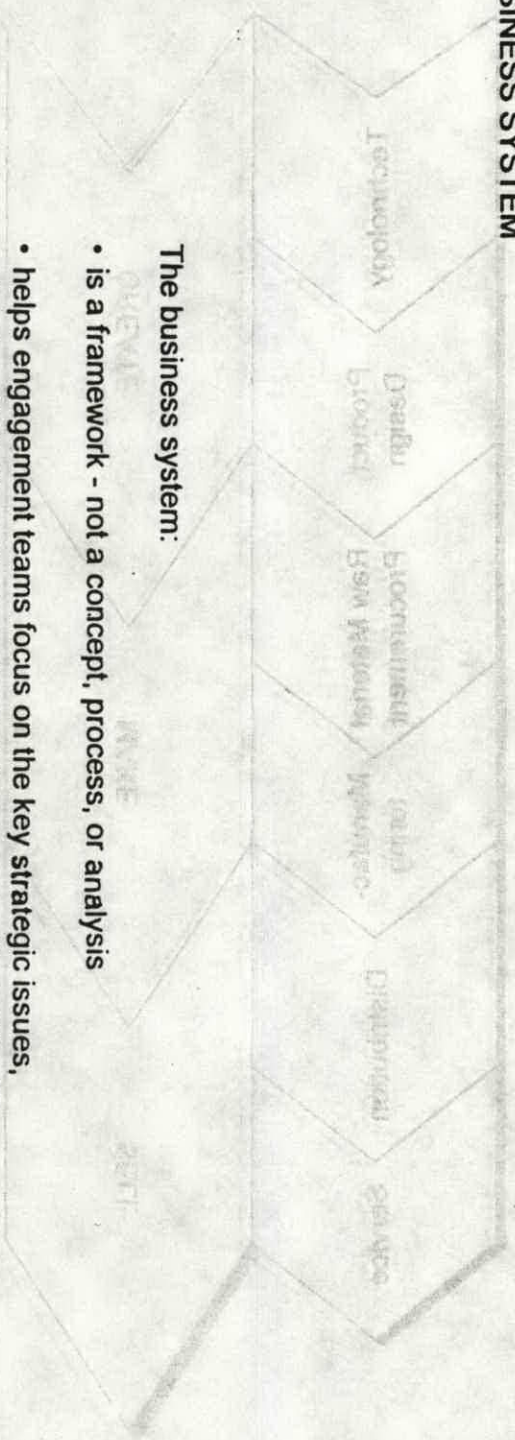
### TYPICAL BUSINESS SYSTEM COMPONENTS

Focus is on functions, not activities.



The business system framework should be employed early in the analytical process to help the team identify key strategic issues.

**BUSINESS SYSTEM**



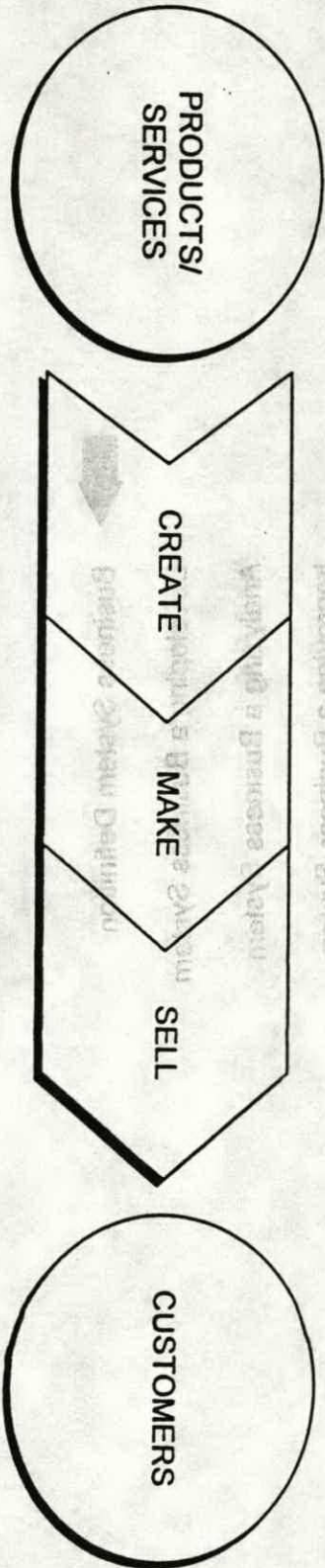
**TYPICAL BUSINESS SYSTEM COMPONENTS**

A simplified or condensed version of the business system of most companies

## BUSINESS SYSTEM DEFINITION

The business system is a conceptual framework for understanding analytically how companies deliver value.  
To create shareholder wealth, the purpose of an organization is to provide mutually beneficial products/services to selected customers through a value-added process.

### BUSINESS SYSTEM DEFINITION



**Business System:** A conceptual framework which is used to illustrate and examine how organizations deliver value to customer, in the form of products and services.

ADVALE DISCUSSION

**TODAY'S DISCUSSION**

1. The proposed business will be first to complete a 2 second of the business  
The proposed business will first be Price Waterhouse Inc and then the business will be created

Business System Definition  
Developing a Business System  
Analyzing a Business System

INTRODUCING  
STRATEGIC CHANGE GROUP

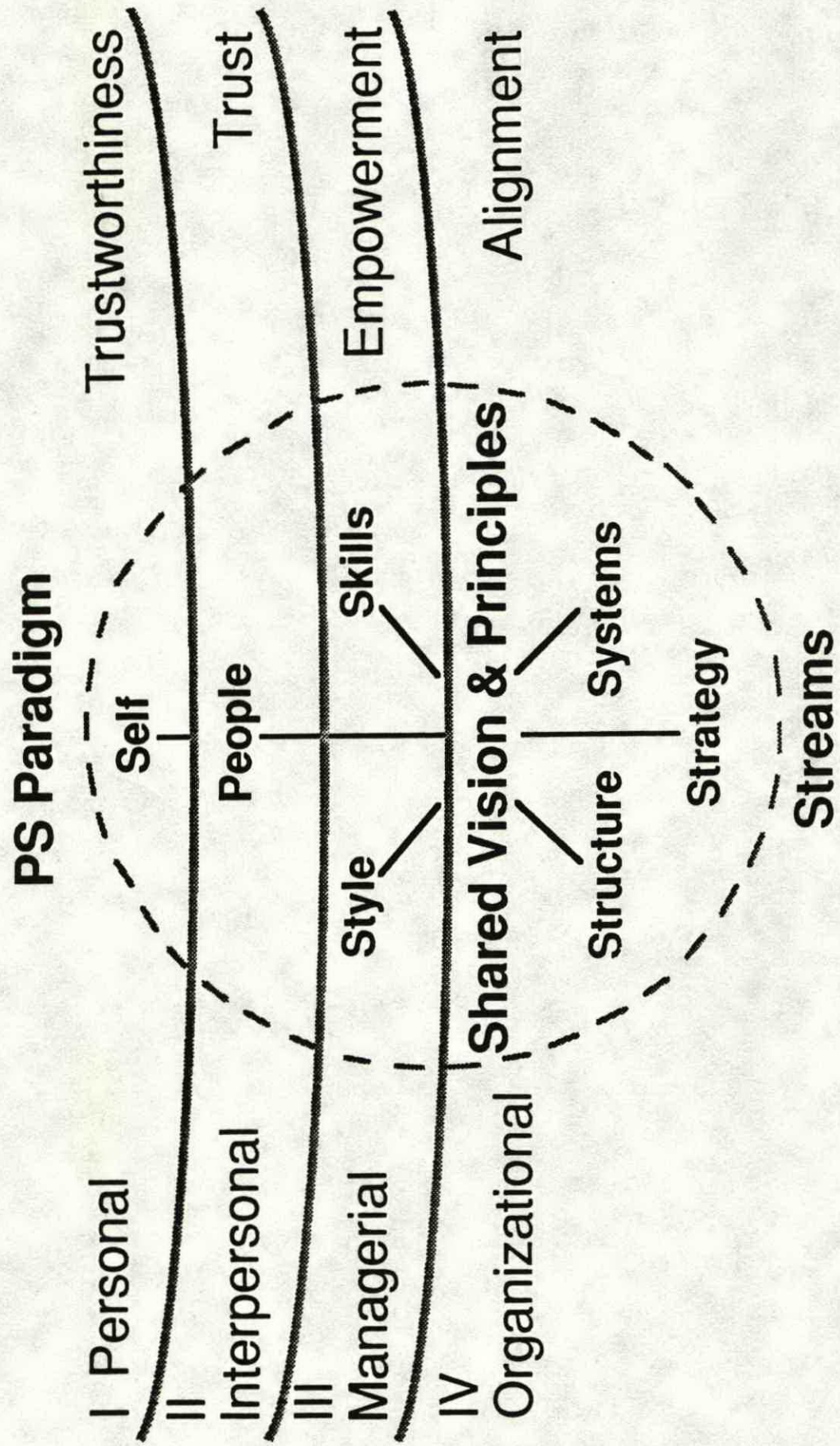
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# Designing a Highly Effective Organization

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# 4 Levels of Principle-Centered Leadership



# Principle-Centered Leadership Paradigm

N ↑

Environment  
(External and Internal)

Level  
& Need

**Organizational**  
• Spiritual/Holistic

**Managerial**  
• Psychological/Intellectual

**Interpersonal**  
• Emotional/Social

**Personal**  
• Physical/Economic

Principle  
& Conditions

**Alignment**

- Information SIS/FA
- Reinforcing Systems

**Empowerment**

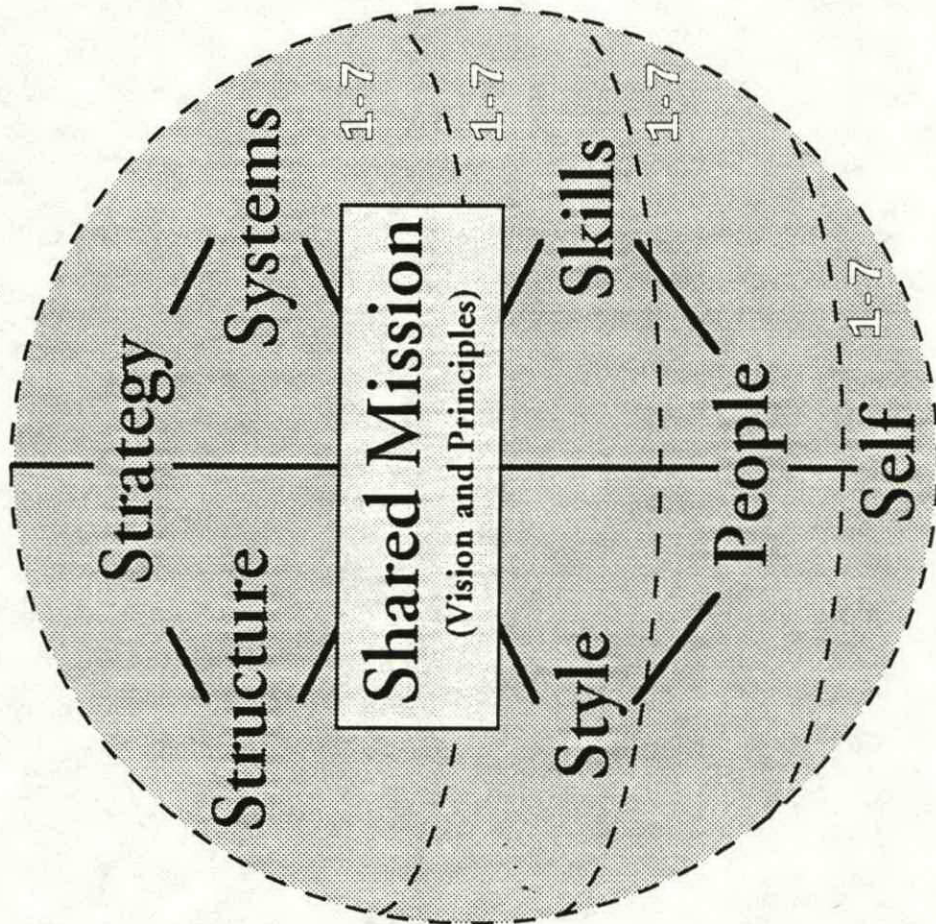
- Win-Win Agreements
- Accountability process

**Trust**

- Emotional Bank Account
- Norms, mores

**Trustworthiness**

- Character
- Competence



# The Organizational Effectiveness Cycle™ Diagnosis Worksheet

## Instructions

- WHAT:** A tool to help you understand how your organization performs today. It facilitates systemic thinking (i.e., viewing the organization as an ecosystem rather than just a collection of pieces). It illustrates the interdependent relationship between the key organizational elements, and also the cause-and-effect streams that impact results. Additionally, it assists in identifying key leverage points—those few elements that could shift the organization's total performance.
- WHY:** "All organizations are perfectly aligned to get the results they get." Each result or output is caused by a uniquely balanced network of mission, strategy, paradigms, processes, and culture. To make a lasting improvement in results, you must first understand how these key elements interact to produce the current results. Modify the elements' configuration and you will impact the results. Effectiveness is sustainable when the modifications are consistent with stakeholder needs and with principles of effectiveness.
- HOW:** The Diagnose process begins with the "Customer and Other Stakeholder Needs" box of the cycle, then moves counterclockwise in eight steps:

*Step 1.* **Understand** what the most critical stakeholder needs are, both now and in the future.

*Step 2.* **Define** the results (including areas of excellence and gaps) based on these stakeholder needs.

*Step 3.* Understand **why** the results are produced by identifying the actual work behaviors that critically influence results. Record these behaviors in the "Culture" box.

*Step 4.* Analyze **why** the cultural behaviors occur. For each behavior listed in the "Culture" box, document the process dynamics that drive the behavior. Be specific when answering the questions in the "Processes" area.

*Step 5.* Find out **why** the processes have been designed and shaped the way they are by deducing the current-reality strategy.

*Step 6.* Find out **why** the strategy exists by listing the current-reality mission, vision, and values.

*Step 7.* Uncover **why** the whole cycle exists by deducing the underlying paradigms that are the root cause of everything else.

*Step 8.* **Compare** the current-reality mission, strategy, and paradigms with stakeholder needs and note any area of congruence or inconsistency.

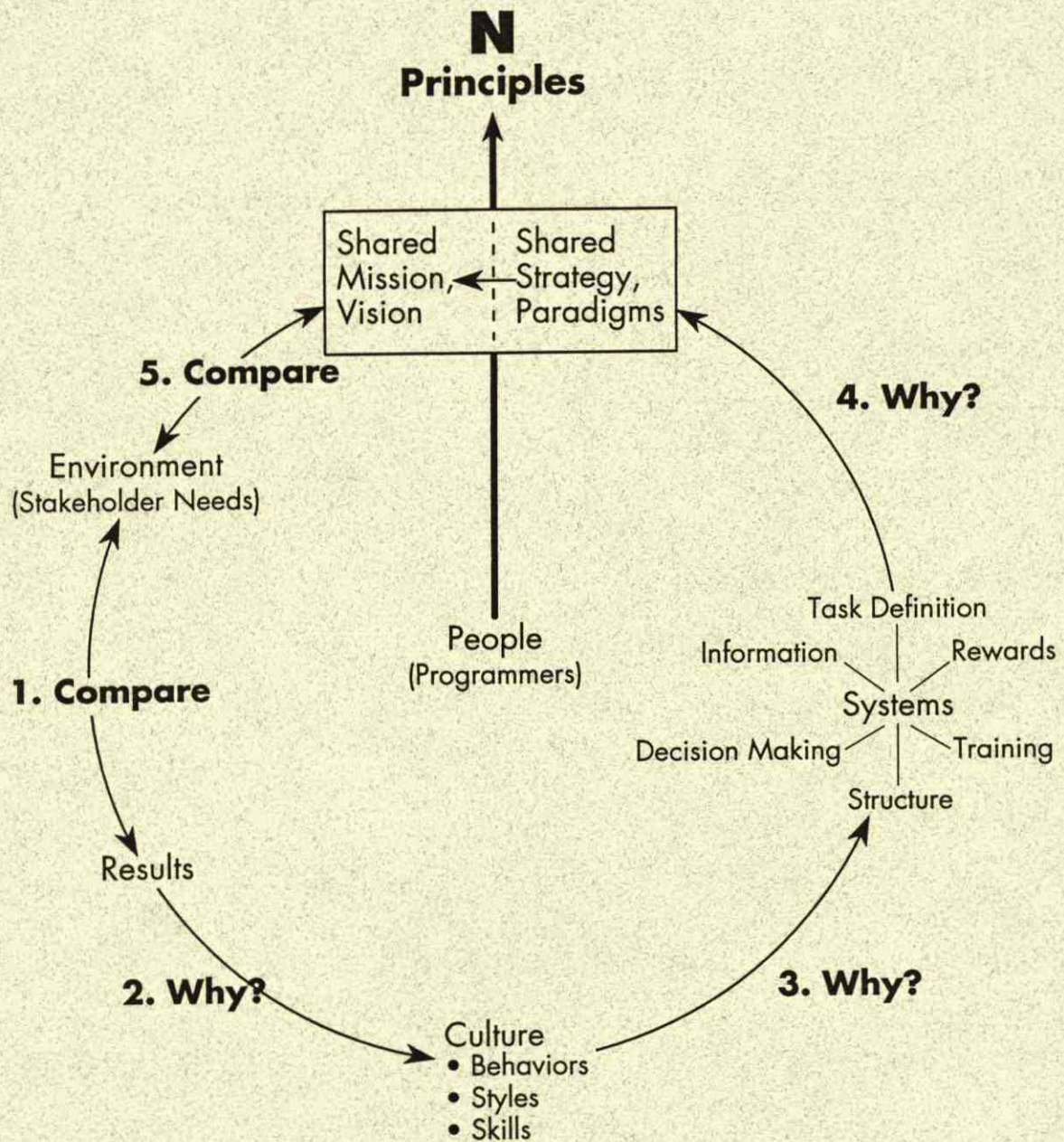


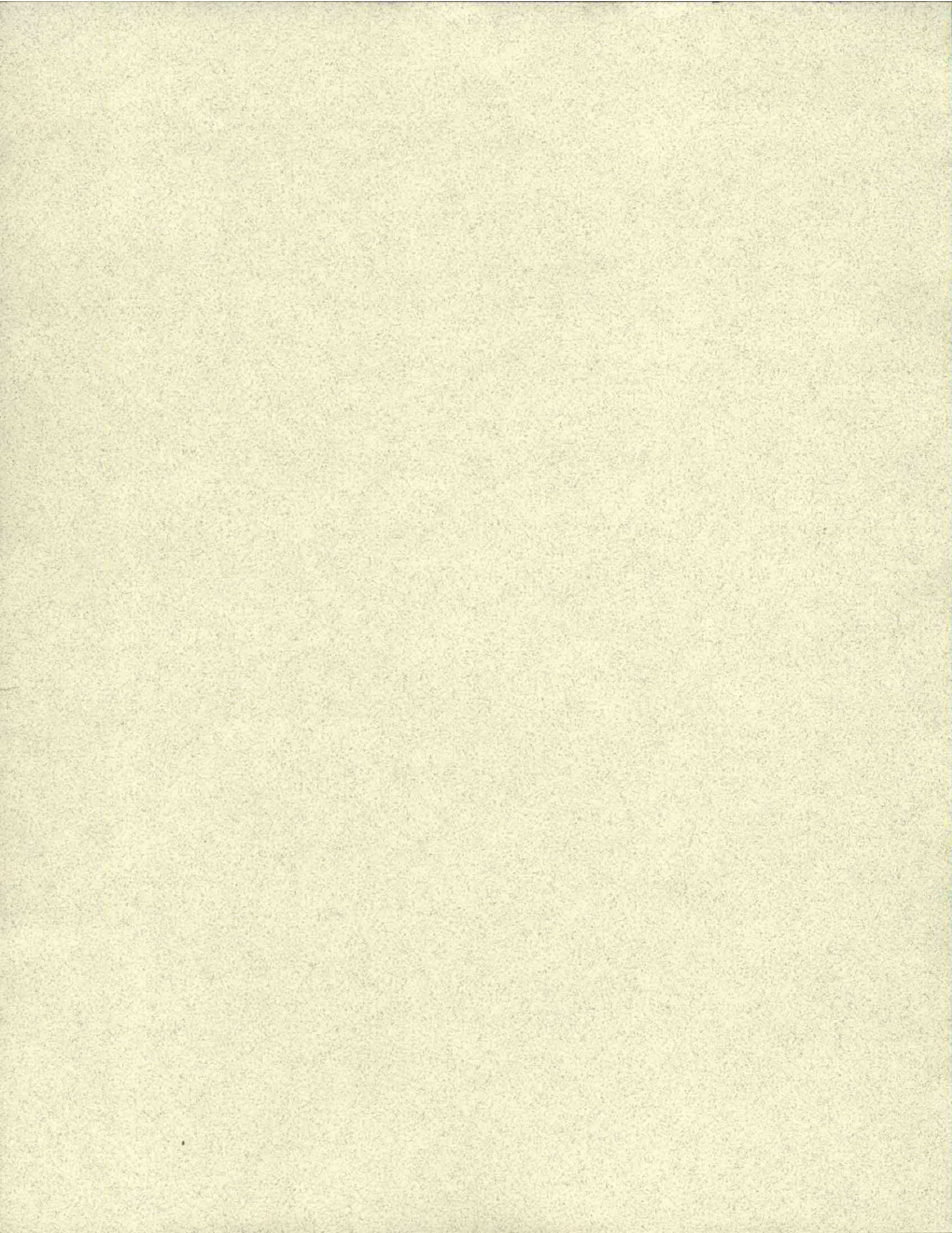
Having completed the Diagnose process, much like a physician, the manager is in a position to understand the state of the organization's health before defining changes (or prescribing surgery!).

