eDISCOVERing VALUE

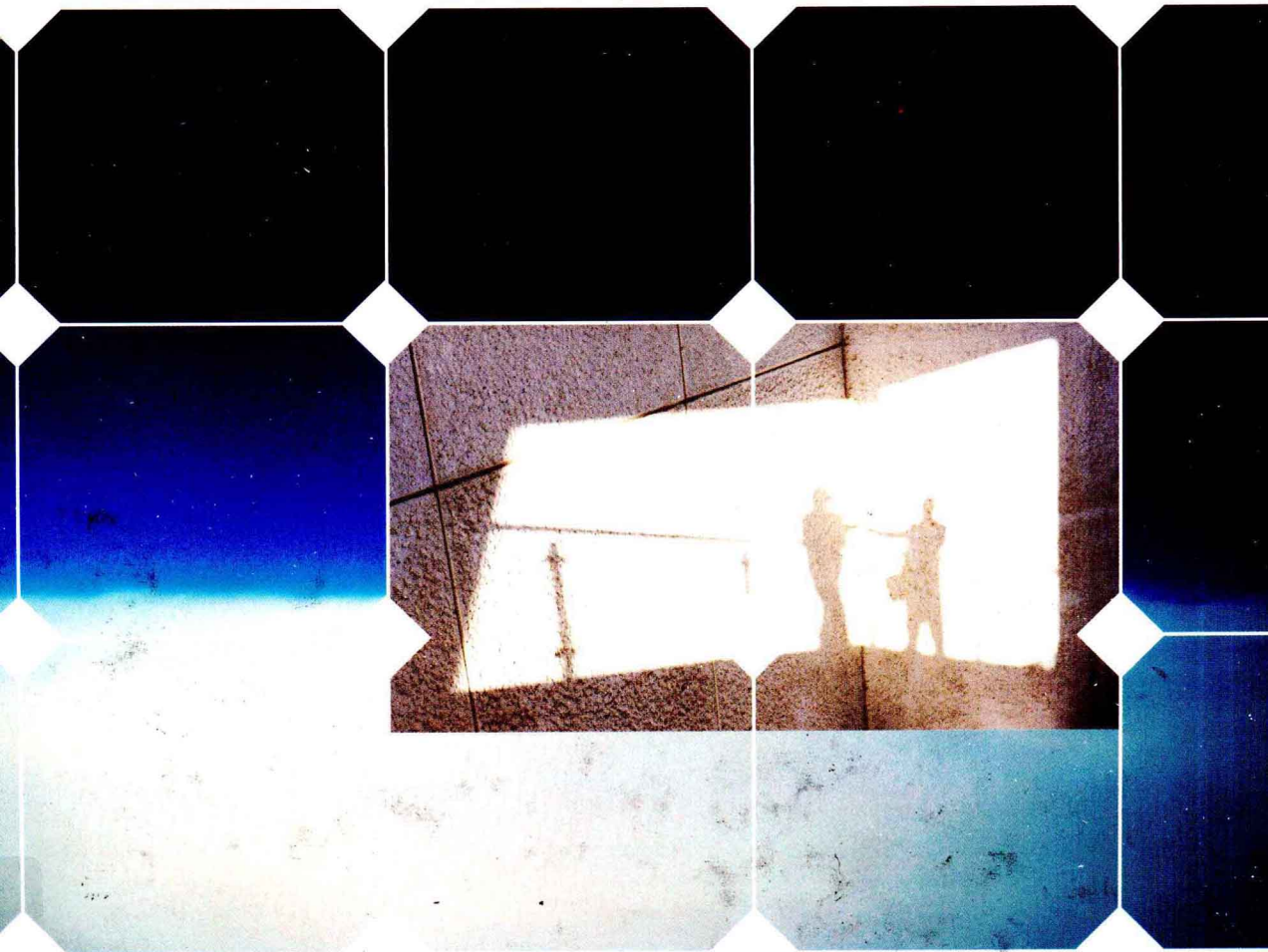## VALUE

EADING THE 3-D ENTERPRISE TO SUSTAINABLE SUCCESS

GEARY A. RUMMLER   ALAN J. RAMIAS   CHERIE L. WILKINS

Rediscovering Value

LEADING THE 3-D ENTERPRISE TO SUSTAINABLE SUCCESS

Geary A. Rummler

Alan J. Ramias

Cherie L. Wilkins

Foreword by
Michael DeNoma

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To Geary Rummler, my partner, friend, and wise guide through many years;
to my partners at PDL, Cherie Wilkins, and Rick Rummler, whose loyalty
and dedication to our team keep me in the game; and to
my dear wife, Lory, who keeps my days bright.

—Alan J. Ramias

To Geary, my mentor, partner, and friend, who set me on this path, and to Chip,
my husband and silent partner, who walks it all with me.

—Cherie L. Wilkins

FOREWORD

I met Geary Rummler in 1991 while a member of one of several task forces pressed into service at Citibank to pull the bank back from the abyss it was being pulled into during those difficult days. I came to know of RBG (as the firm was called then) from exceptional comments about Geary and his approach in interviews with senior executives from Motorola, GE, and ABB. The interviews were part of an urgent benchmarking exercise we were conducting to determine how successful organizations had survived their life-threatening challenges.

Answering my subsequent phone call for help, Geary pressed a team of three consultants, one of whom was his son Rick, into service two days later. Diagnosis and then the actions to fix the largest mortgage business in the United States were under way within a matter of weeks, and we expanded the use of the tools across the bank over the following eighteen months.

Success there with the tools and approach was followed by success in dealing with performance and strategic challenges at Hutchison Whampoa in Hong Kong, particularly in the retail division as it attempted to move into China.

The thinking of Geary and his partners has continued to evolve and improve over the past two decades. The notions and methods around the 3-D Enterprise presented in this latest work expand on their systemic model of an organization and offer managers and executives a robust approach and toolkit for dealing with complex performance challenges in this extraordinary world in which we all now live.

Improving the performance of an organization is not easy. To paraphrase a number of philosophers, the major challenge any executive or manager (and

