

STEPHEN GEORGE

UNCOMMON SENSE



Creating
Business
Excellence
in Your
Organization

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***CREATING BUSINESS EXCELLENCE
IN YOUR ORGANIZATION***

STEPHEN GEORGE



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Preface

If you're unhappy with how your organization is running—whether the organization is a department, division, or company—you're probably looking for solutions. Read on. *Uncommon Sense* is filled with solutions from some of the best thinkers and practitioners in the business.

It is also filled with *one* solution, and that is gaining control of your management system. If you're wondering where to start making changes, you're probably wading through the many options that are available. Read on. *Uncommon Sense* presents proven options that any organization can learn from and apply.

It also promotes *one* option, and that is a systematic approach to change. Every successful change initiative has four ingredients:

1. A clear understanding of where you are
2. A clear vision of what you want to become
3. A comprehensive plan to get from where you are to what you want to become
4. The will to change

The best way to know where you are is to assess your management system using a proven, comprehensive tool. I recommend the criteria for the Malcolm Baldrige National Quality Award. You will find a simplified assessment based on these criteria in Appendix A. It is not meant to replace a rigorous assessment, but its careful completion will give you a snapshot of where your organization currently stands.

The eight basics of business excellence described throughout the book present a vision of how leading experts view management and how world-class organizations are doing business. You can work with their ideas and insights to develop a vision of what you want your organization to become. Just don't get carried away and assume your vision is the organization's vision (see Chapter 3).

At the end of each chapter, you will find strategies for improvement that will help you translate ideas into action. The strategies are divided into three levels: Jump Start, for organizations that have done little or nothing in that area; Tune Up, for those that have plans or processes in place but improvement has stalled; and Pull Away, for those organizations that have mastered the basics and are ready to put some distance between themselves and the competition. The strategies are intended to stimulate thinking and offer options to consider as you develop a comprehensive action plan.

The last chapter discusses the will to change, which is the moment of truth. If you do an exceptional job of assessing your current condition, creating a vision, and developing an outstanding plan, but the will to change is missing, you have probably done more damage than good. You have encouraged people to imagine a better organization. You have led them to believe that a new way of doing business is at hand. You have given them hope that they can rid themselves of the old, ineffective, frustrating management system. When nothing changes, the people who must work within the old system will lose hope. Good people will leave. Those who stay will become more cynical. They will feel deceived, disregarded, disrespected. And the old system will become even more entrenched.

This is no time for tinkering. *Uncommon Sense* is about exploring the complexities of a management system, understanding how different elements of that system affect each other, and initiating changes that will make the entire system more efficient and effective.

It requires a willingness to change, both personally and organizationally. If that's something you are committed to, read on. *Uncommon Sense* offers myriad ways to make broad, fundamental changes to your management system. Changes that will produce immediate benefits and long-term success, transforming your management system into a competitive advantage. Changes that will energize employees, please customers, and satisfy owners.

Which, for an organization, are the only kinds of changes that make sense.

Acknowledgments

One of the few facts I remember from high school was a quote by Sir Isaac Newton: "If I have seen further it is by standing upon the shoulders of giants." Looking for the exact words in Bartlett's *Familiar Quotations*, I now learn that Newton's insight was not original; Lucan wrote something similar 1600 years earlier: "Pigmies placed on the shoulders of giants see more than the giants themselves."

At six feet five inches I'm no pigmy, but I have enjoyed the view from the shoulders of giant thinkers in the business world. I thank them for sharing their insights and experiences; you will find their works listed in Appendix B. I've also seen how their insights and experiences work in the real world through the organizations featured in this book. For their many contributions I thank Jeff Pope, Judy Corson, Diane Kokal, Ray Marlow, Chris Witzke, Jay Schrankler, Larry Welliver, Bruce Woolpert, Bob Gower, Don Wainwright, and Mike Simms.

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Stephen George
June 6, 1996

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Chapter

Learning the Basics

Leading an organization today is like walking the deck of a ship barefoot in the rain: You'd die for sure footing.