# The Assessment Process

The Performance Capability Cycle

"All organizations are perfectly aligned to get the results they get."





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# Point of Departure

**Why All Organizations Are Perfectly Aligned to Get the Results They Get**

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Welcome to the Organizational Effectiveness Cycle guidebook! You are holding it in your hands because, no doubt, you want to improve the effectiveness of your organization. The promise to you is a simple one: *to help you become more effective!*

Why talk about effectiveness? Because many before you have tried in their own way to improve their results and have ended up wasting their time and money. Research indicates, for example:

- Only 30 percent of companies with Quality programs say they are successful. Most Quality programs last only two or three years.
- Only 20 percent of those with self-directed teams say they are getting better results.
- The success rates for reengineering and mergers are equally discouraging—ranging between 20 to 30 percent success.
- Only 30 percent of new incentive plans, such as gainsharing, achieve their desired outcomes.
- The effectiveness of downsizing efforts is even more bleak. An American Management Association study of seven hundred firms who downsized between 1989 and 1994 reported that 86 percent had seen employee morale collapse, 66 percent saw no improvement in productivity, and only 50 percent improved their profits *even as long as five years after they downsized.*

You are somewhere in the middle of these dynamics—and now it's your turn to try to succeed where many others have stumbled. Why have so many change efforts been ineffective? Because of *tampering*. This is the well-known practice of jumping on a "quick solution" and forcing its implementation. You tamper anytime you initiate a change in an otherwise stable system without understanding the impact of your actions throughout the total system. Tampering can drive a stable system out of control. Thus the organization not only performs poorly, but also vacillates unpredictably so you are never quite sure what will happen next. It's like walking into an overheated control room in a nuclear energy plant and randomly adjusting various controls. The results could be catastrophic.

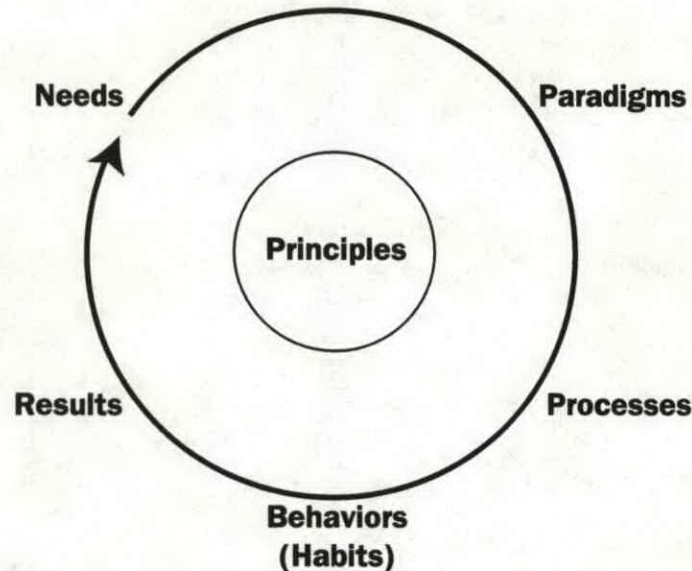
The purpose of this Point of Departure is to review some paradigms, processes, and principles that prevent tampering and will lead you instead to sustainable improvements in your organization's effectiveness.

## **Effectiveness Is...**

Let's begin this review by examining what it means to be effective. Recalling Aesop's fable about the goose and the golden egg, effectiveness is defined as the

*The purpose of this Point of Departure is to prepare you for the journey ahead—the path you will follow in your quest for better results. You will explore paradigms, processes, and results that separate frustrated leaders from successful ones. Taking a few minutes now will save you much time and trouble down the road.*

balance between Performance (results) and Performance Capability (values, trust, processes, habits, relationships, etc.). As the fable teaches, if you kill the goose, you won't get any more golden eggs. You have to constantly nurture the elements that will give you the desired results. This is called the P/PC Balance®. The following Personal Effectiveness Cycle describes a process to achieve P/PC Balance:



The bottom line of effectiveness is meeting someone's needs—yours or someone else's. Understanding these needs and your mental model of how to meet them is called a paradigm—how you see things. From your paradigms flow the processes you use (work routines, scheduling practices, supervision habits, etc.), hopefully to meet the needs. These processes lead to behaviors and habits—the things you actually do. What you do determines what you get—your results and whether or not the needs are met. If the whole cycle has been centered on universal principles of effectiveness, then you will become more effective over time. Conversely, any breaks in the logical flow of the cycle erode your effectiveness. Say, for example, your paradigm of what you should do is misaligned with the need you are trying to fulfill. No matter how many times you might improve your processes to fit your paradigm, the results would be disappointing.

A classic definition of insanity is doing the same things over and over and expecting different results. The cycle shows us why this is so. As the Irish proverb says, "If you always do what you've always done, then you'll always get what you've always got!" An effective person considers the results achieved and compares them with the original needs. When the needs are met, the paradigms, processes, and behaviors are all reinforced. But if the needs have not been met, then it's time to rethink each element that contributed to the shortfall.

As this cycle illustrates, the origin of any sustained improvement lies in our paradigms. Any *breakthrough* in organizational results comes from a *break with* traditional mental models. We call such a "break with" a Paradigm Shift—fundamentally new ways of thinking about the problem. As Albert Einstein said, "The world we have made as a result of the level of thinking we have done thus far creates problems we cannot solve at the same level at which we created them."

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Accordingly, the next section will examine carefully the paradigm that has dominated the world of organizations for ages. Then a different paradigm better suited to the realities of today's environment will be proposed. This conceptual discussion is the foundation for effective action, because unless you see things differently from those around you, you will probably use this guidebook merely to tamper a little bit better, with the chances of you actually improving results being only about 30 percent.

### **The Machine Paradigm**

In the earliest days of the Industrial Age, managers leaned heavily on the experiences of the military and the church to guide them in organizing their new, large organizations. The fundamental paradigm was simple: just make the company one finely tuned, highly efficient "machine" that can reliably produce the output over and over again. The output might have been a pair of shoes, an automobile, or a fourth-grade education. This paradigm demanded that each person become like an efficient cog in a big machine—doing their work in a consistent, reliable (even robotic) way. This paradigm had dramatic success in its early decades, like the reliable production of over 15 million Model-T Fords at ever-lower prices. It gave clarity, focus, and structure to hundreds of employees. Under the machine paradigm, six basic process prescriptions follow naturally:

1. **Specialize tasks and reduce them to the smallest possible work cycle.** This thinking helped create the assembly line and the bureaucratic administrative procedures that are so familiar to us all.
2. **Perform work the same way every time.** Viewing work this way led to the creation of standard job descriptions and detailed policy manuals.
3. **Decision making should be exclusive to those in authority.** This military paradigm ("unity of command") was expanded into education, industry and government.
4. **Provide consistency through uniform policies.** This was the administrative equivalent to the machine's instruction manual. Policies decide in advance how to handle situations, thus minimizing the potential for human error.
5. **There should be no duplication of functions.** Tasks should be handled exclusively by those assigned. Thus the assembly line paradigm was mimicked by all parts of the organization. This led to the creation of specialist departments and a strongly segmented division of labor.
6. **Reward physical effort.** People were paid for their tangible value added, whether they were paid by the hour, by the piece, or by commission.

As with most paradigms, these six prescriptions are not necessarily wrong, but they are incomplete. They give us some structure and focus to our organizations. And in times of war or crisis, they do provide unity of command. But how do they hold up in today's global economy, where overall added value, continuous quality improvement, total customer satisfaction, employee quality of life, and social responsibility are the primary standards of excellence? What results does the machine paradigm deliver? See if this list is consistent with your experience:

- Alienation from work, poor quality, and even on-the-job sabotage.
- Uneven performance—some do well, others perform poorly.
- Delays in action characterized by statements such as "I just work here," and "Ask the boss."
- Poor customer orientation: (to customers) "That's what the book says," and (by employees about the company) "The company doesn't care about people."
- "That's not my job;" special crafts and technologies valued over results.



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- Emphasis on time spent, units produced, or sales volume. Equally important are those results that would be discouraged under such a system: quality, renewal of technology, and experimentation with new ways of operating.

As these behaviors demonstrate, the machine paradigm has yielded some undesirable results when its tenets have been taken too far. Work can be dehumanizing, customer needs ignored, quality inspections too costly, and cycle times too long. The Personal Effectiveness Cycle reminds us that we must first rethink our notion of the very nature of the organizations in which we spend so much time if we are to achieve improved sustainable results.

### **The Garden Paradigm**

It's easy to see why our minds might be drawn to a machine paradigm for organizations. The Information Age we live in is just as transformational as the Industrial Age was to our ancestors. We come face to face with new technology everywhere we turn. But there is a serious flaw in machine theory. An organization is a living organism, not a machine. That's because people are complex living systems, not merely cogs in a mechanical system. You can be efficient with a machine, but seldom can you dispatch people efficiently and sustain their best efforts for very long.

A more fitting organizational paradigm for our day is the garden. A garden is made up of *living organisms* that are dependent on their environment for survival. When a garden is producing optimally, it is never by chance. There is a gardener who has carefully studied the weather and soil, chosen quality seeds to plant, and then cared for them with constant attention to water, fertilizer, etc. A bounteous crop represents true synergy, for the produce is far more valuable than any single ingredient.

The garden paradigm is favored over the machine paradigm. It builds on the strengths of the machine metaphor, but breathes life into it. A garden, like a machine, is a collection of interdependent parts, yet there's more to it than that. The Paradigm Shifts moving from machine to garden include such things as:

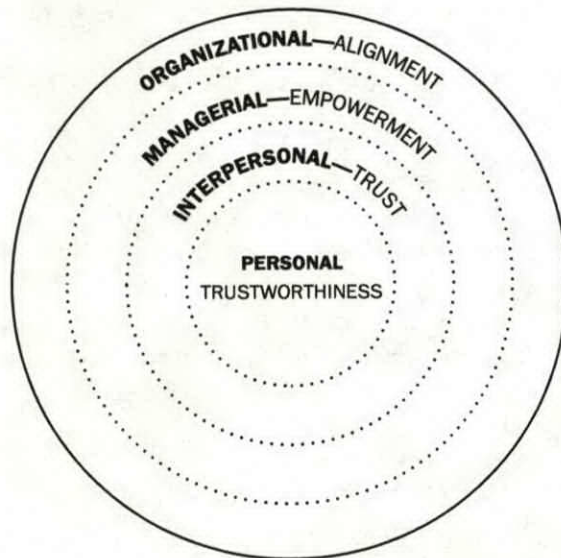
- Recognizing that acts of Providence are extremely rare; that poor results are more typically caused by a breakdown in the systems' elements as they interact.
- Looking beyond one basic cause for each problem, recognizing that in an ecosystem, there are many related causes for any one outcome.
- No longer relying upon blueprints, instruction manuals, and formal strategies to govern the outcomes, but understanding that daily work processes, behaviors, and relationships are what produce results.
- Seeing ourselves not as mechanics who need to supervise things, but as gardeners who create the conditions to enable growth to occur spontaneously every day.
- Admitting to ourselves that we do not control things; instead there are principles and natural laws that really govern all we do.

So what does this garden look like in organizational terms? Consider the following model as a starter. It describes how your organization's effectiveness is governed by principles.

### Four Levels of Effectiveness

One way to describe the organizational garden is to consider four levels of effectiveness:

1. **Personal**—each of us as we contribute to the organization. Our paradigms, values, talents, and skills all add to or detract from our effectiveness at this level.
2. **Interpersonal**—our interaction with others, including teamwork, cooperation, and communication.
3. **Managerial**—our work unit and how it performs its tasks. This includes work processes, leadership style, utilized resources, and produced outputs.
4. **Organizational**—the total organization, including our work unit and all the other units that somehow combine their efforts into producing the products and services our customers use.



What is it that we must “grow” in our organizational garden? The simple answer is “effectiveness” in each of the four levels. Each level must be catered to because each is necessary. But, at the same time, all four levels must be attended to, because each is necessary but insufficient by itself. A bounteous crop is the culmination of all four levels combining in a sustainable, effective way. Each level’s effectiveness is governed by one primary principle:

1. **Trustworthiness governs our personal effectiveness.** Trustworthiness is a function of our character (what we believe and value) and our competence (what we can do). If we are not trustworthy, like the seed without life in it, nothing we attempt to do will bear fruit.
2. **Trust governs our interpersonal effectiveness.** Trust is the natural fruit of trustworthy individuals and smoothes the way for any task or interaction.
3. **Empowerment governs our managerial effectiveness.** This much-abused term simply means that conditions permit each individual to contribute optimally to the work unit’s mission, vision, and strategy.
4. **Alignment governs our organizational effectiveness.** All work units fit together in an overall process without delays, defects, or rework. What the mission, vision, and strategy call for is actually delivered every day.

An accurate reading of this model’s ecology is tied to our understanding of these four governing principles. For example, what would happen if you (the gardener) tried to align all work units without any person (yourself included) feeling

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empowered to do so because all decisions had to be approved by others with parochial, self-serving agendas? You'd end up wasting people's time, wouldn't you? Furthermore, how could you expect to create the conditions of true empowerment if there were no trust in the system? And how could you develop trust if many individuals had a history of untrustworthy behavior?

You see, the organizational gardener must build effectiveness from the inside out, starting with himself or herself. Many organizations try to do it from the outside in; and, as we have seen, most of them fail. Thus, principles govern our effectiveness whether or not we understand and follow them.

Shifting your paradigm is the first big step to ensure that your improvement efforts aren't wasted. Now, if we truly appreciate that our organizations are more like gardens than machines, and that these four levels of effectiveness must be cultivated according to governing principles, how do we go about improving results? A tool called the Organizational Effectiveness Cycle helps answer this question.

### **The Organizational Effectiveness Cycle**

The Organizational Effectiveness Cycle has been found to be invaluable in helping managers first understand their organizational ecology, then create the conditions that will enable better results to be produced spontaneously. The cycle is an organizational elaboration of the Personal Effectiveness Cycle shown earlier. The ecology represented in this model can be summarized in one sentence: "All organizations are perfectly aligned to get the results they get." Let's examine the model's different elements.

First, CUSTOMER AND OTHER STAKEHOLDER NEEDS, which the organization must fulfill if it is to exist for very long. Identifying these needs is never easy because (1) people can't always articulate what they really need, and (2) these needs change over time.

1. For customers, the need might be a breathtaking new product, or the lowest possible price, or on-time delivery—or all three!
2. For employees, it might mean fair wages, a profit-sharing mechanism, a meaningful job, or a real career path.
3. For owners, the need could be a superior return on investment, consistent performance, fully complying with the law, or becoming one of the top 10 most-admired companies.
4. For regulators, communities, employee families, or labor unions, the needs might be for legal, ethical, humane operations.

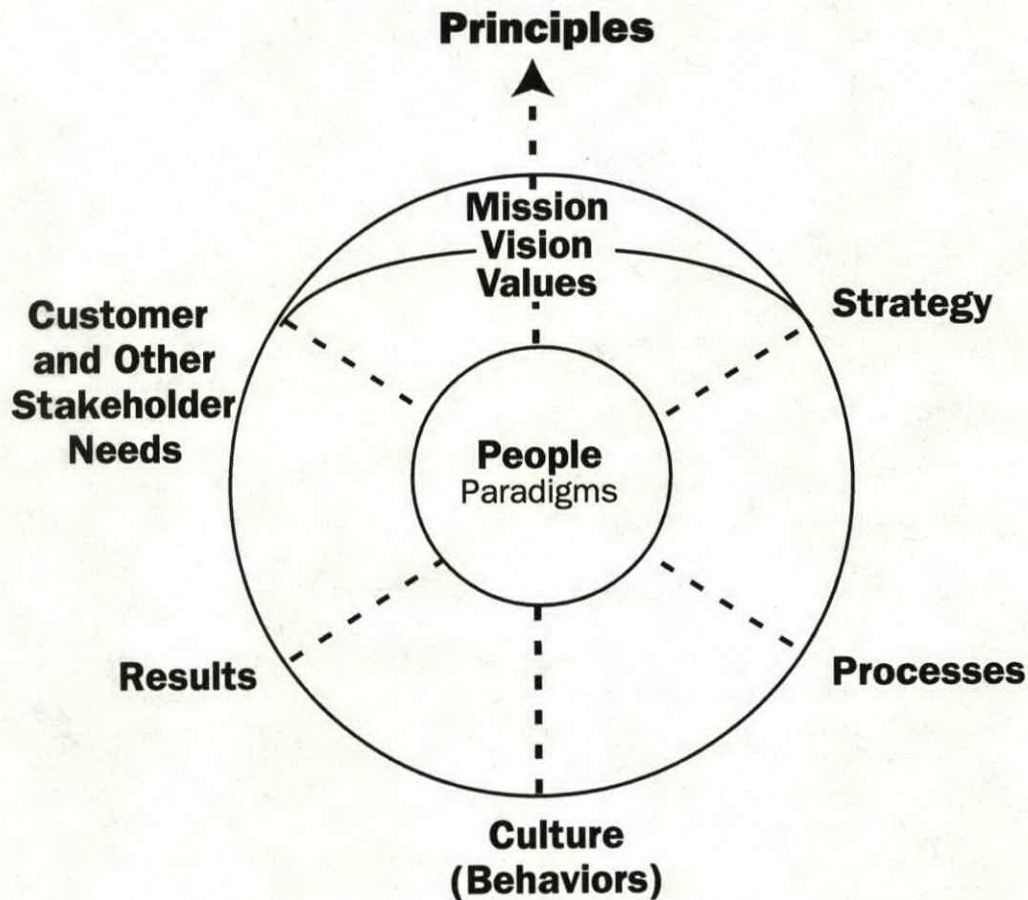
The second element is the combination of MISSION, VISION, and VALUES. These elements capture the values and aspirations of the organization. They clearly articulate a shared sense of purpose, direction, and vision by answering such questions as:

- What is our unique contribution?
- What do we aspire to be in the future?
- What is our shared code of conduct in pursuing our mission and vision?

The next element is STRATEGY, and is concerned with how we will fulfill our mission, vision, and values. It focuses on core competencies, core technologies, and core processes to deliver the needed results. The term "core" refers to those

elements that are primary or central to deliver the mission, vision, values, and strategy. Implicit in good strategy is deciding what you will do and what you won't do. If your strategy is to meet every need of every stakeholder, you won't be around very long.

Fourth, PROCESSES. Peter Drucker said, "All grand strategies eventually degenerate into work." Thus mission, vision, values, and strategy are carried forward by organizational process streams. These streams include core processes and support systems like structure, rewards, development, information, and decision making. A core process is a series of related activities that result in meeting a stakeholder need. These processes and systems provide structure to work tasks and reinforce patterns of behavior. They are the "glue" that hold the culture in place. Unfortunately, this glue can become dysfunctional if it no longer bonds organizational activity with the current strategy to fulfill today's stakeholder needs. If people get their sense of security from "doing it the way we've always



done it" or by "following policy" instead of from co-missioning their effort with mission, vision, values, and strategy, the pattern of behavior will become increasingly ineffective.

Fifth, the CULTURE of the organization, or the work habits, norms, and values that explain how the vast majority of the people really operate the vast majority of the time. The way people really operate is what produces results—whether good or bad. Sometimes results are critically affected by subcultures within the organization, such as the executive subculture, the staff subculture, or the subculture at the lab bench or shop floor.

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Sixth, the actual RESULTS being delivered currently. These results correspond to the same categories as in the customer and other stakeholder needs.

Next, at the heart of the model is PEOPLE. They are like an invisible background—often overlooked, yet a vital part of the whole scenario. People are in the center because they are the programmers of everything else in the model. Mission, strategy, and processes are all programs written, designed, and brought to life by people. Oftentimes people's paradigms actually set the direction for daily activities, rather than the formal mission and strategy.

Finally, there are PRINCIPLES of human effectiveness. These are natural laws that govern the success or failure of all human endeavors. Continuous improvement is the journey of aligning all we do with these principles. As illustrated in the Four Levels of Effectiveness model, trustworthy people who can trust each other are the essential foundation to building a Highly Effective Organization. When they are truly empowered, then mission, vision, values, and strategy become tightly aligned with customer and other stakeholder needs, processes, and culture. The bottom line of such alignment is results that consistently fulfill the customer and other stakeholder needs.

One important dynamic is illustrated by the overall layout of the model. The central items (PRINCIPLES; MISSION, VISION, VALUES; PEOPLE; and CULTURE) should be relatively changeless, just as true north never varies on the compass. This changelessness will develop as people align their paradigms and behaviors with a mission that is principle-centered. Such a changeless core is important to any organization that is otherwise engulfed in a sea of change. It provides needed stability and an anchoring effect to help people handle all of the other changes.

Think of the stakeholder needs and results as stimuli to the organization; that is, they call for a response. Think of strategy and processes as the organization's response to these stimuli. Strategy should be the first organizational element to shift in response to significant changes in stakeholder needs. Appropriate process changes should follow changes in strategy. Acting as a filter between stimulus and response is this principle-centered spinal column of aligned mission, paradigms, and culture. Being principle-centered is what enables organizations to know what to keep constant and what to change. (Please note that this does not mean behaviors should never change. This does mean that those behaviors should not depart from principles as they adapt to changing needs.)