especially any CEO) faces is that his or her experience of the reality of the organization is not the same as the reality itself. How then does an executive: (1) develop a more accurate and complete representation of the organization; (2) identify critical business issues and improvement opportunities across this system; (3) design a way forward; and (4) install the feedback and measurement mechanisms necessary to ensure the organizational system delivers the performance and stays on course?

This is where this book comes into its own. This approach is not simplification on the near side of complexity (the kind of simplification that Einstein said he would pay nothing for); but rather it's perhaps closer to simplification on the far side of complexity (that he stated he would pay anything for).

As we have seen in this latest financial crisis, complex systems fail in unpredictable ways. Executives need to rethink the way in which we are managing organizations; giving focus and time to the management of each dimension— resources *and* value. This balanced approach to management is essential to being able to adapt and succeed in these volatile economic times.

Geary Rummler was the real deal in providing managers tools to improve performance. And, amazingly, across decades of management fads and "one-book wonders," he remained the real deal up until his untimely death in 2008. I'm thankful that he's been followed by his partners, Alan Ramias, Cherie Wilkins, and son Rick Rummler.

Michael DeNoma
President and CEO
Chinatrust Bank, Taiwan

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Rick Rummler (Geary's brother)—for early opportunities to apply the management system design toolset

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ABOUT THE AUTHORS

Dr. Geary A. Rummler was the founding partner of the Performance Design Lab (PDL), where he was continuing his life-long work on organizational performance improvement in complex systems. He died on October 29, 2008.

At the time of his death, Geary was working with his partners on two books. One was this book; the other addresses process improvement and is written specifically for practitioners. Entitled *White Space Revisited: Creating Value Through Process*, it is a companion book to this one. The intention is that these two books provide a thorough look at both management of organizations for value and the use of process management and improvement.