After you fall a few times, slide farther back, watch others negotiate the same deck with fewer problems, and fear you will never find a way to proceed, you look for help. You develop techniques for sliding rather than stepping. You watch others to see if you can learn their tricks. You form a team to explore the property of slipperiness and discover that the best solution is a dry deck. But it's raining. You get rid of the deck. You get rid of the pilot. You switch ships. You discover they're all slippery.

In times of constant, rapid, unexpected change, leaders crave sure footing. Old approaches to leadership hold no sway. Old methods of management fail. Leaders—whether they lead organizations, departments, work groups, or initiatives—seek a proven path through the deluge of customer demands, competitive pressures, employee needs, and shareholder expectations.

This book offers a proven path.

Unlike other authors of management books, however, I make no claim to a revolutionary breakthrough in management thinking. Too many books boast about a unique approach that is *the* way to manage your organization. *The way* does not exist. How you lead your organization depends on your customers' requirements, your market's demands, your organization's culture, and your leadership team's commitment. This book offers an approach that helps you get your arms around the many elements of your management system. An approach you can tailor to your needs. An approach

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that draws from the best contemporary management thinking and practices, with documented positive results for organizations of all sizes and types. An approach that will give you the sure footing you need to lead with confidence.

This fundamentally sound, holistic approach involves understanding the basics of business excellence and learning how to master them for competitive advantage, customer satisfaction, and profitability. Each of the basics connects to the others; you cannot isolate one without seriously diminishing its power, any more than you can build a high performance automobile with great tires and a poor engine or win a baseball title with great hitting and poor pitching. The fundamentals—*all* the fundamentals—must be mastered for the organization to have a chance at achieving its potential.

■ EIGHT BASICS OF BUSINESS EXCELLENCE

The basics of business excellence bubble up from current management thinking, expressed in the most incisive management books and articles and through the best practices of world-class organizations. The organizations I define as world-class have been finalists for or have won the Malcolm Baldrige National Quality Award. You can argue with this definition, but I challenge you to find any other criteria anywhere in the world that allow you to measure excellence with the same breadth and depth as the Baldrige criteria. The organizations featured in this book embody the core values of the Baldrige criteria, many of which are reflected in the basics of business excellence.

The eight basics of business excellence are:

1. Lead by serving
2. Focus through shared vision
3. Engage employees
4. Know your customers
5. Organize to optimize
6. Think process
7. Manage by fact
8. Align through planning

Not flashy, but effective. And frankly, the leaders and managers I talk to are tired of flashy. They're tired of the management solution of the month. They're buried in information and it keeps piling up and they know some of it has value, but finding the value takes too long. Deciding how best to manage is like deciding which computer to buy: You hate to commit to the latest model when it's likely to be obsolete within months. And there are too many options to know what's best, anyway.

That's where the basics of business excellence come in. Once you've grounded your organization in the basics, you are free to evaluate new management approaches on their long-term benefits, rather than their short-term promises of salvation. With the basics mastered, you can assess new management approaches based on their fit with your system, not on a desperate need for the quick fix. You can act rather than react. You can achieve order and success—but only if you let go of the old management model and the common sense it seems to represent.

In her insightful book *Leadership and the New Science*, Margaret Wheatley observes, "In many systems, scientists now understand that order and complexity and shape are created not by complex controls, but by the presence of a few guiding formulae or principles." A growing number of leaders are coming to the same conclusion. Their guiding principles are the basics of business excellence.

► Lead by Serving

To excel, organizations must be flatter, faster, and more flexible, with high-quality processes, products, and services. That can happen only with fewer layers of management and with employees who are completely engaged in improving quality, reducing cycle times, and meeting customer requirements. And that cannot happen when you lead by command.

Servant leadership is not the best term I've seen, since few leaders possess the humility to see themselves as servants, but it accurately captures an effective new uncommon sense approach to leadership. As we'll discuss in Chapter 2, leaders are finding it increasingly difficult to develop a high-performance organization using command-and-control techniques. The best among them are redefining their roles to help them achieve their goals. The new definition includes teaching, coaching, supporting, listening, designing—and serving.

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► Focus through Shared Vision

If you cannot move an organization toward its goals by command, how do you do it? The world-class companies featured in this book do it through a shared vision. A shared vision has three qualities that make it an ideal focal point for an organization: (1) It reflects a sense of the organization that the people in the organization support; (2) it states what the organization is working toward, giving its members a guide by which they can validate their decisions and actions; and (3) it focuses all decisions and actions in one direction, producing a collective strength of purpose that makes it possible for an organization to be flat, fast, flexible, and focused.