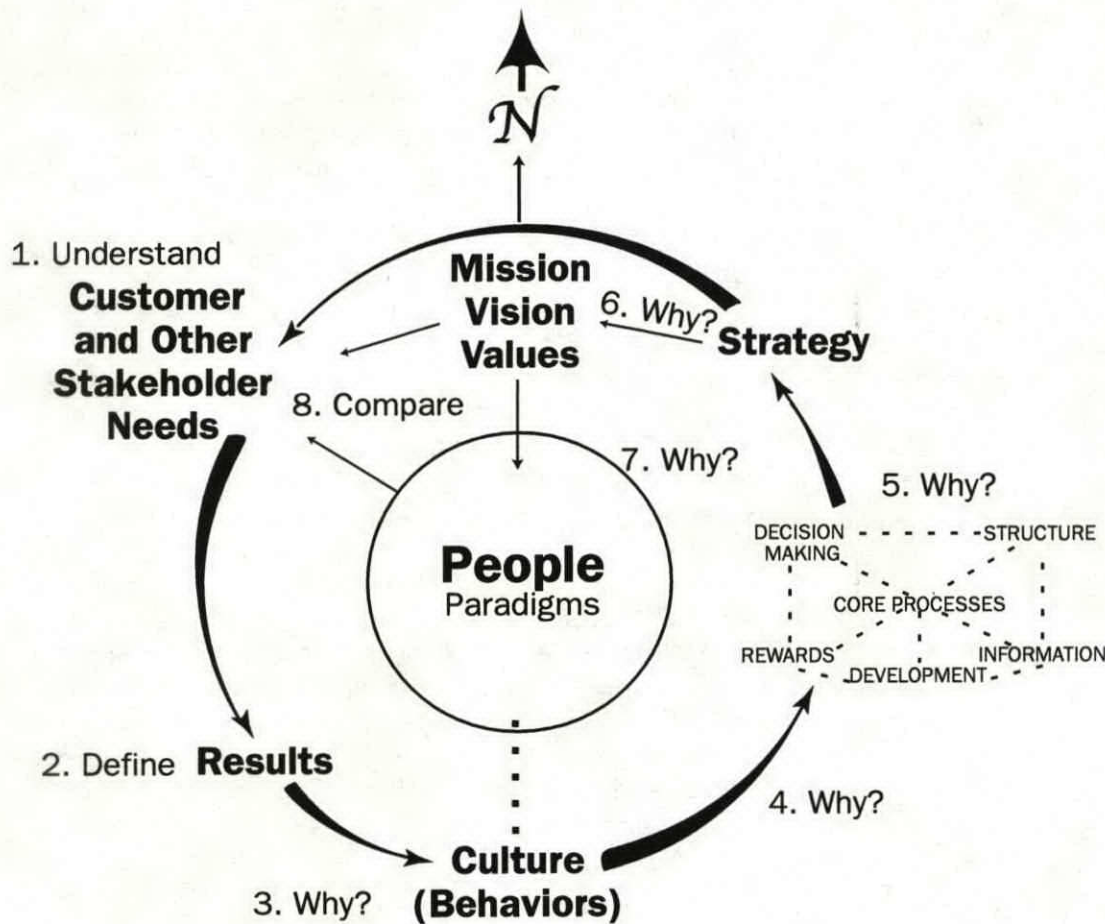
The Organizational Effectiveness Cycle maps out the various elements for any organization, whether it be a workgroup, department, division, company, strategic partnership, or network. The real utility of the model, however, lies in how it can be used to help you diagnose, design, and deliver your design. These are three critical processes of organizational alignment.

### **The Diagnose Process**

**Step 1.** When diagnosing how effective the performance is of today's organization, we begin by understanding CUSTOMER AND OTHER STAKEHOLDER NEEDS. An organization exists only so long as it meets the needs of

key stakeholders. Ideally these needs would be summarized in a 360-degree profile of how the key stakeholders see your organization. Otherwise your own paradigm might incorrectly assume what the stakeholders want you to do for them.

**Step 2.** Define the RESULTS called for by the stakeholder needs and measure these results. This is not always easy. Most organizations discover after going through a 360-degree stakeholder information process which they haven't been measuring some things that are very important to the stakeholder. For example,



one large airline found its freight customers were deeply concerned about whether their packages arrived on time. The airline, however, only had measures for the volume of packages shipped. This step requires you to define and measure what the stakeholders say they really want from you. Once you have identified these measures, separate them into two categories: (1) Excellence—results where you are exceeding stakeholder expectations, and (2) Gaps—results where you are falling short of stakeholder needs. Such a gap analysis makes a convincing of the need for change; it reshapes your paradigm of how well you are doing.

**Step 3.** Now we move down from results to CULTURE. There are many definitions of culture and literature today due to its particularly complex nature. Culture is much like air: it is everywhere we look and touches everything that goes on in organizations. It is both a cause and an effect of organizational behavior. The more we learn about organizations, the more elements of culture we discover. There are behaviors, values, assumptions, rites, rituals, folklore, heroes,

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creeds, physical artifacts, climate, etc. All are elements of culture. Unfortunately, the definitions of culture that are most inclusive are also the most esoteric and unwieldy to the manager. They cause many managers to shrug at the prospect of ever understanding or managing culture.

We are proposing a more limited but pragmatic definition of culture to be used in the context of the Organizational Effectiveness Cycle. When focusing on culture in the model, we prefer to think of it as the observable work habits and practices that explain how the vast majority of the people really operate every day. When viewed this way, culture is not some mystical phenomenon which has no relevance to effectiveness. On the contrary, it is a critical factor of organizational performance and something every manager needs to understand. (There is a "hidden" side of culture [underlying values and paradigms] which is included at the center in PEOPLE because paradigms are causal forces that shape many of the other organizational dynamics.)

A cultural diagnosis is done by examining each result (good or bad) currently produced and asking the question "Why?" Why is profit satisfactory? Why is quality below the acceptable level? Why is turnover rising in the last quarter? To answer each of these questions, we focus on observable daily BEHAVIORS (e.g., people devote their time only to currently defined projects; managers wait to be told what to do; everyone talks to customers frequently; individuals tell you "That's not my job" when asked to help outside their prescribed task). All of these are observable behaviors that might explain why specific results are satisfactory or not.

**Step 4.** Having identified the cultural elements that influence results, we now move into the PROCESSES arena. The culture is largely determined by the quality of, and fit between, the core processes in which people operate, the structure within which they work, how they are rewarded, how decisions get made, what information they use, and the development they have received. This step in the process takes each element of culture previously identified and asks why these cultural elements exist. The answers are then sorted into each of the six process categories.

**Step 5.** Next, we ask ourselves why the particular process executions have been chosen. One possible cause is STRATEGY—either the formal strategy, or what people believe the strategy to be. Any plausible links between the process choices and formal or informal strategy are noted here.

**Step 6.** Another potential cause of process choices is MISSION, VISION, and VALUES. As with strategy, the perceptions (formal or informal) may be contributing to the processes operating today. Any widely held beliefs about mission, vision, and values that explain today's processes should be recorded here.

**Step 7.** Underlying everything else in this ecosystem are people's PARADIGMS, for what we see leads to what we do and what we eventually get. People's paradigms do not always correspond to the published or agreed-upon strategy, just as the organization's culture doesn't always match the formal organization chart. In this step, we try to deduce the underlying paradigms that set everything else in motion. To find out what these paradigms really are, we first study the pattern of behaviors (culture), the organizational processes, the formal or informal strategy,

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and the mission, and articulate a logical root cause. For example, suppose the culture were one where people waited to be told what to do, and processes that supported this behavior included:

- Reprimanding those who took action without supervisory approval (rewards).
- Information restricted primarily to the management ranks (information).
- Tight control over daily decisions by the supervisor (decision making).
- Poor skills/awareness of recurring systems problems (development).

Furthermore, if we deduced that the informal strategy was to minimize the risk of failure, informal values were to "look good" to hierarchy, and only proven people were allowed to work on big projects, what would an underlying paradigm be of the whole scenario? To invert the pyramid? To empower the front line? No. More likely it would be something like "I know best" or "the boss knows best." You might wordsmith the idea, but this paradigm accurately explains everything else.

**Step 8.** Next, we compare the mission, strategy, and paradigms with the STAKEHOLDER NEEDS and note the where they match up and where there are disconnects.

This completes the Diagnose process. If you will check at the end of each step how the data have affected what you see (your paradigms), you may be surprised at how many things you find. These Paradigm Shifts will give you a better understanding of why your results either fit or don't fit the stakeholder needs. And you will be clearer about how the organizational elements interact to help or hinder high performance.

### **The Design Process**

After diagnosis comes the prescription. In organizational terms this means we now design the various elements to be perfectly aligned to get what the customers and other stakeholders (including ourselves) need. This process leads us clockwise through the model's elements.

**Step 1.** The Design process begins by designing MISSION, VISION, and VALUES to be congruent with the stakeholder needs and principles of human effectiveness. The product of this step defines what the vast majority of the people see as their unique contribution, future aspirations, and shared code of conduct.

**Step 2.** Design the STRATEGY to be congruent with the mission, vision, and values. This step considers how the organization will deliver its mission by asking such questions as:

- What business are we in?
- How do we choose to compete in our businesses?
- What are our core technologies and processes?

With this basic framework in mind, the organization can then set measurable short-term objectives and goals, and thereby creates the design specifications for its various processes.

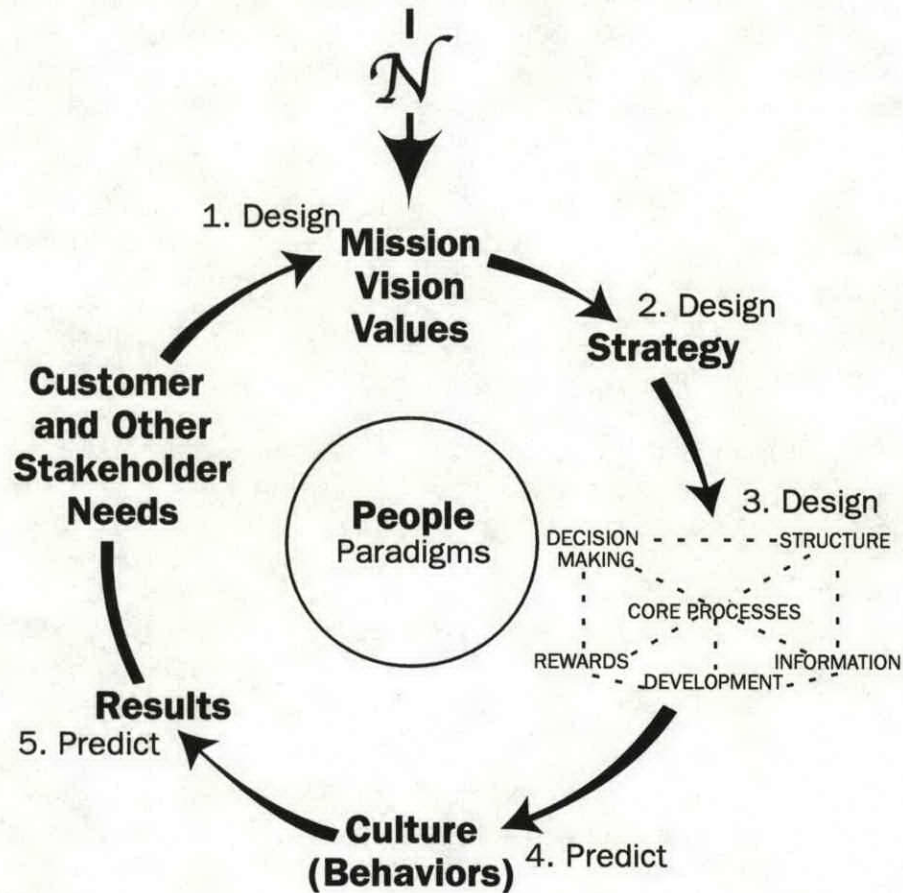
**Step 3.** Design the PROCESSES (core processes, information systems, decision-making systems, structure, reward systems, and development systems) to be congruent with the mission and strategy. There are volumes written on this subject and thousands of consultants who specialize in one or more of these elements. This area will keep you busy in your garden for many years to come! Few orga-



nizations reach perfect alignment of all these processes; yet, the closer you come to perfection, the better your results will be.

**Steps 4 and 5.** Predict how BEHAVIORS will change based on your redesigned processes in step 3, and in turn, predict the RESULTS that will emerge from the new behaviors. This is much more than educated guesswork if your diagnosis has been comprehensive and accurate.

The Organizational Effectiveness Cycle can help you understand in very powerful ways why your garden is different than a piece of machinery. Individual



responses to the mission, strategy, and different processes pose unending challenges to designers of organizations. Moving people physically and emotionally for the good of the organization is more like transplanting vines in your garden than replacing a chip in a machine. You may need to prop some up at first and stretch others in new directions. But in each case, you must care for their roots or they will stop producing.

#### **The Deliver Process**

Even the best organizational design is nothing but a plan of intended initiatives. You and others must see that understanding, commitment, and action are cultivated from the inside out so your design specifications are in fact delivered to the work place. In the Deliver process, you will likely come up against some serious challenges such as:

- How do you earn trust in the midst of fear and cynicism?
- How do you shape common direction when self-interests tend to conflict?

- 
- How do you add value for customers and shareholders in a bureaucratic world?
  - How do you do more with less so everyone wins?

Such questions remind us that individuals don't easily shift old paradigms and habits. This is why results are often hard to change. As we saw in the Personal Effectiveness Cycle, paradigms, processes, and behaviors must change as intended in order to achieve the results needed by the stakeholders. Depending on what people see as stakeholder needs (including their own), they will change swiftly or with great difficulty. So, in the Deliver process, you concern yourself with aligning people's paradigms with the reality of stakeholder needs and principles. This creates within individuals a desire to change their behaviors. If the design clearly spells out what those new behaviors are, the changes will occur more rapidly, and the desired results will be achieved faster. Conversely, if people resist change, the root problem is usually because they see nothing wrong with their current paradigm.

### **7 Habits® That Build a Highly Effective Organization**

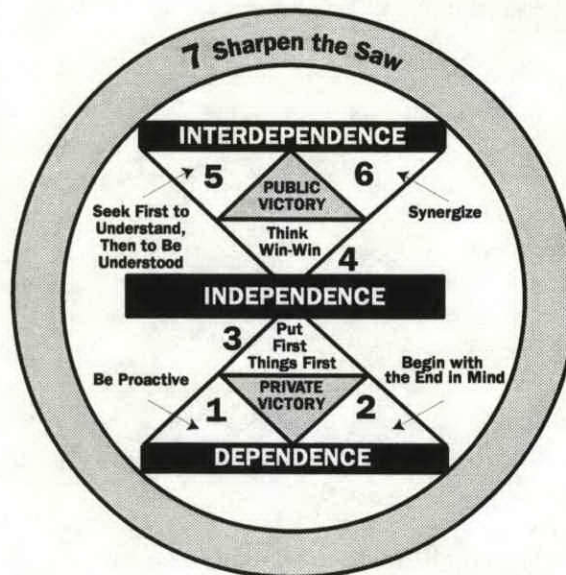
At this point, there are some additional questions that need to be answered to make sure you are effective as you diagnose, design, and deliver. Two good questions are:

- Against what standard do you determine whether an organization is healthy or not?
- What behavioral patterns can help develop a Highly Effective Organization?

First of all, remember that the strength of your organization lies in people—the programmers of how you really operate every day. As we saw with the Personal Effectiveness Cycle, you need to influence paradigms as well as behaviors to reorient the programmers. The paradigms and behaviors of *The 7 Habits of Highly Effective People®* have been found to be a universally accepted pattern for effectiveness.

As you review the following summary of the 7 Habits, ask yourself what the impact would be in your organization if the vast majority of the people behaved this way the vast majority of the time:

1. **Be Proactive®.** We are responsible and have freedom to choose. Being proactive means you don't merely react to your environmental circumstances based on emotion. You see yourself being able to make choices and do so based on your values.
2. **Begin with the End in Mind®.** Mental creation precedes physical creation. Mental creation means discovering a personal mission, then supporting it with carefully chosen roles and goals.
3. **Put First Things First®.** Effectiveness requires balancing important relationships, roles, and activities. Putting first things first means operating every day from priorities that flow from your mission, roles, and goals. It means translating your mission into specific daily activities and creating optimal value from your time.
4. **Think Win-Win®.** Interdependent relationships flourish when there is mutual benefit. We've all been scripted that in life, some must win and others must lose. Thinking win-win goes against the grain of this win-lose paradigm. Win-win thinking leads you to seek a Third Alternative™—one that will meet both parties' needs rather than only one or the other. Sometimes



this can get frustrating and we are tempted to give up. But the only way to reach win-win is to say, "Let's keep talking until we find an option we both feel good about."

5. **Seek First to Understand, Then to Be Understood**<sup>®</sup>. Diagnosis must precede prescription. Most people listen not with the intent to understand (diagnose), but with the intent to reply (prescribe). Win-win solutions require completely new positions people create together. To find a new position, we must be open to move from our starting point. The skill of Empathic Listening<sup>®</sup> can assist this process as it focuses our entire attention to see the issue as the other person sees it, temporarily suspending our judgment, advice, or prescriptions. Then a Third Alternative can more easily be discovered.
6. **Synergize**<sup>®</sup>. The whole is greater than the sum of its parts. This is the crowning achievement of all the previous habits. Synergy means  $1 + 1 = 3$  or more. On the other hand, compromise means  $1 + 1 = 1\frac{1}{2}$ . It isn't the strength of individual elements that produces synergy, but in how they all come together. The way to create synergy is to create a climate that supports it. The elements of that climate include diversity of viewpoints, a win-win attitude, seeking first to understand, and a belief in our abilities to find a Third Alternative.
7. **Sharpen the Saw**<sup>®</sup>. Balanced renewal ensures long-term production capability. The idea behind this habit is to take small, positive steps every day. We practice this habit in four areas:
  - Physical—taking care of our body. We build its strength through nutrition, exercise, and rest.
  - Social/emotional—making consistent daily deposits into the Emotional Bank Account<sup>®</sup> of our key relationships.
  - Mental—exercising our mind through learning by reading, writing, and taking time to think.
  - Spiritual—recommitting to our mission and values through reading literature that inspires us, through meditation or prayer, and by spending time with nature.

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These habits are powerful because they reflect principles of human effectiveness that have been proven in countless settings. Not only are they a good pattern for individual behavior, they can be applied at each of the four levels of effectiveness discussed previously. For example, here's what they look like at the organizational level:

1. **Exercise strategic choice.** Effective organizations don't merely react to customers, competitors, government regulations, and available resources. They aren't overwhelmed by the complexity of or rapid changes in their environments. They don't abandon their vision in adversity. They don't view principles of human effectiveness as idealistic impossibilities. They proactively choose the principle-centered mission, vision, values, and strategy that add value to many different stakeholders.
2. **Co-mission each individual's heart and mind.** Co-missioning is the process whereby individual missions become inseparably connected with the organization's mission. True co-missioning requires (1) deep, personal commitment to the organization's mission, and (2) combining authority and responsibility at each organizational level. Individuals make a difference when they are committed to the mission, and can influence the variables that are crucial to the strategic pathway.
3. **Align mission, strategy and processes.** Quality research indicates that most organizations do a poor job of putting first things first. Most organizations spend more than 50 percent of their resources and time on activities that add no value to their mission and strategy. Each work process, each structure, and all systems for information, decision making, people development, and rewards should be designed to be perfectly aligned with the performance required by the mission and strategy. Traditions, old habits, and practices should all be subordinated to the mission.
4. **Develop a win-win culture.** Supporting processes are aligned to create "win-win" situations between organizational members and the mission. Rewards, career-development systems, Total Quality processes, and leadership functions are all developed with this end in mind.
5. **Understand all stakeholder needs.** There is a relentless effort to first understand the needs of key stakeholders before attempting to define any mission, project objective, system, procedure, or process. A comprehensive 360-Degree Assessment™ system is needed to do this, comprised of traditional financial accounting; stakeholder feedback from customers, suppliers, employees, communities, and other partners; benchmarking against world-class models; and your own conscience of how things are really going. Periodic diagnoses serve to gather the data, then provide insight into the organization's health.
6. **Foster synergistic, interdependent partnerships.** Synergy results from practicing the previous five habits, but effective organizations also create synergistic networks to promote holistic thinking and effective interdependence among their subunits and with their stakeholders. Career paths include cross-functional assignments. Projects involving the entire spectrum of company resources are frequently managed by ad hoc teams comprised of representatives for each function. Strategic partnerships are created with customers and suppliers.
7. **Renew the organization's physical, social/emotional, mental, and spiritual capacities.** Effective organizations invest in their own renewal in four ways:
  - Physical—reinvesting in people, materials, and technology.
  - Social/emotional—building high-trust relationships with key stakeholders.

- Mental—continuously investing in individual development and state-of-the-art learnings.
- Spiritual—renewing people’s commitment to values, principles, and mission.

Now, if these habits (personally, interpersonally, managerially, and organizationally) were your pattern, what would you expect the culture of such an organization to look like? Many Highly Effective Organizations are characterized by the following attributes:

- Everyone acts like an owner.
- There are no artificial barriers. People don’t say, “That’s not my job.”
- Innovative ideas are used quickly.
- Continual improvement is sought: no one gets complacent with today’s success.
- People do whatever it takes to get the job done.
- The right individuals are assembled to solve problems.
- Teamwork is a way of life.
- Strong leaders are found at all levels of the organization.
- Ideas are welcome, used, and not criticized.
- People challenge “the impossible” and pull off miracles.
- “Pushing back” on top management is a norm. One’s ability to contribute to a problem or opportunity is more important than one’s rank or status in the organization.