Prior to founding the Performance Design Lab, Geary was the founding partner of the Rummler-Brache Group (RBG), an organization that became a leader in the business process improvement and management business in the 1980s and 1990s. Prior to that, Geary was president of the Kepner-Tregoe Strategy Group, specialists in strategic decision making; co-founder (with Thomas F. Gilbert) and president of Praxis Corporation, an innovator in the analysis and improvement of human performance; and co-founder (with George S. Odiorne) and director of the University of Michigan's Center for Programmed Learning for Business.

Geary was a pioneer in the application of instructional and performance technologies to organizations and brought this experience to the issue of organization effectiveness. His clients in the private sector included the sales, service, and manufacturing functions of the aircraft, automobile, steel, food, rubber, office equipment, pharmaceutical, telecommunications, chemical, and petroleum industries, as well as the retail, banking, and airline industries. He also worked

with such federal agencies as IRS, SSA, HUD, GAO, and DOT. Geary's research and consulting took him to Europe, Japan, Korea, Malaysia, China, and Mexico.

In addition to consulting, teaching, and presenting at conferences, Geary published a steady stream of articles and a variety of books, on topics ranging from labor relations to the development of instructional systems. His articles appeared in numerous professional and management journals and handbooks. In 1988, he co-authored *Training and Development: A Guide for Professionals*, with George S. Odiorne. In 1990, he co-authored *Improving Performance: How to Manage the White Space on the Organization Chart*, with Alan P. Brache. Geary received his MBA and Ph.D. from the University of Michigan and served as

- The national president of the International Society for Performance Improvement (ISPI)
- A member of the Board of Directors of the American Society of Training and Development (ASTD)
- A member of the Editorial Board of *Training* magazine

  Geary's professional accomplishments include:

- Induction into the Human Resource Development Hall of Fame in 1986
- The Distinguished Professional Achievement Award from ISPI in 1992
- The Enterprise Reengineering Excellence Award from *Enterprise Reengineering* magazine in 1996
- The Distinguished Contribution Award for Workplace Learning and Performance from ASTD in 1999
- The Life-Time Achievement Award from the Organization Behavior Management Network in 1999

Alan J. Ramias is a partner at PDL. He was employed by Motorola for ten years as an internal consultant on organizational performance. As a member of the team that founded Motorola University, he was the first person to introduce Geary Rummler's pioneering concepts in process improvement and management to business units within Motorola. Alan advocated for and led several of the first groundbreaking projects in process improvement that evolved to the invention of Six Sigma, and Motorola's winning of the first Malcolm Baldrige Award in 1988.

After joining RBG in 1991, Alan led major successful performance improvement engagements within Fortune 500 companies. His experience spanned several industries and the full spectrum of corporate functions and processes, such as strategic planning, manufacturing, product development, financial management, and supply chain. Major clients included Shell, Hewlett-Packard, 3M, Citibank, Motorola, Steelcase, Citgo, Hermann Miller, Louisiana-Pacific, and Bank One. After leading many high-profile projects, he became a partner and Managing Director of Consulting Services at RBG. He led development of much of RBG's products and services and was responsible for selecting, training, and mentoring RBG's consultant teams. He joined PDL in 2005.

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Cherie L. Wilkins is a partner with PDL. She specializes in the design of measurement and management systems and the application of performance logic methodology to strategy formulation and performance improvement. She has helped many companies define their process architectures and link them with business strategy. She has extensive consulting experience in the financial services, retail, chemical, petroleum, and manufacturing industries. Recently, she has been helping IT organizations improve their alignment with the businesses they serve. In Cherie's fifteen years of consulting experience, she has brought a full range of performance solutions to such clients as Louisiana-Pacific, Chevron, DuPont, CIGNA, Meredith Publishing, US Trust, Charles Schwab, CEMEX, NavAir–US Navy, and Idaho National Laboratory.

Prior to joining PDL, Cherie was involved in technology development and process improvement consulting with RBG. Before joining RBG, she specialized in consulting for internal communications to organizations undergoing large-scale change efforts. Prior to that, Cherie worked eight years in the television industry, five of those with the *MacNeil/Lehrer NewsHour*.