Chapter 3 looks at how to create and communicate a shared vision. It presents the shared visions of many of the organizations featured in this book. It also introduces the use of strategic thinking as a means of exploring who you are as an organization and who you want to be ten years from now.

► Engage Employees

Engaging employees is about respect, trust, and responsibility. In organizations where employees are guided by a shared vision, people are engaged in interpreting that vision when they complete a task, make a decision, or initiate an improvement. They are high-performance employees, self-motivated, self-directed, responsible, productive, and satisfied—all of which influence customer satisfaction and business results.

In Chapter 4 we'll look at the changes in attitude necessary to engage employees. We will also discuss *how* to engage them: individually and through teams, by aligning compensation and rewards, and by recognizing their achievements.

► Know Your Customers

This is the one basic of business excellence where uncommon sense is desperately needed. Almost without exception, people believe they know what their customers require. They hear customers complain. They design products and services they expect will respond to customer requirements. Marketing and sales departments have daily contact with customers. How could they not know their customers?

An organization exists to serve customers. To do that effectively, it must know exactly what its customers require, and it cannot know that intuitively or by assumption. It can know only by asking customers often and in different ways, by verifying requirements at every opportunity, and by seeking requirements that the customer has difficulty articulating. In Chapter 5 we will look at ways to identify customer requirements, opportunities to provide value, methods of bringing the voice of the customer inside the organization, and the benefits of measuring and improving customer satisfaction.

➤ Organize to Optimize

Flat, fast, and flexible suggest the need for new thinking about organizational design. For most of this century organizations organized as hierarchies without much thought. Hierarchies are well suited to serve managers, leaders, and owners, but they are not designed to serve customers. And unless an organization commits to serving customers first, it will endanger its source of revenues and dim its prospects for long-term success.

Chapter 6 strips the hierarchical design of its allure, then digs into some of the alternatives that successful organizations are using.

➤ Think Process

The functional nature of hierarchies opposes process thinking, yet processes are how work gets done. As a result, one function handles one step in a process, then throws the job over the wall to another function, which does its thing, then over the wall again and again until the process is complete. Such functional thinking helps managers control what their people are doing, often at the expense of speed and quality.

Process thinking is different. It supports many of the basics of business excellence. It engages employees who work the process in improving it. It focuses on the customers of the process. It makes flatter organizational designs possible. It demands management by fact. Chapter 7 shows how you can identify your organization's core processes, then provides guidelines for improving or reengineering them.

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► Manage by Fact

Most people think they're already doing this. Most people are wrong. Managing by fact means identifying exactly what your customers require. It means creating a system of measures that best represent the factors that lead to improving performance. It means collecting and graphing the data at every reasonable opportunity. It means analyzing the data to manage processes, improve quality and speed, reduce costs, make decisions, and align all activities with the organization's goals.

In Chapter 8, we'll look at what managing by fact really means.

► Align through Planning

If your organization is like most, you're already familiar with budget planning. That's not what we're talking about. Strategic planning is a means of translating a shared vision into measurable objectives for the organization, work units, and individuals. It involves key employees, customers, and suppliers in a process that considers a broad range of issues—customer, supplier, competitive, organizational, financial, technological, etc. The strategies and plans that come out of this process are translated into key business drivers, requirements, and measures that are used to align the efforts of everyone in the organization.

Chapter 9 describes how successful companies turn their vision into reality through strategic planning.

■ HOW MASTERING THE BASICS BOOSTS PROFITS

Now before you start thinking, "Oh, those basics sound nice, but we're a bottom-line kind of organization," consider this: If you bought the stock of publicly traded companies on the day they won the Baldrige Award, your money would be reaping the rewards of these fundamentally sound businesses.

To quantify the financial performance of Baldrige Award winners, the National Institute of Standards and Technology (NIST) "invested" a hypothetical sum of money in the Standard & Poor's 500 and in each of the publicly traded companies (five whole companies and nine parent companies of subsidiaries) that have won