The bottom line of all of this is that the organization is able to survive and grow over time, despite intense competition and changes in the environment. These timeless behaviors contain the seeds of true focus on priorities, quality, teamwork, innovation, and service.

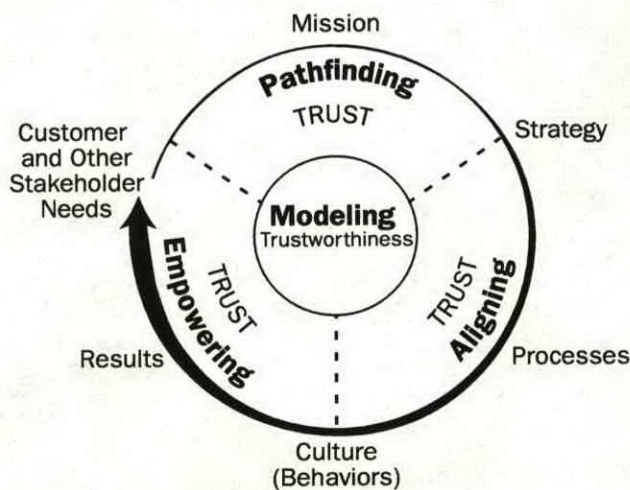
#### **Four Roles of Leadership**

Everything that’s been addressed so far—from the garden paradigm to the four levels of effectiveness, the Organizational Effectiveness Cycle, and the 7 Habits—has profound implications for you: a leader who has many others counting on you. First of all, leadership is about gardening, not machine tending. If you tamper at gardening, you’ll waste your time and kill a lot of seeds! Furthermore, leaders spend their time in four roles when they are leading. As depicted in this variation of the Organizational Effectiveness Cycle, these four roles are modeling, pathfinding, aligning, and empowering.

- **Modeling** means your behavior matches your espoused values. As a leader, it means that what you do every day is consistent with your own personal mission and the organization’s mission. Because all sustained culture develops from the inside out, who you are is more persuasive to others than what you do. The 7 Habits are at the same time an embodiment of the garden paradigm and an excellent behavioral guide for any leader. Because the habits are reflections of timeless principles, living them also ties into your organization’s core values. The fruit of modeling is personal trustworthiness and trusting relationships when engaging in the other roles. Such leaders are able to earn trust in the midst of fear and cynicism.
- **Pathfinding** is the process of marking the way between key customer and other stakeholder needs, and a mission and strategy. In quality terms, pathfinding defines the “right things” to work on. When you’re in the pathfinding role, you spend considerable time in the 360-Degree Assessment

process described earlier. You also work tirelessly to co-mission each person in your organization. The fruit of pathfinding is a personal commitment from every living soul to a compelling mission and strategy. This common direction becomes more important than other conflicting self-interests.

- **Aligning** is the process of diagnosing current performance, designing for higher performance, then delivering the design intent so results actually improve. The Organizational Effectiveness Cycle is a versatile tool to help you in all phases of aligning, and is the main focus for this guidebook. The aligner's work is never done; each time you go through the process, however, you will get closer to your ideal state if you remain principle-centered. The fruit of aligning is organizational integrity—the daily culture produces results consistent with what you promised to give customers and other stakeholders. This builds real value for everyone in an otherwise bureaucratic world.



- **Empowering** is the role whose scope is contingent on your effectiveness in the other three roles. No organization's mission, strategy, and processes will ever fit together perfectly. An empowered culture is essential, therefore, to make the many daily adjustments to achieve the results that will meet customer and other stakeholder needs. Typically the empowering role focuses on maintaining Win-Win Agreements<sup>®</sup>: clear mutual expectations about desired results, guidelines, allocated resources, accountability, and performance consequences. The fruit of empowering is that everyone wins while finding ways to do more with less.

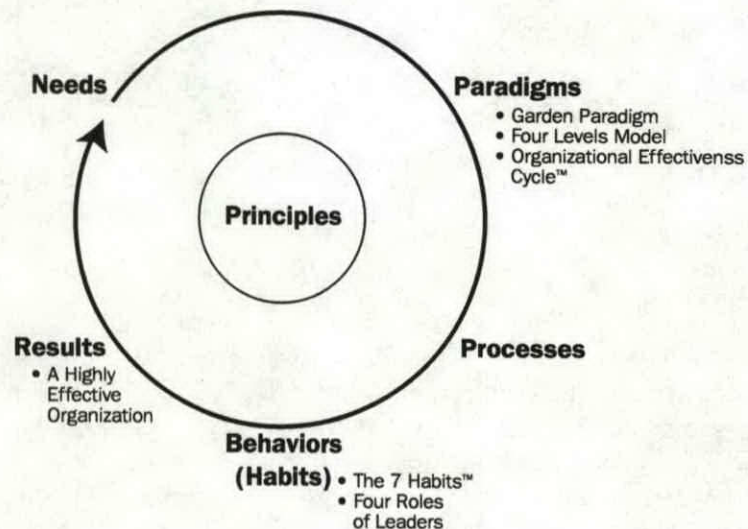
### Conclusion

By now you are ready to go after better results and have some alternatives to organizational tampering. To sum up, three different paradigms have been presented from which to see yourself and your organizational world: the garden paradigm, the Four Levels of Effectiveness model, and the Organizational Effectiveness Cycle.

Behaviors that are congruent with these paradigms are the 7 Habits and the four roles of leadership. When these elements come together synergistically, a Highly Effective Organization emerges.

The remainder of this guidebook is a resource to help you apply everything covered in this section:

- It is based on the garden paradigm, and will push you to think not only about the different elements in your organization, but also how they interact together to produce your results.
- All four levels will be developed in the processes outlined here. You will examine personal passion, values, and competence; interpersonal relationships; managerial tasks and processes; and organizational alignment.
- The governing principles of trustworthiness, trust, empowerment, and alignment are constantly focused on in the guidebook's orientation points (explained later).
- The Organizational Effectiveness Cycle will come alive for you through the different exercises. They will guide you through the processes of aligning—to diagnose, design, and deliver.
- The guidebook will help you become more effective in all four leadership roles. Some of the exercises invite you to consider your personal passion and commitments to enhance your modeling role. There are also pathfinding exercises to understand your 360-degree stakeholder needs and co-mission your colleagues to meet the critical few needs. The sections Diagnose, Design, and Deliver sections will build your aligning skills, and the Deliver section will also help you empower others to deliver, no matter what.



*All organizations are perfectly aligned to get the results they get.* Use this guidebook to understand why this is true for your organization today. Resist the temptation to tamper with the first indication of misalignment. Use the principles and design guidelines described here to create the conditions for a Highly Effective Organization. If you use this material wisely, the results you deliver to all stakeholders will improve.

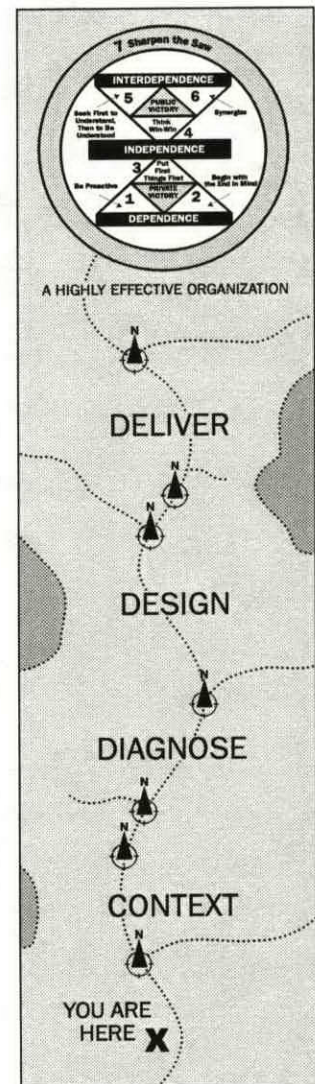
# Using the Guidebook

The quest to develop a Highly Effective Organization—one that lives the 7 Habits at all four levels in order to improve the economic well-being and quality of life for stakeholders—is indeed a journey with key milestones, roadsigns, and decision points along the way. The milestones on this journey are:

1. **Understanding Your Organizational Context:** the environment, your organizational history, traditions, and paradigms of you and your world.
2. **Diagnosing Your Current Performance:** understanding from a 360-degree stakeholder view how things are going today.
3. **Designing a Highly Effective Organization:** creating a synergistic web of patterns and relationships that will increase the return to all key stakeholders.
4. **Delivering Better Results:** actually implementing your design, and working together differently so results improve.

The guidebook has exercises between each key milestone to help you move toward your goal. This is work that is never really “done”; rather, you move closer to the ideal with each iteration of the process, provided you make wise choices at the key junctures. A tool called the Orientation Point (▲) will be used to call your attention to key decision points along the journey where adherence to principles is critical. Like travelers who stop along the way to orient their direction with a compass and map, you will be invited to check your bearings and orient what you are about to do with principles of human effectiveness and organizational ecology.

Your ultimate progress is governed not by your talents and determination alone, but by how well you align your paradigms and actions with principles. Violating them is what will often sidetrack you along the way. Like true north, principles don't move with the tide of public opinion or by executive order. You must align yourself with them if you expect to sustain a Highly Effective Organization over time.





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# Diagnose Process Overview

Conducting a diagnosis of organizational effectiveness is much like having a physical checkup. In the medical profession, you expect the physician to diagnose the ailment before prescribing medication or surgery. Similarly, organizational planners should diagnose the system's current state before planning specific interventions to make improvements. Diagnose Before You Prescribe™ is the principle to be followed. The keys for conducting a diagnosis are:

1. **WHAT:** A tool to help you understand how your organization performs today. It facilitates systemic thinking (i.e., viewing the organization as an ecosystem rather than just a collection of pieces). It illustrates the interdependent relationship between the key organizational elements, and also the cause-and-effect streams that impact results. Additionally, it assists in identifying key leverage points—those few elements that could shift the organization's total performance.
2. **WHY:** "All organizations are perfectly aligned to get the results they get." Each result or output is caused by a uniquely balanced network of mission, strategy, paradigms, processes, and culture. To make a lasting improvement in results, you must first understand how these key elements interact to produce the current results. Modify the elements' configuration and you will impact the results. Effectiveness is sustainable when the modifications are consistent with stakeholder needs and with principles of effectiveness.
3. **HOW:** The Diagnose process begins with the "Customer and Other Stakeholder Needs" box of the cycle, then moves counterclockwise in eight steps:
  - Step 1.* **Understand** what the most critical stakeholder needs are, both now and in the future.
  - Step 2.* **Define** the results (including areas of excellence and gaps) based on these stakeholder needs.
  - Step 3.* Understand **why** the results are produced by identifying the actual work behaviors that critically influence results. Record these behaviors in the "Culture" box.
  - Step 4.* Analyze **why** the cultural behaviors occur. For each behavior listed in the "Culture" box, document the process dynamics that drive the behavior. Be specific when answering the questions in the "Processes" area.
  - Step 5.* Find out **why** the processes have been designed and shaped the way they are by deducing the current-reality strategy.
  - Step 6.* Find out **why** the strategy exists by listing the current-reality mission, vision, and values.
  - Step 7.* Uncover **why** the whole cycle exists by deducing the underlying paradigms that are the root cause of everything else.
  - Step 8.* **Compare** the current-reality mission, strategy, and paradigms with stakeholder needs and note any area of congruence or inconsistency.

Having completed the Diagnose process, much like a physician, the manager is in a position to understand the state of the organization's health before defining changes (or prescribing surgery!).



## Orientation Point 3

**Stakeholder needs define your key results and determine whether they are good or bad.**

Three baseball umpires were sharing their philosophies about handling the pressure of calling balls and strikes behind home plate.

"I just calls 'em as I sees 'em," said the first umpire.

"I calls 'em as they is," offered the second.

"They ain't nothin' till I calls 'em!" proclaimed the third.

And so it is with the key results in your organization. They aren't "key" unless stakeholders call them key. You may measure some results but not others. You may focus on outputs and ignore other things. But your organization will exist only so long as it meets important stakeholder needs. Therefore, key results are tied to meeting key stakeholder needs, not merely the tangible outputs you produce.

Because needs change, today's results may not be as important to stakeholders tomorrow. And many needs are not as easy to measure as cases shipped, profit margins, or an employee-satisfaction index. But a result can only be judged to be "good" or "bad" in terms of satisfied stakeholder needs.

In the following exercises, concentrate deeply on understanding your stakeholders' key present and future needs.

# WHO ARE OUR KEY STAKEHOLDERS?

Diagnose Exercise 1.1

## Do This on Your Own

Identify the stakeholders—all those who have an important stake in the success of your organization. Having a “stake” means they have a primary need that your organization can fulfill. The stakeholders could be individuals, other organizations or groups, or even categories of organizations (e.g., vendors) as you see fit.

**Stakeholders**

**Their Stake in Your Success**

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**WHO ARE  
OUR KEY  
STAKEHOLDERS?**

**Diagnose Exercise 1.2**

**Do This with Your Group**

Identify the stakeholders—all those who have an important stake in the success of your organization. Having a “stake” means they have a primary need that your organization can fulfill. The stakeholders could be individuals, other organizations or groups, or even categories of organizations (e.g., vendors) as you see fit.

**Stakeholders**

**Their Stake in Your Success**

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**WHICH  
STAKEHOLDERS  
ARE REALLY  
IMPORTANT?**

**Diagnose Exercise 1.3**

**Do This on Your Own**

Not all stakeholders are equally important to the organization's survival and growth. It is essential that you be clear about which stakeholders should get priority. In the spaces below, identify and describe the critical few stakeholders who, if their needs were fully and consistently satisfied, would ensure their passion and long-term commitment to you—and your sustained effectiveness.

**Our critical few stakeholders are:**

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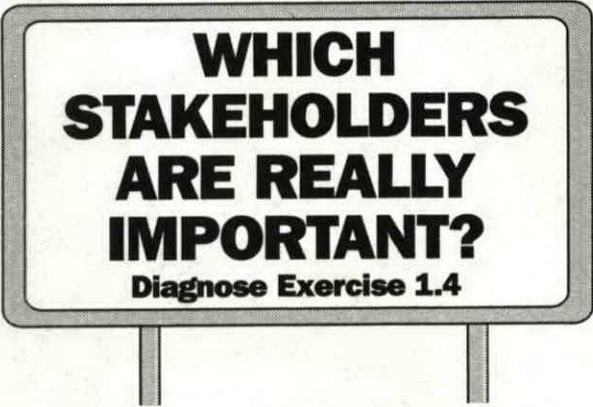
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**Do This with Your Group**

Reach consensus as a group on who your critical few stakeholders are and record them below.

**Our critical few stakeholders are:**

Horizontal lines for writing.

# HOW WELL ARE WE CURRENTLY MEETING STAKEHOLDER NEEDS?

## Diagnose Exercise 2.1

### Do This with Your Group

In assessing the current satisfaction of key stakeholders, create a current-reality report card.

Based on the Stakeholder Information System™ surveys, other stakeholder data, and your own personal knowledge and wisdom, mark each of the key needs and strategic desires of stakeholders, as follows:

- ++ Need satisfied fully, consistently; best available.
- + Need satisfied well; among the best available.
- 0 Need ignored or satisfied somewhat/sometimes.
- Need occasionally violated.
- Need violated a lot and often!

Go back and mark a report card for each stakeholder need you identified in Exercise 1.8. Follow the illustration below:

Stakeholder	Need	Level of Current Service
Nationwide supermarket chains	24-hour turnaround on every order	+
Regional supermarkets		0
Independent markets		-

# WHAT ARE OUR BEST AND WORST CURRENT RESULTS?

**Diagnose Exercise 2.2**

### Do This on Your Own

Pareto's Law says that 80 percent of the results come from only 20 percent of the elements involved. The key to working with any system is to find the relevant 20 percent and work on it. This is a rule we will follow throughout the guidebook. Drawing from your analysis in Exercise 2.1, identify the critical 20 percent of your organization's results. What are the three best and three worst results your organization currently delivers?

### Three Best Current Results

Stakeholder	Need	Level of Current Service

Why did you choose these?

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### Three Worst Current Results

Stakeholder	Need	Level of Current Service

Why did you choose these?

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## Orientation Point 4

**Results come from culture—from how you really operate every day.**

Organizational culture is nothing more than the collection of individual behaviors, observable by any outsider, that routinely occur within your subculture or organization. A subculture may exist for a defined part of the organization (sales, education, media), different hierarchical levels (senior executives, middle managers, supervisors, employees), or other intangible but real divisions (line vs. staff, headquarters vs. field, local vs. foreign, etc.)

Culture is how you really operate every day: *what the vast majority of the people actually do (physically, observably) the majority of the time.*

In the following exercises, it is critically important that you identify as if you were a “fly on the wall” in your team:

1. The physical, observable behaviors that are done or not done by...
2. The vast majority of the people in the group (or subgroup)...
3. The vast majority of the time.

These behaviors are causative to the current result you are studying.



## Orientation Point 5

**One behavior can be driven by many different motives. Don't attribute your motives to others' behaviors.**

Visualize yourself as the head of new-product development in your organization. You have finally landed an appointment with me. I am the vice-president in charge of market expansion, and all senior-level corporate careers are in my jurisdiction.

You begin your presentation, but I stand up, walk to the window, open the drapes, and begin to gaze out at the surrounding countryside. You continue your pitch, but you think you hear me humming while you talk. What am I doing?

*"You are ignoring me."*

*"You aren't really interested in me."*

*"You're showing me that you don't like the product idea."*

*"You are distracted; you don't care."*

All of these answers contain a grievous error! Where did you get your information about what I was doing—from me or from your own head?

The truth is, whenever I am about to agree on a new product, whenever I am just about to commit the funds and the resources, I always get up and gaze outside while I review every last detail in my mind. I am about to approve your project!

The fundamental attribution error here arises from you ascribing your intent or motive to my behavior. In other words, if you were gazing out the window and humming while someone presented a project to you, you would be ignoring that person, feeling distracted, not acting interested, or whatever.

There is no place for fundamental attribution errors in this analysis. Simply describe the physical, observable behavior that you see and believe is causative to the result you are studying. We will analyze possible motives and intents later in the Diagnose process.

**SEEING CULTURE  
AS A SET OF  
PHYSICAL  
BEHAVIORS**  
**Diagnose Exercise 4.1**

**Do This on Your Own or Do This with Your Group**

It is important to reduce all the rhetoric about culture to the most critical, observable behaviors that actually drive your results. Looking at what goes on in your organization from the viewpoint of a "fly on the wall" is a good way to get in touch with these behaviors. But sometimes breaking out of your own conditioned view of what goes on can be challenging. The following steps will help you in the process.

1. Jot down some one-word descriptions of your organization's culture.

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2. Take one of the words above and consider what the fly on the wall would see and hear (or not see and hear) to support your one-word description. Write these observations in the "culture" box below.

**Culture**

Which behaviors, style, and skills critically influence the results?

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**WHAT BEHAVIORS  
PRODUCE THE  
CURRENT  
RESULTS?**  
Diagnose Exercise 4.2

**Do This on Your Own**

Seeing culture through the eyes of the fly on the wall is one thing; spotting behaviors that critically affect results is another. Why are you getting the good and bad results you are getting? For each result you listed in Exercise 2.3, identify the observable behaviors the vast majority of people do (or don't do) the vast majority of the time which cause that result. Don't overlook any subcultural behaviors (CEO, supervisors, sales, etc.) that might have a major influence.

Current Result A: \_\_\_\_\_

Caused by these behaviors:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_

**WHAT BEHAVIORS  
PRODUCE THE  
CURRENT  
RESULTS?  
Diagnose Exercise 4.3**

**Do This with Your Group**

Identify the behavioral themes or patterns observed by the team.

Current Result B: \_\_\_\_\_

Caused by these behaviors:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_



## Orientation Point 6

### **Culture flows naturally from processes.**

The infrastructure we create—consciously or unconsciously, well-designed or haphazard—acts to create, nurture, sustain, and encourage the observable behaviors of the mass of people the vast majority of the time.

In approaching the prospect of work of any kind, we always start by getting some picture of the steps involved in doing the work—the core processes—that will be involved in getting things accomplished. As we define those steps of work, we also simultaneously and automatically define who will do each step of work, where they will do it, and with what sorts of tools and equipment. These are the elements of structure.

Also, in this process, we develop some idea of the “supporting processes” that need to be in place to get the worksteps done with the people we have identified. We define the sorts of people we want to recruit and hire, and how we want to train and develop them (development systems); we decide who will get what information and data, and what we want them to do with that information (information systems); we decide who will make what decisions as the work proceeds (decision-making systems); and, of course, we decide who should get praise and recognition for doing what, and who will get reprimanded and for what (reward systems).

If the mass of people behave (or don't behave) some particular way the vast majority of the time, it is because some process (or combination of processes) currently exists that creates, sustains, nurtures, and encourages that behavioral pattern.

If you intend to change the culture, you must identify the process causes that are driving the behaviors you have now.



## Orientation Point 7

**Whenever formal processes conflict with informal processes, the informal ones rule.**

Several years ago, a large state university decided it was time the athletes received a solid foundation in English, math, and business as part of their graduation requirements. It was proclaimed that these athletes would be required to demonstrate competence in these subjects, and that they would receive special attention from the university until they were able to do so.

The administrators decided special tutoring sessions would be created (structure) during which highly skilled undergraduate students (development system) would be paid (reward system) to take the time to reteach every single lesson from the classroom (core process). Classroom teachers would coordinate with the tutors to make sure each athlete's academic strengths and weaknesses were known and addressed (information system). The tutors would also "pretest" each athlete and continue the lessons until the test was passed (core process).