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To describe the complexities of organizations, and the roles and behavior of people who build and run those organizations, writers on business subjects often turn to metaphors of systems, systems builders, and "the system."

On the positive side, for example, there is *Built to Last*, by Jim Collins and Jerry Porras, describing the patient, strategic builder of organizations that produce long-term value as a "clock builder."[1]

Then there are the not-so-positive, such as Gary Hamel in *Leading the Revolution*,[2] pointing out how today's organizations often pledge allegiance to business models that are rapidly "decaying" while the world innovates around them, and how many employees often brag that their most important achievement is how they "beat the system."

And reinforcing the point that organizations do behave according to some discernable systems principles, there has been in the past decade or so a whole genre of books on complexity theory, making the argument that organizations and economies operate according to rules of systems behavior.

OBJECTIVES AND PURPOSE OF THIS BOOK

We too subscribe to the notion that organizations are like complex systems and operate according to systems principles along somewhat predictable paths. We believe, like Collins and Porras, that business leaders should be builders of organizational systems whose aim is production of lasting value, while also deploring, with Hamel, the fact that in many organizations the systems in

place tend to thwart organizational purpose. Our objectives in this subject area are twofold:

- To describe the basic systems, or dimensions, inside organizations and their internal dynamics, because we think it's those dimensions—of value and resources—that are often misunderstood and become misaligned or unbalanced and thus at odds with each other, leading to irrational organizational practices.

- To describe what can be done to change an unbalanced organizational system, providing as much practical advice and as many useful tools as we can without making this a recipe book or a technical manual.

We were part of the process "revolution" that began in the early 1980s. The impetus for that movement was the realization that in every industry, functional silos were a major impediment to organizational success. Our guiding metaphor was the "white space" between silos on organization charts, founded on the belief that redesigning the work that connects and transcends silos was key to delivering value in the eyes of customers.

But process improvement has never been enough by itself. Management has always been the critical element in conquering white space. And thus this book, which is about designing the dimension of management itself. In these pages, we explain why we think creating a balance between value and resources and achieving sustainable success require a fundamental rethinking of the very act of organizational management. The result would be what we might call a "3-D Enterprise," an organization in which the dimensions of value and resources are kept in balance by the third dimension of effective management.

AUDIENCE AND STRUCTURE

This book is written for the executive and executive teams. We don't know any organization that has successfully undertaken a journey such as we describe here without leadership from the very top. Should this book inspire you to lead your own organization on such a journey, our companion book *White Space Revisited* was written for the people inside your organization who can help you.[3]

This book is organized into three parts.

In **Part One** we introduce the three dimensions and examine the effects of the current imbalance between the value and resource dimensions.

In **Part Two** we present and describe the executive agenda for making the transition to a 3-D Enterprise. Along the way, you will hear the story of Belding, Inc., and its new CEO who drives the move to a 3-D Enterprise. While Belding is fictitious, we have seen each of Belding's issues in numerous client companies, and everything that the CEO does to address the issues has been done in reality by our clients.

In **Part Three** readers who want more detailed assistance will find lengthy descriptions of the templates and tools we use to develop management systems for organizations, using content from the Belding case. And for those who want more of the story, we return to Belding and grant them a grand "do-over" in order to see how things would be different in a mature 3-D Enterprise.

A NOTE ON THE RUMMLER LEGACY

When we set out to publish our observations about the state of process improvement and management, we knew that we needed to write two books. *White Space Revisited* was written for practitioners who would need the details and tools to support organizations that elect to become 3-D Enterprises. This book is for the executive who must understand and lead the 3-D journey, and thus is meant to be less technical but more concentrated on the role and behavior of the top executive and managers.

So these two books were planned together. *White Space Revisited* was largely written when we lost co-author Dr. Geary Rummler, who passed away in October 2008. But the concepts, tools, and Belding case already existed, so this is very much his work, his thinking, his purpose carried out.

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