The tutors would be paid \$200 a month (reward system). Tutors were solely responsible for deciding how much tutoring each athlete needed (decision-making system). Coaches would be required to monitor these activities (structure/reward system) and make sure athletes complied.

*Formal processes are generally visible, logical, well documented, and obvious to the casual observer. These processes are "how we are set up to do it."*

On the second night of this tutoring activity, two of the star athletes quietly approached the tutor in the hallway. They simply said, "If you make us do all the stuff that you think you're gonna make us do, then we will be taking you out into the woods and giving you some tutoring you need!"

*Informal processes are generally not visible, not documented, and may or may not be obvious to the casual observer. Informal processes evolve in the relationships, in interactions, and in the networks that exist between people.*

So, what did the young tutor do? What processes now guided his behavior?

The lesson? Informal processes rule.

**WHAT ARE THE  
PROCESSES THAT  
DRIVE  
BEHAVIORS?**

**Diagnose Exercise 5.1**

**Do This on Your Own**

Why do people behave the way they do? Because some agreed-upon processes are prodding them on. Link each significant behavioral theme or pattern identified in Exercise 4.4 to the current formal or informal processes that create, sustain, nurture, and encourage that behavior.

**Behavioral Pattern A:**

1. Write the behavioral theme or pattern above, and at the top of the foldout inside.
2. On the lines below, list any formal or informal processes that you see sustaining the behavior.
3. In the foldout, assign the items you listed to the appropriate category, and add any other items that come to mind.

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# WHAT'S DRIVING BEHAVIORS?

(B) Identified in 4.4

Behavioral Pattern B: \_\_\_\_\_

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## DECISION-MAKING SYSTEMS

**Who Makes What Decisions and How**

*Timely decisions made by those with right  
knowledge and experience?*

## CORE PR

**The Defined St**

*What formal or  
role descriptions e*

## REWARD SYSTEMS

**Who Gets Praised and Why  
Who Gets Punished and Why**

*Right behaviors rewarded or discouraged?  
Wrong behaviors?*

## DEVELOPME

**Who Gets F  
Who Gets What**

*Right Peopl*

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**PROCESSES**

**Steps to Do the Work**

*Informal tasks or  
explain this behavior?*

**STRUCTURE**

**Who Does What, Where, with What Tools**

*Right people working together  
with the right tools?*

**SKILL SYSTEMS**

**Hired and Why  
Training and Why  
? Right skills?**

**INFORMATION SYSTEMS**

**Who Gets Data for What**

*Needed information at hand? Unneeded  
information screened out?*



## Orientation Point 8

**Every person's behavior is always purposeful to himself or herself.**

There is a sense of purpose and direction in the individual and collective minds of people in the organization. This is not necessarily the “conscious” purpose we talk about, or the one that is written in gold letters on the plaque in the hallway. But it is real, it operates daily, and it explains the processes that have been created and the behaviors that flow from those processes.

These are the elements of purpose to characterize and describe:

- **Strategy:** our fundamental approach to achieving our mission, realizing our vision, and living our values.
- **Mission:** our individual and collective idea about what we are trying to do around here—what we accomplish every day.
- **Vision:** our individual and collective idea about where it is we are trying to go—what our future looks like.
- **Values:** the simple “overarching code of conduct”—how we all must behave in order to be successful here.

Just as there are formal and informal processes, so are there formal and informal missions, visions, values, and strategies. In the following exercises, look carefully at the formal elements of purpose to see if they logically explain the pattern of processes and behaviors you have identified so far.

Then look just as carefully at any informal elements that might logically explain the previously defined elements.

Every person's behavior is purposeful. The question is, just exactly which purpose is being served?

# WHAT STRATEGY DRIVES US CURRENTLY?

## Diagnose Exercise 6.1

### Do This on Your Own

In the spaces below, identify the real strategies and approaches that explain how people do their jobs every day.

### Current-Reality Strategy

1. \_\_\_\_\_

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2. \_\_\_\_\_

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3. \_\_\_\_\_

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**WHAT PURPOSE  
WOULD EXPLAIN  
OUR PROCESSES  
AND BEHAVIORS?**

**Diagnose Exercise 6.2**

**Do This on Your Own**

In the box below, write what the people are trying to accomplish through their daily work—the end they have in mind.

**Current-Reality Mission**

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**WHAT VIEW OF  
OUR FUTURE  
SEEMS TO BE  
OPERATING NOW?**

**Diagnose Exercise 6.3**

**Do This on Your Own**

In the box below, write what most people see as the future state they are working to achieve. Where are they trying to go?

**Current-Reality Vision**

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**WHAT IS THE CODE  
OF CONDUCT  
AROUND HERE  
TODAY?**  
Diagnose Exercise 6.4

**Do This on Your Own**

Write the primary values of most people in the organization. What is the "code of conduct" or "rules for success" everyone lives by every day?

**Current-Reality Values (Overarching Code of Conduct)**

1. \_\_\_\_\_  
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2. \_\_\_\_\_  
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3. \_\_\_\_\_  
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\_\_\_\_\_

**SUMMARIZE THE  
STRATEGY, MIS-  
SION, VISION,  
AND VALUES**  
Diagnose Exercise 6.5

**Do This with Your Group**

Summarize the themes that identify how most people see things every day.

**Current-Reality Strategy**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_

**Current-Reality Mission**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Current-Reality Vision**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Current-Reality Values (Overarching Code of Conduct)**

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_





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## Orientation Point 9

**Strongly held paradigms are the root cause of all organizational streams.**

Underneath the entire stream of **MISSION**→**STRATEGY**→**PROCESSES**→**CULTURE**→**RESULTS** are some root causes. They are deeper than even informal processes, missions, and strategies. They are our foundational mental models, viewpoints, and paradigms—the truths we believe about ourselves, about others, about our organization, and about the world.

If we are to change results in a lasting way, we must first identify and deal with these individual and collective notions of “how the world works around here.” Surfacing these paradigms is difficult. The following exercises will help you do it!

**GETTING TO THE  
"ROOT CAUSE"—  
HOW DO WE SEE  
OUR WORLD?**

**Diagnose Exercise 6.6**

**Do This on Your Own**

Why do the current-reality strategy, mission, vision, and values exist? It all comes back to people's paradigms. Identify the underlying paradigms about how the world works based on the stream of your current cultural behaviors (Exercise 4.4); process infrastructure (Exercise 5.2); and current-reality strategy, mission, vision, and values (Exercise 6.5). What root causes sustain the rest of the stream?

**People's Paradigms: The Logical Root Causes of the Current Stream**

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**GETTING TO THE  
"ROOT CAUSE"—  
HOW DO WE SEE  
OUR WORLD?**  
Diagnose Exercise 6.7

**Do This with Your Group**  
Record your group's consensus about the most prevalent paradigms that are the root causes of how your organization really operates every day.

**People's Paradigms: The Logical Root Causes of the Current Stream**

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## Orientation Point 10

**People change their paradigms when they prove to be self-defeating.**

“A self changes when it changes its consciousness about itself.”

This is true for any system: individuals, organizations, or societies. As the system develops a different awareness, this changed awareness will materialize as new responses. If it fails to assign a different meaning, it will maintain itself unchanged.

Thus, the source of change and growth for an organization/individual is to develop increased awareness of who it/he or she is now. If we take time to reflect together on who we are and who we choose to become, we will be led into territory where change originates.

“We will be led to explore our agreements of belonging, the principles and values we display in our behaviors, the purposes that have called us together, the worlds we have created.”

—Meg Wheatley

**WHERE IS OUR  
"WHOLE SYSTEM"  
BREAKING  
DOWN?**

**Diagnose Exercise 7.1**

**Do This on Your Own**

What would the different stakeholders say about the results of Exercises 6.5 and 6.7? How well aligned is your current-reality strategy, mission, vision, and values with your stakeholders' primary needs? Write down your conclusions in response to the following questions:

What are the major disconnects or misalignments between stakeholder needs and our current-reality strategy, mission, vision, and values?

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What individual and organizational paradigms must be changed if we are to advance? What should our new paradigms be?

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**WHERE IS OUR  
"WHOLE SYSTEM"  
BREAKING  
DOWN?  
Diagnose Exercise 7.2**

**Do This with Your Group**  
Capture your group conclusions below.

What are the major disconnects or misalignments between stakeholder needs and our current-reality strategy, mission, vision, and values?

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What individual and organizational paradigms must be changed if we are to advance? What should our new paradigms be?

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# WHERE'S OUR LEVERAGE?

## Diagnose Exercise 8.1 (optional)

### Do This on Your Own

If you are not proceeding immediately into the Design process, use this exercise to focus your activities and research for the highest impact.

Now is the time to apply Pareto's Law to your diagnostic data. What 20 percent of the elements you have stitched together are leveraging 80 percent of your current organizational performance? The answer to this question is three to four priorities that will be

most impactful as you begin redesigning for better results. In this exercise, identify only the element headings with the most impact. These will typically be in the elements of:

1. People (paradigms)
2. Mission, Vision, Values
3. Strategy
4. The Six Processes

Pick no more than four from these nine elements:

**Mission**

**Strategy**

**People  
(Paradigms)**

**Decision-Making  
Systems**

**Core Processes**

**Structure**

**Reward Systems**

**Development  
Systems**

**Information  
Systems**

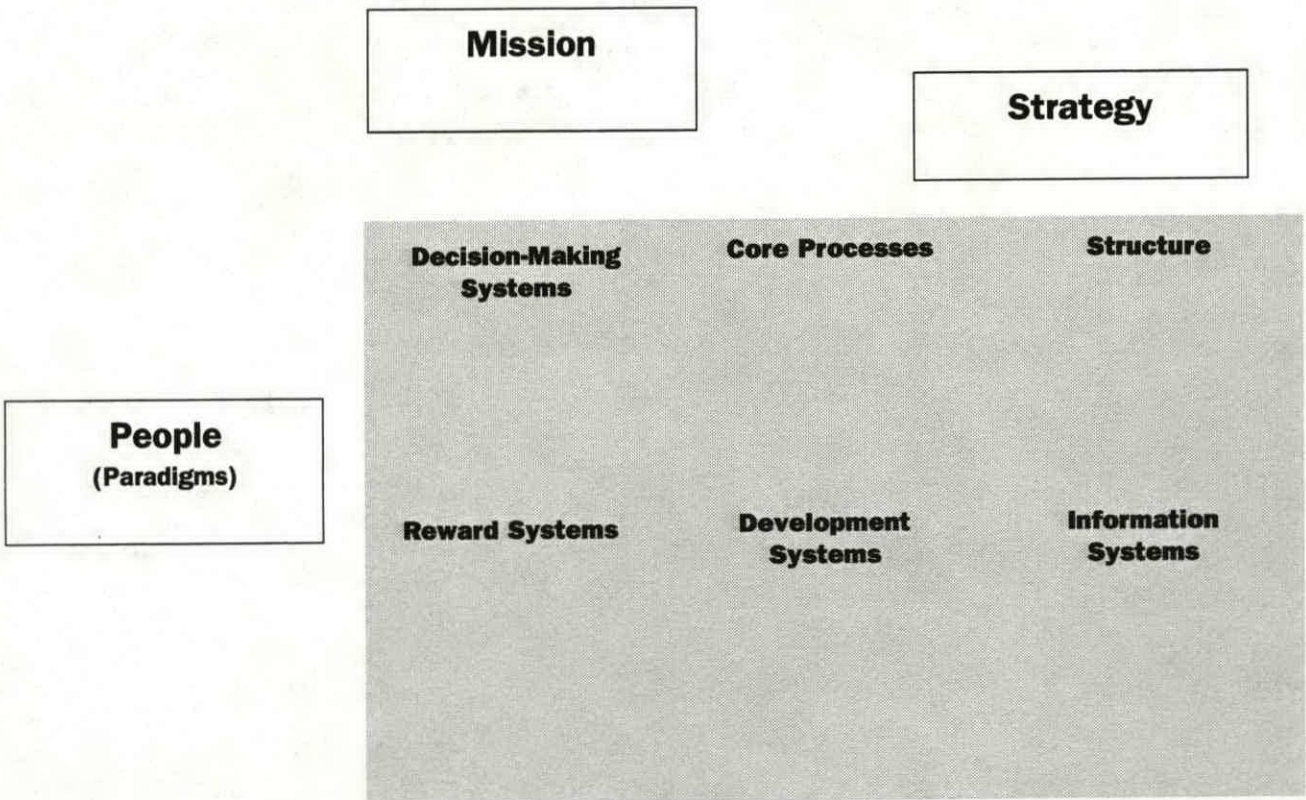
# WHERE'S OUR LEVERAGE?

**Diagnose Exercise 8.2  
(optional)**

## **Do This with Your Group**

*If you are not proceeding immediately into the Design process, use this exercise to focus your activities and research for the highest impact.*

As a group, pick no more than four from these nine elements as the leverage points for performance improvement:





# The Organizational Effectiveness Cycle™ Design Worksheet

## Instructions

- WHAT:** A tool to help you plan how your organization will perform tomorrow. It builds on your organizational diagnosis by taking the leverage points for performance improvement and turning them into actions that will lead to better results.
- WHY:** "All organizations are perfectly aligned to get the results they get." Each result or output is caused by a uniquely balanced network of mission, strategy, paradigms, processes, and culture. Modify the elements' configuration and you will impact the results. The Design process allows you the opportunity to "fit" these elements together optimally.
- HOW:** The Design process begins with the "Customer and Other Stakeholder Needs" box, then moves clockwise in five steps:

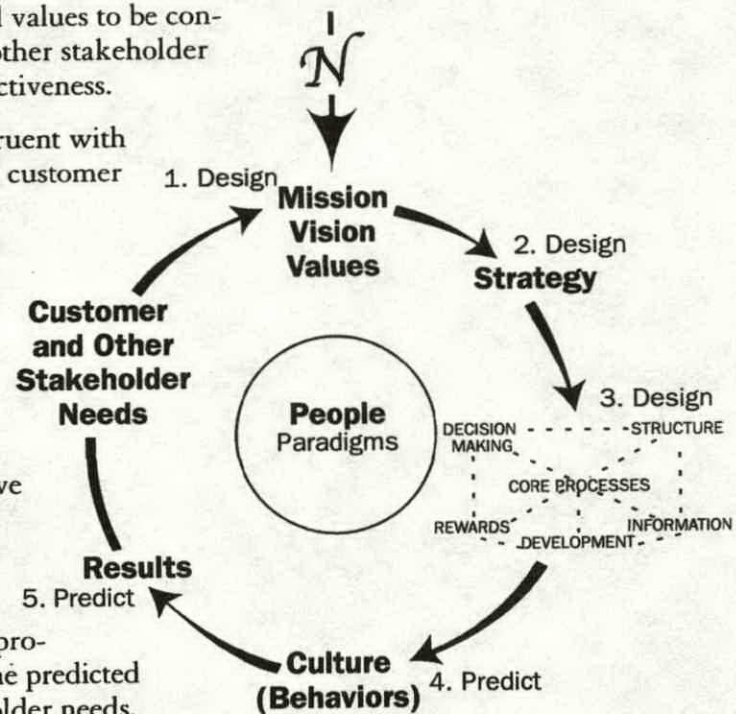
*Step 1. Design* the mission, vision, and values to be congruent with (1) customer and other stakeholder needs and (2) principles of effectiveness.

*Step 2. Design* the strategy to be congruent with the mission, vision, values, and customer and other stakeholder needs.

*Step 3. Design* the core processes and support systems and structure to be congruent with the new mission and strategy. This gives structural integrity to the system.

*Step 4. Predict* the positive and negative impacts the new processes will have on the organization's culture.

*Step 5. Predict* the results that will be produced by this new culture. If the predicted results still fall short of stakeholder needs, then revisit steps 1, 2, and 3, and adjust the design as necessary.



Steps 4 and 5 are merely predictions, of course; but going through the Diagnose process will help you predict future dynamics with great accuracy.

Once you have had a chance to implement your new design for an appropriate period of time (usually measured in months, not weeks), you should diagnose again to understand thoroughly what is working or not working and why. Your findings will enable you to go through the Design process again...and again.

This is real, continuous improvement: the Diagnose cycle leading to the Design cycle—diagnosing again, designing again, and so forth.

# The Organizational Effectiveness Cycle™ Diagnosis Worksheet

## Instructions

- WHAT:** A tool to help you understand how your organization performs today. It facilitates systemic thinking (i.e., viewing the organization as an ecosystem rather than just a collection of pieces). It illustrates the interdependent relationship between the key organizational elements, and also the cause-and-effect streams that impact results. Additionally, it assists in identifying key leverage points—those few elements that could shift the organization's total performance.
- WHY:** "All organizations are perfectly aligned to get the results they get." Each result or output is caused by a uniquely balanced network of mission, strategy, paradigms, processes, and culture. To make a lasting improvement in results, you must first understand how these key elements interact to produce the current results. Modify the elements' configuration and you will impact the results. Effectiveness is sustainable when the modifications are consistent with stakeholder needs and with principles of effectiveness.

- HOW:** The Diagnose process begins with the "Customer and Other Stakeholder Needs" box of the cycle, then moves counterclockwise in eight steps:

*Step 1.* Understand what the most critical stakeholder needs are, both now and in the future.

*Step 2.* Define the results (including areas of excellence and gaps) based on these stakeholder needs.

*Step 3.* Understand why the results are produced by identifying the actual work behaviors that critically influence results. Record these behaviors in the "Culture" box.

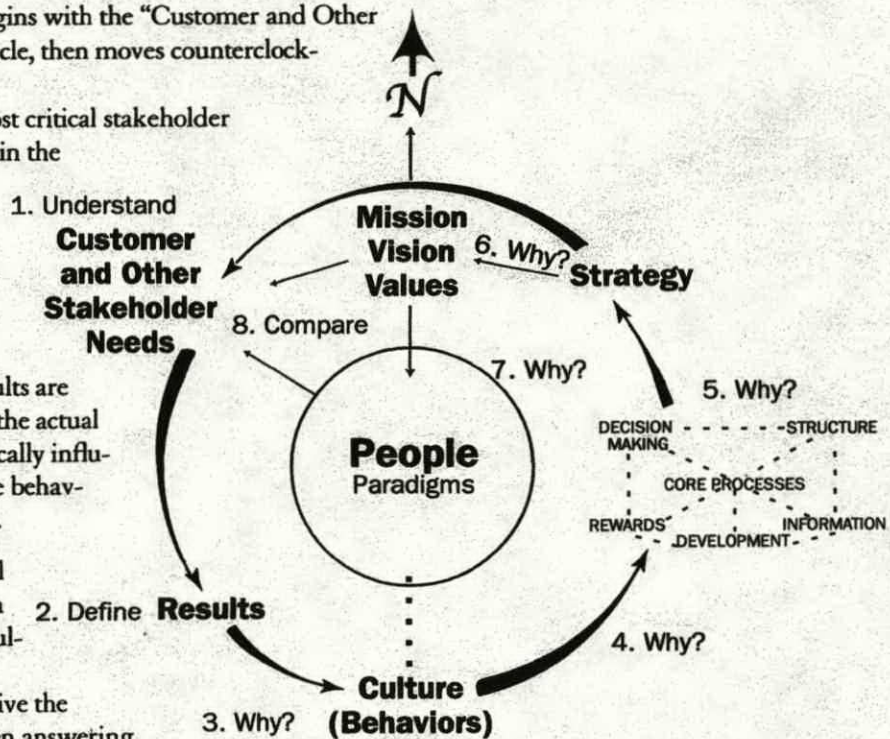
*Step 4.* Analyze why the cultural behaviors occur. For each behavior listed in the "Culture" box, document the process dynamics that drive the behavior. Be specific when answering the questions in the "Processes" area.

*Step 5.* Find out why the processes have been designed and shaped the way they are by deducing the current-reality strategy.

*Step 6.* Find out why the strategy exists by listing the current-reality mission, vision, and values.

*Step 7.* Uncover why the whole cycle exists by deducing the underlying paradigms that are the root cause of everything else.

*Step 8.* Compare the current-reality mission, strategy, and paradigms with stakeholder needs and note any area of congruence or inconsistency.



Having completed the Diagnose process, much like a physician, the manager is in a position to understand the state of the organization's health before defining changes (or prescribing surgery!).

# Exercise: Detecting Leverage Points

## Instructions

Now is the time to apply Pareto's Law to your diagnostic data. What 20 percent of the elements you have stitched together are leveraging 80 percent of your current organizational performance? The answer to this question is three to four priorities that will be most impactful as you begin redesigning for better results. In this exercise, identify only the element headings with the most impact. These will typically be in the elements of:

1. People (Paradigms)
2. Mission, Vision, and Values
3. Strategy
4. Six Processes/Systems

Pick no more than four from these nine elements:

**Mission**

**Strategy**

**People  
(Paradigms)**

Decision-Making  
Systems

Core Processes

Structure

Reward Systems

Development  
Systems

Information  
Systems

# Organizational Alignment

***Organizational alignment consists of getting six elements "right".***

<b>6. Decision-Making Systems</b> The process and authority to do the work (make decisions).	<b>1. Work Process</b> The way work gets done day-to-day. The process to make things better over time.	<b>2. Structure</b> The tools, funds, equipment, networks, and reporting relationships.
<b>5. Reward Systems</b> The satisfiers and disatisfiers for doing the work.	<b>4. Development</b> The way people are hired and trained.	<b>3. Information Systems</b> The right information at the right time (measures and reports).



**ARE THESE STRATEGIES  
BALANCED BETWEEN  
"RESULTS NOW" AND  
"RESULTS FOREVER"?**

**Design Exercise 2.8**

**Do This with Your Group**

Take a step back from your five strategic choices in Exercises 2.3–2.7 and see if they are balanced to produce better results in both the short and long term. For each item you chose, place it in either the Performance or Performance Capability column below. For example:

**Performance Capability**

- Market segment
- Unique product/service
- Volume growth
- Cycle time
- Profit improvement
- Zero defects

**Performance**

- Strategic partnerships/alliances
- Co-missioning
- Financial investors
- Life balance
- Investments in R&D
- Saying no to budget shoppers

**Strategic P/PC Balance**

Place each item listed in Strategic Choices 1–5 in either the Performance or Performance Capability column below.

**Performance**

**Performance Capability**

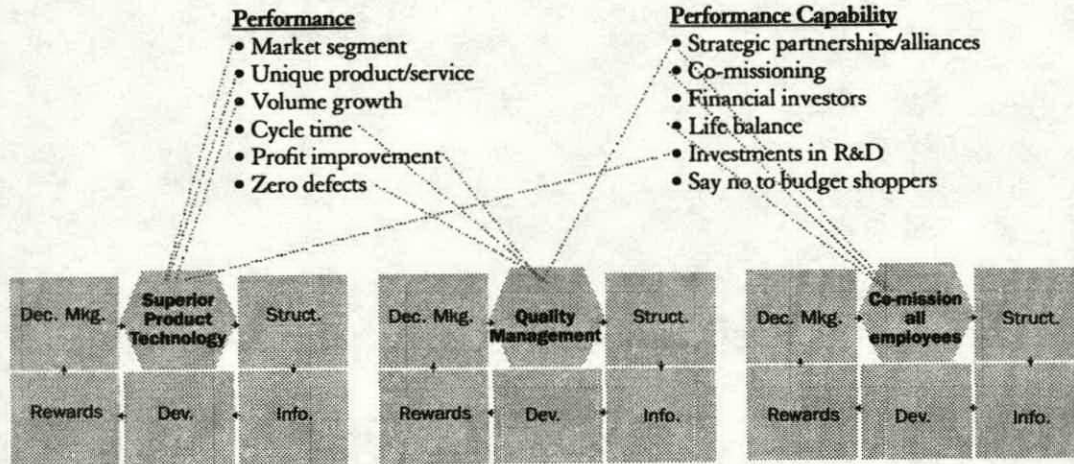
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## WHAT ARE OUR CORE PROCESSES?

### Design Exercise 3.1

#### Do This with Your Group

The next design step for high performance is to define your core processes based upon your strategic choices. As this example illustrates, you must examine the common threads of your strategic P/PC Balance to determine those few core processes that must function flawlessly in order for you to deliver the needed results.



Our core processes are:

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# Work Process

Differentiating among various types of work helps to establish resourcing criteria and priorities.

## *Two Types of Work Processes:*

**1. Core Work  
Processes**

**2. Enabling Work  
Processes**





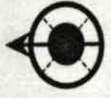
# Work Process Criteria

## Core Work

- Delivers/creates an organization's advantage with its external customers relative to the competition.
- Should be done at a world-class level.
- Cost should not be the primary concern when organizing and managing Core work.
- Generally, should not be outsourced—it is your real source of competitive advantage.

## Enabling Work

- Does not, by itself, create distinctiveness for the customer.
- Leverages the Core work in terms of responsiveness/speed, accuracy/quality, cost, or effectiveness to provide greater distinctiveness to the business.
- Directly supports Core business processes and makes the Core work easier to do—it enables the Core work.
- When trade-offs need to be made, they should be made in favor of the Core work.



## FLOWCHARTING THE CORE PROCESSES

### Design Exercise 3.2

#### Do This with Your Group

Your organization's performance will improve to the degree that you "do the right things right." The core processes you chose in Exercise 3.1 are closely aligned with the "right things"—what your stakeholders and your mission, vision, and values say you should be doing. Now you must see that you do these right things in the right way: with no wasted energy or materials; with minimum time and expenditure; without violating your core principles. You begin doing right things right by flowcharting the steps required to deliver the needed product or service. For example:

#### Core Process Superior Product Technology

1. Identify consumer needs.
2. Develop technology alternatives.
3. Determine product specifications.
4. Formulate a business plan.
5. Select the right materials and/or ingredients.
6. Select the right equipment.
7. Organize the manufacturing process.
8. Test for quality and safety.
9. Distribute the product to consumers.
10. Market the product to consumers.
11. Monitor financial performance.

#### Core Process Co-mission All Employees

1. Define personal mission.
2. Define organizational mission.
3. Build character by living the missions.
4. Build competence by developing needed skills.
5. Make deposits into each other's Emotional Bank Account®.
6. Determine accountability measurements.
7. Define self-directing measurements.
8. Jointly develop Win-Win Agreements®.
9. Revise other processes as needed.

From these two examples, it is obvious that each step could also be flowcharted with several subtasks under it. What you write on the following pages depends on the level of activity you have focused on thus far. So, if your core process in Exercise 3.1 were "Market the product to consumers," you would enter that phrase directly under the heading, and write its relevant subtasks on the lines provided.

On the following pages, flowchart the tasks that need to be done to fulfill the strategic choices you have made.

## 2. Do

- **Monitor progress.** Are there enough specifications so that a team could take this work and begin to define and refine their actual work around them? If not, dig for more detail. Ask, "How would that work exactly? What would they do? And who are they?" Then go on to the "And then what?" series of questions to flesh out any particular work process.

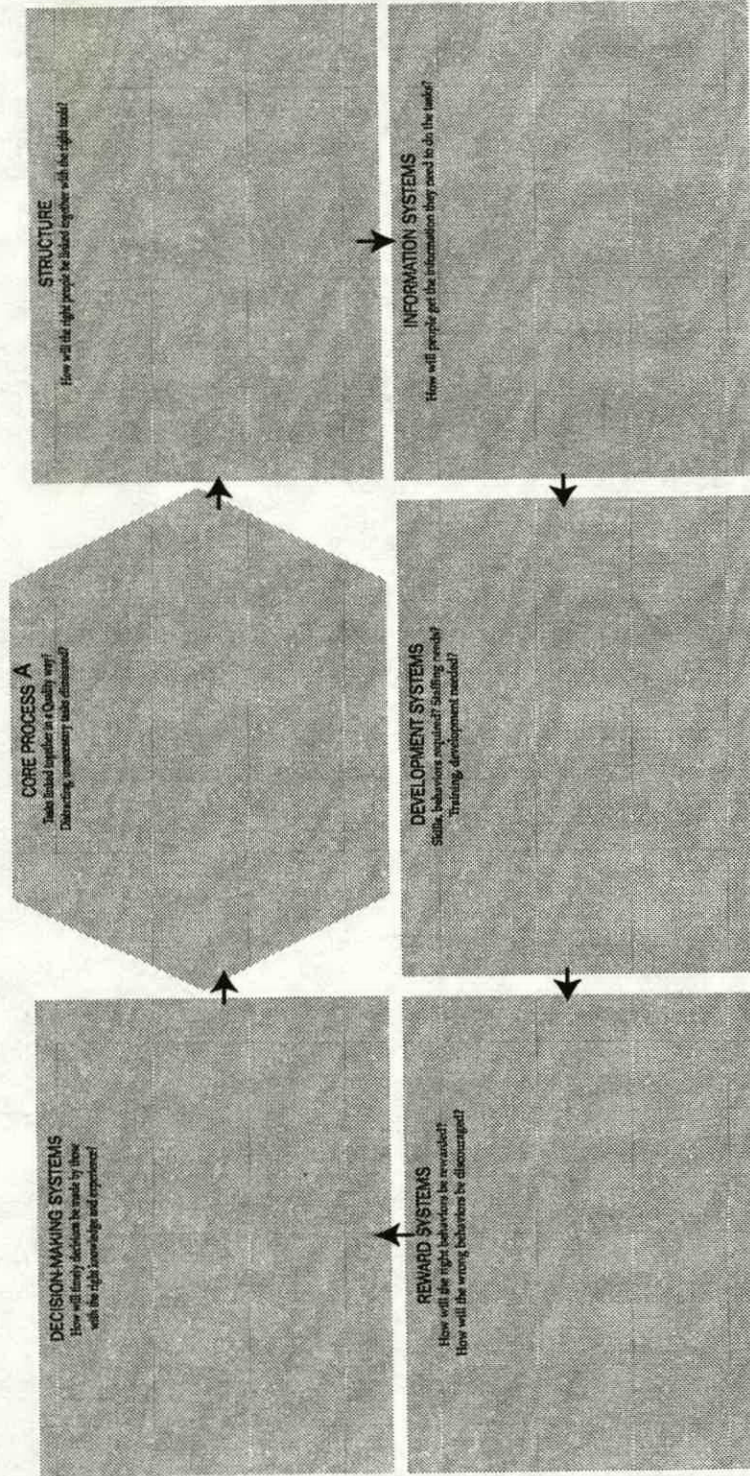
## 3. Debrief

- **Group debrief.** Each group reports their work. Let other groups ask questions and suggest enhancements.
- They should identify a "process owner" for each of these core processes. Remind them that a "process owner" isn't the person who does all the work in the process, but is the person responsible for making sure the process links to strategy, that the process helps to accomplish the work and get the desired output, and that the process helps people to like each other while they are working within that process. Don't let them get away with naming a group or a position name here. They must put up an actual person's name, and hopefully that person is in the room and agrees to it.
- Then, they must identify the other key players who ought to be on the team that creates or renews or does whatever it takes to define, refine, and create that work process. Tell them that the process owner and these people they are naming are the ones who will be further flow-charting the process, gathering whatever additional data they need, firming up the new process design, and overseeing its implementation in the organization. That's a lot of work.

## 4. Connect to the Process

- **Your observations, connections, etc.** Is anything missing? Be sure and look at elements of vision to see if there is a work process to really get them to that standard of performance. Also particularly important, make sure there is some system for establishing the new agreed-upon code of conduct they have created under "Values." Where is the work process that will create, nurture, and reward those behaviors?
- **Where are we?** "We have a first-cut design that can be further refined to align what we do every day with our strategy—which is aligned with our mission, vision, and values—which are aligned with critical stakeholder needs. We have a first cut at aligning ourselves perfectly to get what we want."

**WHAT SUPPORT SYSTEMS ARE NEEDED TO IMPLEMENT THE CORE PROCESSES**



## How Do We Make All the Processes Work Together? (Design Exercise 3.3)

*Always use this exercise. It may be done after the initial workshop, however, as the different process owners compare notes before working further on their individual processes.*

### 1. Teach

- **Orientation Point 25.** *Optimizing each piece of a system usually suboptimizes the whole.*
- **Elaborate.** Ask them for examples from their own organization where the sum of the parts wasn't good enough to deliver what they wanted (e.g., product divisions each trying to optimize their business, team members all trying to be "the best," putting top priority on every issue that comes to them, etc.). They will have plenty of examples.
- **Set up exercise.** This is another exercise in systems thinking. They need to take a step back from their work on each individual core process and look at the totality of all the recommendations made by each subgroup. The exercise is to simply summarize all process recommendations in the boxes inside the foldout. Once they have done this, you need to facilitate their analysis to ensure that any inconsistencies are addressed.
- Ask for the process owner from each previous subgroup to come together on this exercise. Don't try to do this with the whole group unless you feel there are only a few minor inconsistencies.

### 2. Do

- **Monitor progress.** Recording all the recommendations in each box is the easy step. Your help may be required to analyze the recommendations in each box. Are there any inconsistencies? For example, does one group recommend a team compensation system under Rewards and another group recommend enlarging the individual bonus? These may pull people in opposite directions. Have the group record the major synergies and inconsistencies from the current approach on the back of the foldout sheet. Have them resolve any inconsistencies before moving on.

### 3. Debrief

- **Group debrief.** No debrief, other than to inform the other participants of the subgroup's conclusions.

## How Do We Make Our Processes Trustworthy? (Design Exercise 3.4)

*Always use this exercise.*

### 1. Teach

- **Set up exercise.** "We want to assure ourselves that our new design is principle-centered and will actually support and sustain higher performance." You may want to remind them of the "Where is north?" exercise, with their initial opinion as one point and the compass needle as true north. Similarly, is their new design pointed toward "True North," or is it a product of their zealous opinions, but moving in the wrong direction?
- "The exercise is to simply write in your design recommendations in each box of this foldout sheet. For instance, is there evidence that the new information system recommendations will promote 'Be Proactive' or 'Put First Things First?' Write a design recommendation in a box only if you feel it will foster the vast majority of the people living this habit the vast majority of the time."
- Review the table "Organization Design Principles & Guidelines" in the Resource Appendix as one example of this process.

### 2. Do

- **Monitor progress.** Are people being honest with themselves as they fill in the boxes? Get them to show evidence that their recommendations will actually help the habits come alive. Two questions to use here are "Why?" and "So what?" For example, "Why will e-mail addresses for each work group support "Think Win-Win?" Or, "A certain amount of pay is at risk and will be paid if quality and customer service targets are achieved. So what? How will people react to this every day? What will they focus on really?"
- If important boxes are blank (e.g., decision making does nothing to foster proactivity), have them address the issue with additional recommendations. This exercise should help them build on their first draft and make sure it is principle-centered. Most drafts will need the additional work this exercise calls for.

### 3. Debrief

- **Group debrief.** Have each group share their conclusions with the rest of the participants. A flipchart summary would be nice, as it makes it easier to track their conclusions and serves as a hard copy of their work for recording the data.

### 4. Connect to the Process

- **Your observations, connections, etc.** "Are you comfortable that the design is principle-centered? Use the 'Organization Design Principles & Guidelines' table as your guide. Are they aligned with these principles? Are any blank boxes going to sabotage the design intent?"
- **Where are we?** "We are ready to give our design the ultimate check. Will our recommendations actually cause people to change their behaviors to move the mission and strategy forward?"

Now record the group's final decisions.

**Major Synergies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**Major Inconsistencies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

## HOW DO WE MAKE OUR PROCESSES TRUSTWORTHY?

**Design Exercise 3.4**

**Do This with Your Group**

The aim of your design should be to encourage people to be effective in their daily behavior so your organizational culture will always deliver the results your stakeholders need.

On the inside foldout, list the specific evidence in your new design that suggests that the 7 Habits and principles of empowerment will be practiced by the vast majority of people the vast majority of the time. (In boxes where the evidence is insufficient, add design specs that will make your culture more principle-centered.)

Element or Principle	Mission, Vision, Values Evidence	Strategy Evidence	Core Process Evidence	Decision-Making Evidence	Information Evidence	Development Evidence	Structure Evidence	Reward Evidence
1. Be Proactive®								
2. Begin with the End in Mind®								
3. Put First Things First®								
4. Think Win-Win®								
5. Seek First to Understand, Then to Be Understood®								
6. Synergize®								
7. Sharpen the Saw®								
Empowerment								

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## How Will Our New Processes Impact Our Culture? Our Results?

(Design Exercise 4)

*Always use this exercise.*

### 1. Teach

- **Orientation Point 26.** *Culture is the balance of restraining and driving forces.*
- **Elaborate.** Help them make the connection that their restraining forces are the key points from their Diagnose process; their driving forces are the key points from their Design process. The Force Field Analysis diagram is one way of helping them map out these forces to see which side will win in the future. Also show them the structure of each force (arrow). Each force has a root illustrated by the node. These are usually paradigms or values. The arrow descriptor is usually a process, system, or structure. The connection is "paradigms drive processes," as illustrated in both the Personal and Organizational Effectiveness Cycles.
- **Set up exercise.** The intent of this exercise is to help them see if their Design work will be sufficient to overwhelm the restrainers they found in the Diagnose process. "The bottom-line question is, 'Will people actually change their behaviors to be mission- and strategy-driven as a result of our new design?'"

### 2. Do

- **Monitor progress.** They may struggle a little until they fully understand the Force Field Analysis model. You might help the group get started by doing one example for the whole room. For instance: "What was a major barrier we uncovered in Diagnose? 'No one feels ownership for results.' What paradigm or informal mission or strategy sustains this barrier? 'Senior management alone is responsible.'" Draw the first point along the arrow and the second point at the node to illustrate this. Then leave them with the questions: "What design factors are you recommending to counter this force? What are their sustaining root paradigms or values? Will they be strong enough to win the battle with the existing forces?"

### 3. Debrief

- **Group debrief.** Have each group present their Force Field Analysis diagram. Get input from others and add arrows/nodes as appropriate.

### 4. Connect to the Process

- **Your observations, connections, etc.** Do you feel that the driving forces will overpower the restraining forces? How do the people in the room feel? Are the old paradigms countered by new paradigms (mission, vision, values, strategy)? Will these new paradigms be compelling? These are the questions to concern yourself with at this point.
- **Where are we?** "We have finished the Design process...for now. Design is really never 'finished.' But we have a great set of recommendations to move forward. Now the question is, 'How will we deliver so the culture really changes?' This is our agenda for the Deliver section of the workshop."

## HOW WILL OUR NEW PROCESSES IMPACT OUR CULTURE? OUR RESULTS?

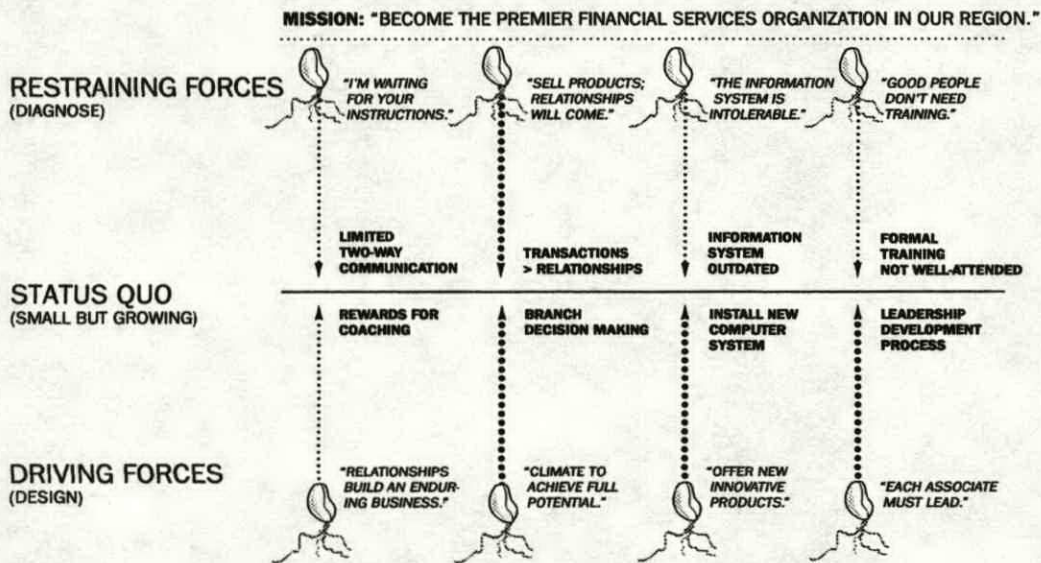
### Design Exercise 4

#### Do This with Your Group

Now fill out a Force Field Analysis for the key points of your diagnosis and design. The aim is to see if your design drivers are strong enough to counteract or eliminate the restrainers so you can progress toward your mission, vision, values, and strategy.

On the inside foldout, label each restraining arrow with a process, mission, or strategy that your diagnosis revealed was key to getting what you're getting today. Fill in the driver arrows with key design features you have drawn up. Draw some of the arrows thicker than others, indicating which items are stronger or weaker. Don't forget to label the roots—without attending to them, restraining "weeds" will grow back in some other form, and driving "flowers" will wither and die.

As you look at your filled-in diagram, do you feel confident that the status quo will be driven forward and that results will get better? If not, revisit your mission, strategy, and processes decisions to see what more can be done.



## Flowcharting the Core Processes (Design Exercise 3.2)

*Always use this exercise.*

### 1. Teach

- **Orientation Point 23.** *Results seldom, if ever, flow from only one process.*
- **Orientation Point 24.** *The strongest processes are those where the formal and informal processes work together.*
- **Elaborate.** "Truly great work processes always accomplish three things. First, they translate our strategies into behaviors. Second, they accomplish work—that is, they help people to produce output, to get the job done. Third, they help people to like each other. That's right! Help people to like each other. They don't force people, because nothing can force people to like each other. But processes help people. And why do we want people to like each other? Because then they will help each other that much more."
- If you get challenged on this last point, just ask, "Can I design a work process that will help people hate each other?" They'll answer, "Of course." Respond, "Then, the flip side is true, isn't it? I can make processes that really facilitate people becoming friends at work."
- You may want to use the materials entitled "Organization Design Principles & Guidelines" in the Resource Appendix. These help us optimize work efficiency, effectiveness, and becoming friends.
- **Set up exercise.** Ask them to get up and sign their name by a core process they care about and have competence in. Let them all get up and get their initials up somewhere, then break out the groups based on the signatures. Check out the groupings with them all standing in a group within their strategy assignment. Then ask, "Should we reassign or change the groups in any way?" Let them sort out who belongs in each group, but do it quickly.
- Make sure they understand the sequence of tasks in this exercise. First, the group should identify the major steps associated with their core process. These are to be written on the cover sheet of the foldout. Remind them that a process is characterized by an input, general activity steps, and the output. The examples on the instruction sheet follow this format. They should have 10–15 steps in their final flow chart.
- The second step is to take the core process (as defined by the 10–15 steps) and develop some support system specifications to optimize the steps. This step is completed by using the inside of the foldout ("What Support Systems Are Needed to Implement the Core Processes?") The process steps should be written in the core process box on the inside of the foldout; their support system specifications should be outlined in each of the appropriate boxes.
- Have them use the questions in the different boxes to stimulate their Design thinking.



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## Orientation Point 11

**Organizations only exist as long as they serve someone's needs.**

Organizations do not exist to build monuments.

The most effective organizations start with a very clear view of the unique, critical few needs that stakeholders want satisfied.

The purpose of the organization is to maximize the total benefit package to all stakeholders.

The purpose of the organization is to make life better for everyone.

*(in tribute to W. Edwards Deming)*



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## Orientation Point 12

**Exceed the customer's expectations and you will take the market.**

"The customer generates nothing.

"No customer asked for electric lights, photography, telephones....The customer expects only what the producer has led him to expect. He is a rapid learner... (he) compares one product with another, one source with another.

"The moral is that it is necessary to innovate, to predict the needs of the consumer; to give him more. He that innovates and is lucky will take the market."

—W. Edwards Deming



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## Orientation Point 13

**Tectonic forces are revolutionizing the world.**

Emerging technology is having a cataclysmic effect on the way work is done and how organizations are put together. Consider this military example:

- In World War II, 3500 bombs were dropped in 4500 sorties (bombing missions) to destroy 1 target.
- In Vietnam, 350 bombs were dropped in 450 sorties to destroy 1 target.
- In Desert Storm, 3 bombs were dropped in 3 sorties to destroy 1 target.
- Today, 1 bomb can be dropped in 1 sortie to destroy 1 target.

Modern technology is the tectonic force shifting the mass of entire industries. In some exercises that follow, you will be asked to identify some of the tectonic forces that do (or will) reshape your work environment and organization.

# WHAT TRENDS WILL IMPACT OUR FUTURE?

## Design Exercise 1.2

### Do This on Your Own

The rate of change in today's environment is almost overwhelming. So what is the likelihood that the stakeholder needs you identified in the Diagnose process will remain unchanged in the coming years? It's in your best interest to consider what future trends might affect stakeholder needs (and tomorrow's organizational scoreboard). In the spaces below, identify the major trends (global, societal, industrial, and local) that may have a significant, tectonic impact on who the stakeholders are and what they will want and need in the next three to five years.

Global Trends:

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Societal Trends:

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Industrial Trends:

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Local Trends:

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Other Factors:

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**WHAT IMPACT WILL  
THE FUTURE HAVE ON  
STAKEHOLDER  
NEEDS?**

**Design Exercise 1.3**

**Do This on Your Own**

How will the trends and factors you identified affect stakeholder needs over the next three to five years? Record your answers below. (Be sure to include new stakeholders.)

Stakeholder: \_\_\_\_\_

Changed Needs?	New Needs?	Abandoned Needs?	Shift in Values?

Stakeholder: \_\_\_\_\_

Changed Needs?	New Needs?	Abandoned Needs?	Shift in Values?



# WHAT SHOULD I DO TO MEET TODAY'S NEEDS?

## Design Exercise 1.6

### Do This on Your Own

Remember, organizations don't have passion and loyalty—only people do. Given the stakeholder needs you see today, which stakeholder needs do you commit to satisfy now, and what will you deliver?

### My Commitments

For customers, I will:

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For employees, I will:

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For owners, I will:

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For ....., I will:

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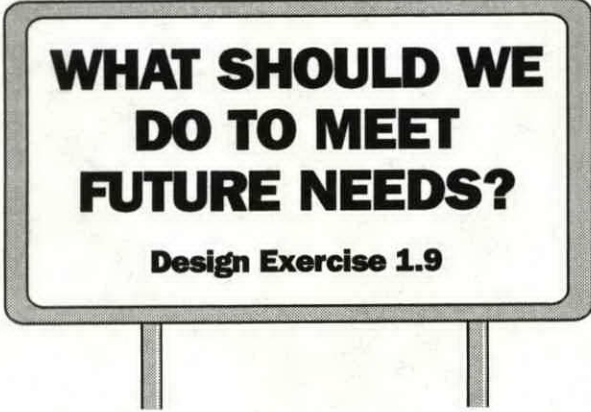
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For ....., I will:

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**Do This with Your Group**

As a group, record below what you are prepared to deliver to each stakeholder so they continue to get what they need.

**Our Commitments**

For customers, we will:

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For employees, we will:

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For owners, we will:

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For....., we will:

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For....., we will:

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For ourselves, we need:

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**Do This with Your Group**

As a group, transform your team commitments into a new or renewed mission statement.

The new/renewed mission statement for our group is:

Lined area for writing the mission statement.



## Orientation Point 14

**“A chair can fulfill a function; people need a noble sense of purpose.”**

**—Horst Schulze**

What is the secret to having a genuine “group sense” of direction and purpose that really makes a difference in the day-to-day culture?

First of all, the mission must be “noble” to the people who adopt it.

Try this:

*“Our mission is to hook as many kids under the age of 19 on smoking because we all know that if we don’t hook ’em by age 19, chances are we don’t get ’em, and we are losing 5,000 old customers a day. (They die on us!)”*

Interested?

Or this:

*“Our job around here is to build as many brick walls as we can, just as fast as we can, no matter what!”*

Interested?

Or this:

*“We are building the most beautiful cathedrals in the world.”*



**Do This on Your Own**

1. This new/renewed mission statement is truly noble to me because it contains:

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2. This statement will be noble to all of the people in the organization because it contains:

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## Orientation Point 15

**"Where there is no vision, the people perish."**

**—Proverbs 29:18**

The group vision must be so compelling, the future view so enticing, that it will encourage people to try different modes of behavior, to take risks, to break from comfortable tradition. Otherwise, nothing much will change.

*"We will, in this decade, transport a man to the moon and return him safely to earth."*

*"We will build the world's highest-quality automobile: American-owned, American-manufactured, American!"*

(Saturn is #3 in the J.D. Powers Initial Quality Survey, 1995)

Versus:

*"If we're really lucky, we'll make it to 5 p.m. so we can go home!"*

# WHAT IS OUR SHARED VISION OF THE FUTURE?

Design Exercise 1.13

Do This on Your Own

What should our vision of the future be in the interest of:

Stakeholders	Future Goals
Customers	
Employees	
Owners	
Ourselves	
Other	

# WHAT IS OUR SHARED VISION OF THE FUTURE?

## Design Exercise 1.14

Do This with Your Group

Our team vision of future achievements is:

Stakeholders	Future Goals
Customers	
Employees	
Owners	
Ourselves	
Other	





**Do This with Your Group**

This vision is so compelling to everyone that it will cause them to abandon old habits and go through the trauma of trying new things because:

Lined writing area for notes.



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## Orientation Point 16

**“What gets measured, gets managed. What gets managed and rewarded, gets done.”**

**—Peter Drucker**

Never confuse how difficult it is to measure something with just how important it is to measure it.

When your weekly staff meeting starts with the latest data from the Service Quality Index, and you spend the next hour sweating over how to improve the numbers, then you'll know you are serious about satisfying customers.



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## Orientation Point 17

**“The most important things are unknown and unknowable.”  
—W. Edwards Deming**

“At the end of the day, when all the reports are compiled, all the numbers are in, there is nothing quite like the truth that lies quietly in your conscience. Take the time to listen to that quiet voice, and answer the question: “How well are we really doing?”

—Stephen R. Covey



## Orientation Point 18

**“Most ailing organizations have developed a functional blindness to their own defects. They are not suffering because they cannot resolve their problems, but because they cannot see their problems.”**  
—John Gardner

Because we act based only on what we observe, functional blindness could cripple our attempts to improve results. A 360-Degree Assessment process would help you fill in your blind spots. This process is made up of four kinds of measurement:

1. Financial accounting data.
2. Surveys and data from all major stakeholder groups.
3. Benchmarking from within and outside the industry.
4. Individual and collective conscience.

You now have the opportunity to construct some measurements that will fill in your blindspots and help you track how you are really doing from a 360-degree view.

# HOW WILL WE KNOW WHEN WE ARE DOING IT?

## Design Exercise 1.16

### Do This on Your Own

If we were completely fulfilling our mission and achieving our shared vision, what could we measure to prove our success, and what would a successful score be?

Stakeholder	What to Measure?	Successful Score

# HOW WILL WE KNOW WHEN WE ARE DOING IT?

## Design Exercise 1.17

### Do This with Your Group

If we were completely fulfilling our mission and achieving our shared vision, what could we measure to prove our success, and what would a successful score be?

Stakeholder	What to Measure?	Successful Score



## Orientation Point 19

**"We become what we think about."**

**—Earl Nightingale**

A lot of organizations experience self-denial when it comes to defining their values. They publish a generic list of virtues—you know the one: "We'll all be trustworthy, good team members, honest..." and so forth. This is an exercise in futility, making people angry because it suggests that they are not trustworthy, good team members, honest, and so forth.

Real organizations define relevant operating codes of conduct. They define a set of behaviors that is specifically aligned to accomplish the mission and vision of the organization.

For example:

*"We are ladies and gentlemen serving ladies and gentlemen."*

*"We are entrepreneurs making new products for people."*

*"We are actors on a stage entertaining guests in our audience."*

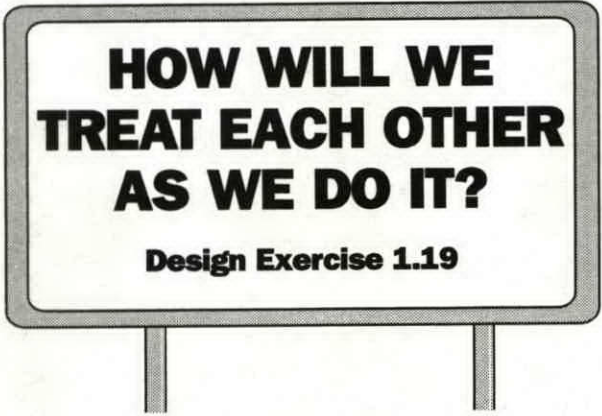


**Do This on Your Own**

In order to fulfill our mission and vision, the overarching codes of conduct we must all adhere to are:

Lined writing area consisting of 20 horizontal lines for student input.





Do This with Your Group

In order to fulfill our mission and vision, the overarching codes of conduct we must all adhere to are:

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## Orientation Point 20

**High performance results when values are principle-centered.**

We must make sure our notions, viewpoints, and perspectives of the world are as complete as possible, as principle-centered as possible, and as predictive of good outcomes as possible. To this end, here are some questions to ask yourself:

1. Are we building or breaking personal trustworthiness? Are we making it easy or difficult for our people to maintain their own trustworthiness?
2. Are we building trust in our relationships, or are we encouraging violations of trust?
3. Are we empowering people—turning them loose to contribute their individual creativity and ingenuity toward shared objectives—or are we holding them back?
4. Are we in harmony with the external environment? Are we really providing true value for the funding our stakeholders provide? Are we maximizing the total benefits to all of the stakeholders, or are we suboptimizing one group's needs for the benefit of another group? Worse, are we violating some group?



## Orientation Point 21

**The meaning of strategy isn't in words, it's in people.**

Strategy is not the five leather-bound, gold-embossed books sitting in the office of the vice-president of corporate strategy: "*Confidential. Restricted by need to know.*" Such strategies are unseen and therefore do not prompt any behaviors.

Real strategy is when every single individual in the organization has the contents of those leather-bound books translated into how they (individually and in groups) add value to fulfilling the mission and achieving the vision. This dynamic is called a "line of sight," meaning each person has a clear line of sight between what he or she is doing and the strategic end in mind.

Put yourself in front of a group of your employees. Pretend you have just explained the organization's noble mission and compelling vision. They like it. They are even excited. But then they ask, "Just how do I (and we) do this, boss?"

Real strategy is when each one of them has an answer—an understandable, doable answer.

**HOW SHOULD WE  
APPROACH  
ACHIEVING OUR  
MISSION AND VISION?**

**Design Exercise 2.1**

**Do This on Your Own**

Strategy is how we do what we do. But strategy is no good unless (1) it is translated into individual understanding, and (2) it has specific action steps with goals. Brainstorm different approaches you should take, must take, or could possibly take to fulfill your mission and realize your vision.

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# **HOW SHOULD WE APPROACH ACHIEVING OUR MISSION AND VISION?**

## **Design Exercise 2.2**

### **Do This with Your Group**

Now discuss your individual answers from Exercise 2.1, and choose those strategies that would best fulfill your mission, vision, and values.

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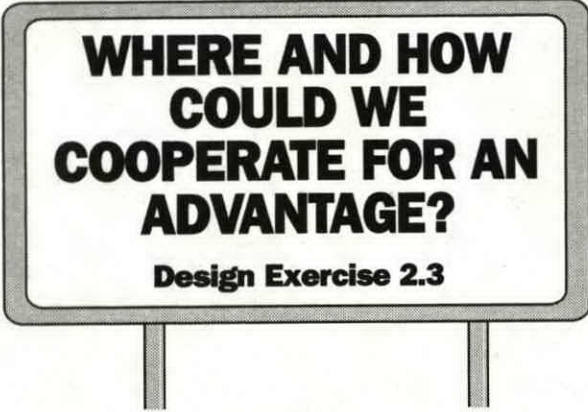
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**Do This with Your Group**

Review your list from Exercise 2.2, and see if any of those strategies fit in this category.

**Strategic Choice 1: Cooperative Advantage**

Which partnerships/alliances will be essential for us to produce the needed synergy to meet the needs better than anyone else?

Lined writing area consisting of 20 horizontal lines for notes.

**WHERE AND HOW  
COULD WE DISTIN-  
GUISH OURSELVES  
FROM THE REST OF THE  
INDUSTRY?**

**Design Exercise 2.4**

**Do This with Your Group**

Review your list from Exercise 2.2, and see if any of those strategies fit in this category.

**Strategic Choice 2: Competitive Advantage**

Which market segments should we aim for? What unique products/services will give us a distinct advantage over others?

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**HOW DO WE BAL-  
ANCE STRATEGIES TO  
PRODUCE OVER THE  
LONG TERM?**

**Design Exercise 2.5**

**Do This with Your Group**  
Review your list from Exercise 2.2, and see if any of those strategies fit in this category.

**Strategic Choice 3: P/PC Balance®**  
Which Performance factors (results) will be most crucial to our success? Which Performance Capability factors (relationships, technology, skills, other resources) will also be critical? How should we choose to balance the two?

**Performance**

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**Performance Capability**

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**ARE THESE STRATEGIES  
BALANCED BETWEEN  
"RESULTS NOW" AND  
"RESULTS FOREVER"?**

**Design Exercise 2.8**

**Do This with Your Group**

Take a step back from your five strategic choices in Exercises 2.3–2.7 and see if they are balanced to produce better results in both the short and long term. For each item you chose, place it in either the Performance or Performance Capability column below. For example:

**Performance**

- Market segment
- Unique product/service
- Volume growth
- Cycle time
- Profit improvement
- Zero defects

**Performance Capability**

- Strategic partnerships/alliances
- Co-missioning
- Financial investors
- Life balance
- Investments in R&D
- Saying no to budget shoppers

**Strategic P/PC Balance**

Place each item listed in Strategic Choices 1–5 in either the Performance or Performance Capability column below.

**Performance**

**Performance Capability**

_____	_____
_____	_____
_____	_____
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## Orientation Point 22

**“All grand strategies eventually degenerate into work.”**

**—Peter Drucker**

If people in an organization are truly going to implement the grand strategies that have been defined, then we must create the appropriate core processes, structure, and supporting systems that will create, sustain, nurture, and encourage behaviors that, in fact, make the strategy a reality.

A core process is one that is at the heart, or core, of delivering your mission and strategy. Core processes include but are not limited to elements such as distinctive competencies, core technologies, and areas of competitive advantage.

Depending on your strategic P/PC Balance identified in Exercise 2.8, developing people might be a core process; or Total Quality; or strategic partnerships.

Defining such core processes is essential for the rest of the Design process because form follows function architecturally and organizationally. The core processes you identify define the functions. You can't define the specifications for decision making, information, structure, development, and rewards until you have defined the core processes.

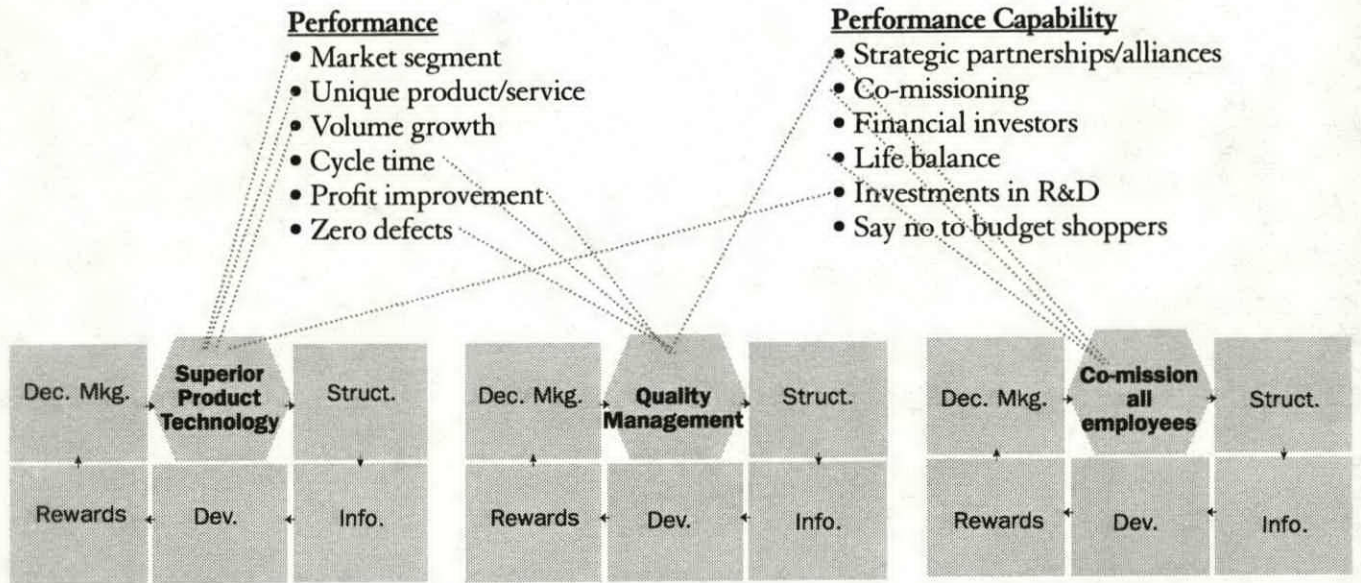
It is the leader's job to identify, create, and implement these processes in the organization.

# WHAT ARE THE ESSENTIAL TASKS REQUIRED TO IMPLEMENT OUR APPROACH?

## Design Exercise 3.1

### Do This with Your Group

The next design step for high performance is to define your core processes based upon your strategic choices. As this example illustrates, you must examine the common threads of your strategic P/PC Balance to determine those few core processes that must function flawlessly in order for you to deliver the needed results.



Our core processes are:

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## Orientation Point 23

**Results seldom, if ever, flow from only one process.**

Providing a process of rewards in an effort to create a new behavior doesn't automatically create that desired new behavior. Dr. W. Edwards Deming illustrated this principle. Appearing before a group of executives in the United States who were in the business of manufacturing automobiles, he suggested that if these executives wanted quality and market share to improve, they should merely double every executive's salary contingent upon the achievement of those goals.

That should do it, right?

The point is, I can offer you a million dollars to develop a new solar-powered, economically viable automobile—a great reward system! But you will not, in the absence of other systems, produce the result I desire—no matter how much I try to pay you for it.

Reward systems do not and cannot create behavior. You must rely on other systems for that. Obviously, once a behavior is known and doable, then reward systems are a major leverage in whether or not those behaviors are sustained in the organization.



## Orientation Point 24

**The strongest processes are those where the formal and informal processes work together.**

In your diagnosis, you found some informal processes (instead of the formal processes) driving the daily culture.

In a very real sense, these informal processes are rework. The formal design work on these processes has been wasted because daily cultural habits have “redesigned” them. Because they are informal, extra attention and energy are required to keep them going. Like a gas-guzzling car, informal culture moves you down the road, but not without exacting its cost on the operation.

How much better it would be if the paradigms, values, and data that sustain the informal processes, and those that sustain the formal processes were one and the same?

That is your task as you now look to design formal processes. Use the data you found in the Diagnose process, and look for ways to address them now.

Remember, those who operate these processes are like any other customers. Fulfill their needs with what you offer them, and they will become loyal users.

# FLOWCHARTING THE CORE PROCESSES

## Design Exercise 3.2

### Do This with Your Group

Your organization's performance will improve to the degree that you "do the right things right." The core processes you chose in Exercise 3.1 are closely aligned with the "right things"—what your stakeholders and your mission, vision, and values say you should be doing. Now you must see that you do these right things in the right way: with no wasted energy or materials; with minimum time and expenditure; without violating your core principles. You begin doing right things right by flowcharting the steps required to deliver the needed product or service. For example:

#### **Core Process** **Superior Product Technology**

1. Identify consumer needs.
2. Develop technology alternatives.
3. Determine product specifications.
4. Formulate a business plan.
5. Select the right materials and/or ingredients.
6. Select the right equipment.
7. Organize the manufacturing process.
8. Test for quality and safety.
9. Distribute the product to consumers.
10. Market the product to consumers.
11. Monitor financial performance.

#### **Core Process** **Co-mission All Employees**

1. Define personal mission.
2. Define organizational mission.
3. Build character by living the missions.
4. Build competence by developing needed skills.
5. Make deposits in each other's Emotional Bank Accounts®.
6. Determine accountability measurements.
7. Define self-directing measurements.
8. Jointly develop Win-Win Agreements®.
9. Revise other processes as needed.

From these two examples, it is obvious that each step could also be flowcharted with several subtasks under it. What you write on the following pages depends on the level of activity you have focused on thus far. So, if your core process in Exercise 3.1 were "Market the product to consumers," you would enter that phrase directly under the heading, and write its relevant subtasks on the lines provided.

On the following pages, flowchart the tasks that need to be done to fulfill the strategic choices you have made.



---

Now record the team's final decisions.

**Major Synergies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**Major Inconsistencies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

# FLOWCHARTING THE CORE PROCESSES

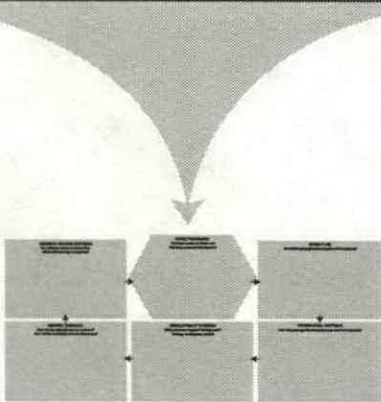
Design Exercise 3.2

**Do This with Your Group**

List sequentially the tasks that need to be done to fulfill your mission, vision, values, and strategy for the core process you have identified.

**Core Process A:** \_\_\_\_\_

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_
6. \_\_\_\_\_
7. \_\_\_\_\_
8. \_\_\_\_\_
9. \_\_\_\_\_
10. \_\_\_\_\_



Specify the critical attributes of the support processes to make this core process effective. In the diagram inside this foldout, design the other processes to be aligned with its task flow, answering the questions in each area of the process.

Now record the team's final decisions.

**Major Synergies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**Major Inconsistencies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_



## Orientation Point 25

**Optimizing each piece of a system usually suboptimizes the whole.**

Dr. Russell Ackoff uses an example similar to the following to teach this aligning principle:

Suppose we wanted to build the world's greatest automobile by assembling the best-in-class components regardless of who made them. We might take the motor from Nissan's Infiniti...the transmission from a Mercedes...BMW's suspension system...the soft leather interior of a Cadillac...the exhaust system from a Rolls Royce...and so forth. But if we tried to assemble all these wonderful components, we would find to our dismay that we wouldn't even have a car. The whole would be suboptimized by its world-class (although incompatible) parts.

Similarly, it's important that you look at the different designs from Exercise 3.2, and determine if the different parts will add up to a compatible and synergistic whole. What do the different information-systems specifications you created add up to—a whole system aligned with your strategy, or a collection of parts that will cancel each other out when put together?

Sort out these elements in the following exercise.

---

Now record the group's final decisions.

**Major Synergies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_

**Major Inconsistencies**

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_



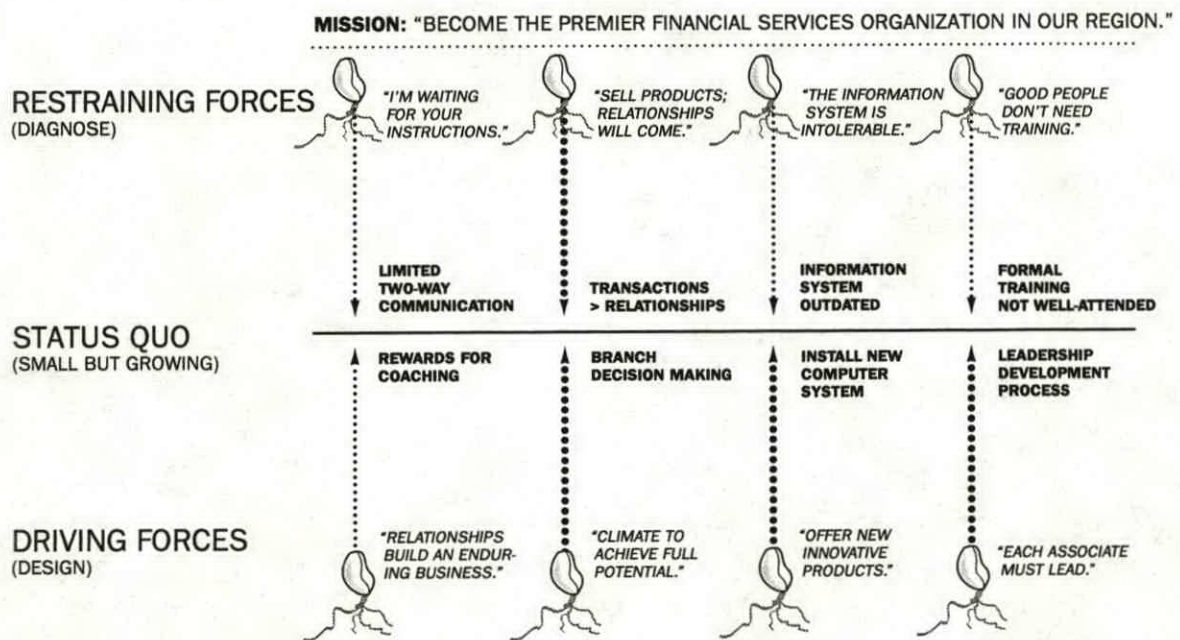
## Orientation Point 26

**Culture is the balance of restraining and driving forces.**

As you look at your final Design process elements, what evidence can you find that they will be strong enough to actually change how people operate every day?

A good way to test your new design is by drawing up a Force Field Analysis (FFA). A force field is made up of *driving forces* (propelling you toward your mission, vision, values, and strategy) and *restraining forces* (barriers to mission/strategy). The restrainers and today's drivers are perfectly aligned to keep your organization where it is today (status quo). Your new design, hopefully, will drive your performance up to where you want to be. Notice the characteristics of the FFA below:

1. The arrows are different widths, symbolizing stronger and weaker forces.
2. The node at the end of each arrow symbolizes its root (usually a paradigm or value).



In this example, a small but growing financial services corporation is striving to become the best firm in its region, but it is restrained by the factors listed on each "restraining force" arrow. The roots of these restrainers (e.g., "Good people don't need training") are today's hidden paradigms. Four initiatives have been designed to move the mission forward. The roots of these drivers are new paradigms the leadership team "owns" and statements from company mission. If the design rolls forward with commitment from the inside out, people will be optimistic that they can become the best.

# HOW DO WE MAKE OUR PROCESSES TRUSTWORTHY?

## Design Exercise 3.4

### Do This with Your Group

The aim of your design should be to encourage people to be effective in their daily behavior so your organizational culture will always deliver the results your stakeholders need.

On the inside foldout, list the specific evidence in your new design that suggests that the 7 Habits and principles of empowerment will be practiced by the vast majority of people the vast majority of the time. (In boxes where the evidence is insufficient, add design specs that will make your culture more principle-centered.)

# HOW WILL OUR NEW PROCESSES IMPACT OUR CULTURE? OUR RESULTS?

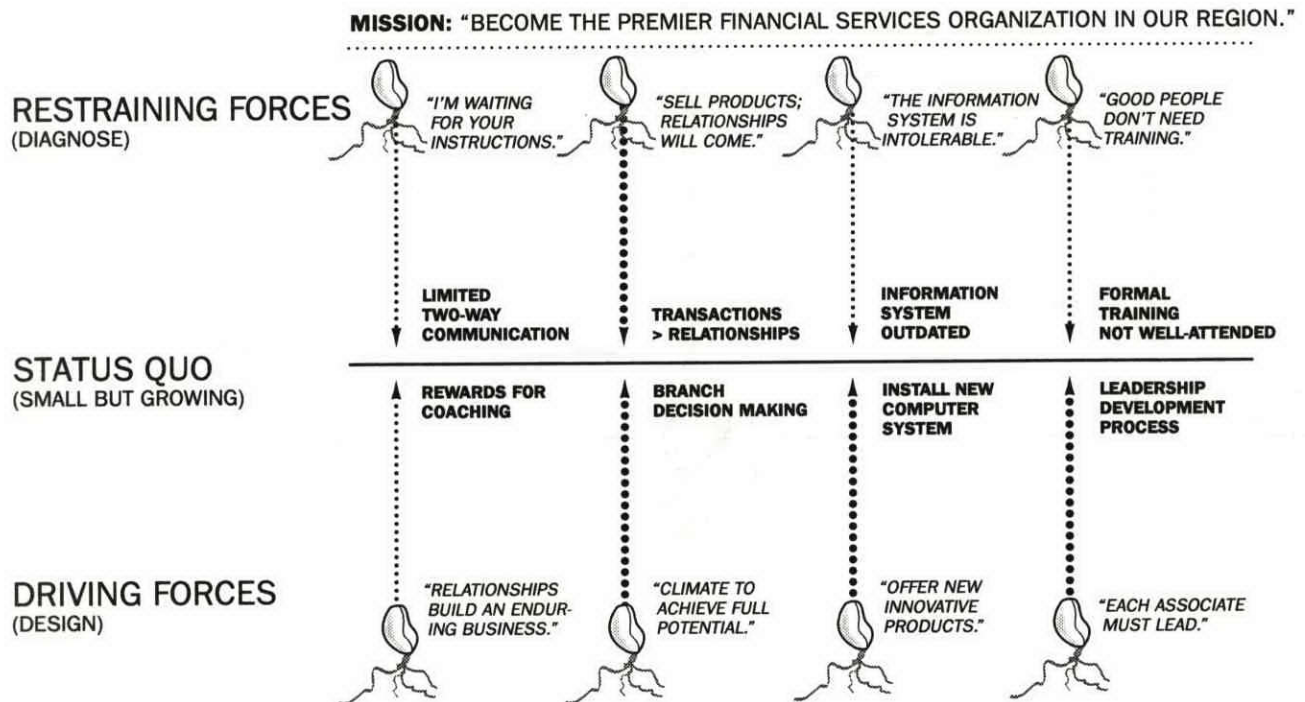
## Design Exercise 4

### Do This with Your Group

Now fill out a Force Field Analysis for the key points of your diagnosis and design. The aim is to see if your design drivers are strong enough to counteract or eliminate the restrainers so you can progress toward your mission, vision, values, and strategy.

On the inside foldout, label each restraining arrow with a process, mission, or strategy that your diagnosis revealed was key to getting what you're getting today. Fill in the driver arrows with key design features you have drawn up. Draw some of the arrows thicker than others, indicating which items are stronger or weaker. Don't forget to label the roots—without attending to them, restraining "weeds" will grow back in some other form, and driving "flowers" will wither and die.

As you look at your filled-in diagram, do you feel confident that the status quo will be driven forward and that results will get better? If not, revisit your mission, strategy, and processes decisions to see what more can be done.

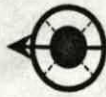




## Why Do We Put Everything Between

Core?

- **Focus**—No organization can be world-class in everything due to limited time, resources, and lack of focus and attention—we can't be all things to all people.
- **Strategy Implementation**—A core process is one that is at the heart, or core, of delivering your mission and strategy.
- **Clarify work**—Labeling work processes as “Core” and “Enabling” clarifies work that directly gives us competitive advantage and work that supports or leverages that competitive advantage.
- **Funding**—Knowing what directly leads to advantage helps prioritize resources and allocate the right level of time towards building the appropriate capabilities in these areas.
- **Ensuring results**—Translating strategy into work clarifies for employees what to focus on and the purpose of the work (create advantage, leverages Core), thereby meeting our strategic



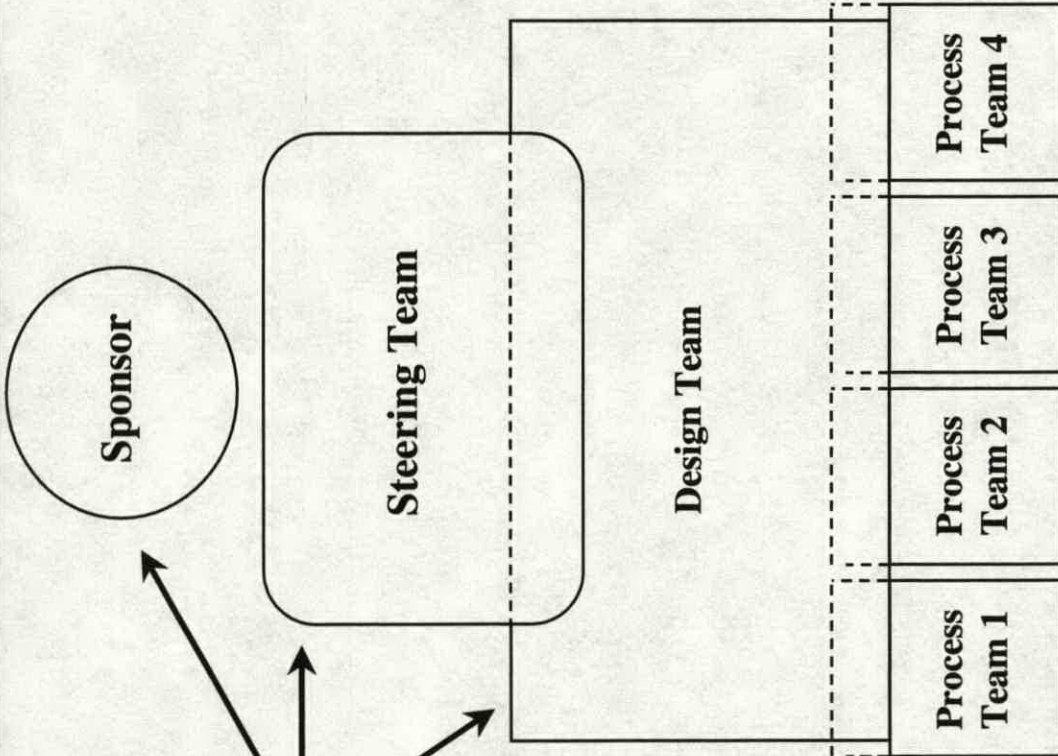


- ... of the work ...
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# Establish Change Infrastructure

- Champion the change.
- Ensure support to the Steering and Design Team.
- Create a compelling business case for change.
- Shield the organization from interference.
- Give leadership and direction to the entire change process.
- Ensure the appropriate allocation of resources.
- Ensure consistency of purpose.
- Shield the design team from interference.
- Model the principles and processes of personal and organizational effectiveness.
- Approve design recommendations.
- Ensure successful implementation.
- Coordinate the change plan on a day-to-day basis throughout the organization.
- Represent the steering team to the organization.
- Represent the organization to the steering team.
- Share knowledge and learning across the organization.
- Model the principles and processes of personal and organizational effectiveness.
- Conduct wide-scale communication of the change process.
- Implement organizational changes.
- Perform detailed assessment (SWOT) of the division or team.
- Create a detailed design for the new organization.
- Align all work processes, structure, and systems with the direction and goals of the organization.



## Internal/External

### Consultant

- Provide technical assistance to all teams.
- Share experience and examples from other industries.
- Provide a methodology and expertise for change and improvement.
- Provide training.
- Develop client resources.



# Win-Win Agreements®

## Desired Results

Clarify the end in mind, objectives, and outcomes.

## Guidelines

Specify boundaries and deadlines for accomplishing the results.

## Resources

List the human, financial, technical, and organizational resources needed to accomplish the desired results.

## Accountability

Identify the standards and methods of measurement for progress and accomplishment.

## Consequences

Determine the result(s) of achieving or not achieving Win-Win®.

Use Win-Win Agreements® to establish expectations between individuals, teams, and committees involved in the change initiative.





# How Will We Deliver?

**As a leadership team:**

- **Identify process teams and steering team membership.**
- **Create a Win-Win agreement® with each process team.**
- **Set the date for the next leadership team meeting.**
- **Craft a communication message to the organization.**
- **Define the roles and behaviors of that are expected of the leadership team members.**
- **Capture and share all “desired behaviors” that were identified during the Diagnose Phase and the Design Phase.**





- Beware of platitudinous pulpwash.
- Manage the flow.
  - Work at a pace that adds value.
  - Know where to start.
  - Know where you need to be in the cycle and by when.
- Make the tools and exercises “dummy proof”.
  - Write down the end-in-mind of each activity.
  - Give them an example of what you are looking for.
  - Have them repeat back the exercise.
- Document everything.
- Give clear homework assignments to get them thinking about the next day.
- Conduct a 7 Habits® training with the leadership team. This will:
  - Teach behaviors that help resolve interpersonal issues
  - Provide a useful code of conduct
  - Teach how to move through the dependence, independence, interdependence continuum
- Use stakeholder data in the OE Cycle (have everyone read it before the workshop).



# Design Guidelines

## Work Processes

- Maximize the quality, quantity, cost, and timeliness of the process outputs
- Prevent variances (defects, problems) by “designing out” the possibility of their occurrence, whenever possible
- Control remaining variances at the point of origin and by those who are doing the work.
- Design work around whole processes, products, customers, or projects
- Eliminate non-value-added activity.
- Minimize the distance traveled by materials from input to output
- Do not allow a support activity to get the main sequence. Either eliminate it, carry deliberate excess capacity, or take it off-line.
- Synchronize operation. Balance the cycle time across different mix loads so that downstream activities are not held up by mix variations
- Do not allow incomplete or defective work to be passed on.
- Design technology and facilities to support optimal work flow, not the other way around.





# Design Guidelines

## Structure

- Clearly define roles and responsibilities (clarify job expectations).
- Simplify reporting relationships.
- Reinforce accountability by structuring end-to-end responsibility around a clear and tangible outcome.
- Separate structurally, where possible, core versus enabling work.
- Design the core work to be as easy to do as possible.
- Minimize hand-offs between groups and individuals.
- Improve communication flow between work areas.
- Improve operation performance. (Do it better, faster, cheaper, accomplishes mission/vision/strategy).
- Organize around similarities in customer needs instead of around similarity of functional task or equipment.
- Group work and teams to increase customer responsiveness.
- Eliminate redundant tasks.
- Eliminate checkers checking the checkers.



# Design Guidelines

## Information System

- Capture information once and at the source.
- Information should flow first to the people who most need to act on it.
- Link information directly to external demands and related goals and objectives. For instance, measures should be designed in terms of what customers consider to be most important.
- Ensure that measures are aligned to produce consistent versus competing results.
- Information systems should have the flexibility to evolve as often as do external demands and the needs of the people who use the information.
- Ensure that the users of the information define their needs. Do not let the providers of the information define the needs, format, and medium
- Ensure that appropriate information is available and understood by all.



# Design Guidelines

## Development System

- Ensure the system is designed to attract and select people who will thrive in a high-performance environment.
- Ensure that the system is designed to select people with attributes that would be difficult to train at a later date (for example, customer orientation, desire for collaboration, etc.,).
- Train people on a just-in-time, need-to-perform basis.
- Ensure employees develop and utilize multiple competencies.
- Ensure the system is designed to identify and respond to performance difficulties immediately.



# Design Guidelines

## Reward System

- Share wealth with those who help create it.
- Reward and recognize the behaviors and results that are most critical to meeting external demands.
- Ensure that rewards lead to increased, not decreased, wealth
- Do not reward some members at the expense of other members (for example, the top 10%).
- Ensure that every member has the opportunity to succeed within the reward system.
- Reward group performance, in addition to individual performance, when the “whole” is potentially greater than the “sum of its parts”.
- Ensure that rewards and recognition are clearly understood and perceived to be consistently equitable.
- Design reward and recognition systems so that the people who most depend on other’s performance are involved in related reward and recognition decisions.
- Ensure that informal rewards contribute at least as much to positive behaviors, feelings, and outcomes as do formal rewards.



# Design Guidelines

## Decision-Making System

- Ensure quick and effective decision making.
- Allow those responsible for the results to make the decisions that affect them.
- Ensure that authority = responsibility and responsibility = authority.
- Reduce multiple levels of authority where possible
- Design decision-making events so there is clear responsibility (only the people required are involved, appropriate source of information is available).



# Create a Business Case for Change

## **A good business case:**

- Describes in a tangible way, why the current state is unacceptable (may restate relevant historical issues)
- Describes the implications of a changing marketplace
- Creates a clear picture of a desired future state
- Provides a concrete quantitative goal
- Provides a general strategic path to attain the vision
- Produces a felt need for change within all employees



# Create a Project Plan

## **Threshold components include:**

- Tasks and activities
- Timelines, milestones, and “stakes-in-the ground” (start and end points)
- Evaluation checkpoints
- Deliverables
- Resource needs (human, technical, and financial/budget)

## **Best-in-class additions include:**

- Specific and quantifiable financial/productivity (hard) results and when they are to be achieved (milestones)
- Specific and quantifiable behavioral (soft) results and when they are to be achieved (milestones)



# Overcome Resistance and Secure Buy-in

- Know your audience (measure the change readiness quotient)
- Involve everyone: Remember that no involvement leads to a lack of commitment and ownership
- Communicate often and well in order to change, people require answers to *what, why, how, who, etc.*
- Reduce resistance before increasing force.
- Expand horizons and shift paradigms.





### Communication Plan

The following communication plan is helpful to use as you launch a change effort. It is important to establish a communication infrastructure from the start to ensure that all key players and stakeholders have the information they need to move the initiative forward.

Person/Group	What (Content)	How (Method/Medium)	How Often/When	Who is Responsible

### Stakeholder Commitment Plan

In all phases of the 4DL process, stakeholder commitment and buy-in are essential. The following is an example of a stakeholder commitment plan.

Key Stakeholder	Make	Help	Let	Against	Unknown	Strategies and Accountabilities

**X = Current Commitment Level**  
**Y = Desired Commitment Level**

- Key**
- Make:** This stakeholder will do whatever it takes to make the project successful.
  - Help:** This stakeholder is willing to help the project be successful to a certain extent.
  - Let:** This stakeholder will let the change happen by staying out of the way.
  - Against:** This stakeholder is working against the change effort.
  - Unknown:** This stakeholder is unaware of the change effort.