

“A powerful model of what makes a high performance organization.”

—JEFFREY LIKER, bestselling author of *THE TOYOTA WAY*



The **OUTSTANDING** Organization

**Generate Business Results by
Eliminating Chaos and Building the
Foundation for Everyday Excellence**

KAREN MARTIN



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Foundation for Everyday Excellence**

KAREN MARTIN



New York Chicago San Francisco Lisbon London Madrid Mexico City
Milan New Delhi San Juan Seoul Singapore Sydney Toronto

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Cracks in the Foundation

First, master the fundamentals.

—LARRY BIRD

Setting out to write a book about outstanding organizations and how to become one is a daunting task. Ask 10 people what an outstanding organization is, and you are likely to get 10 different answers. Even worse, if you had asked the same 10 people to name the top five outstanding organizations 10 years ago, they likely would no longer list the same five today. “Outstandingness” is all too fluid and fleeting.

Nonetheless, I have to begin with my own definition of what characterizes an outstanding organization. My definition isn’t mechanistic, as some definitions of excellence are. This is in part by necessity, because I believe that the designation of *outstanding organization* should be equally applicable to for-profit businesses, nonprofits, government agencies, and even community groups. This means that you can’t have rigid measures

such as profits or overhead costs or even customer satisfaction. I find such mechanistic measures of excellence unnecessarily constricting and ultimately off-base. More organizations that have been labeled excellent or outstanding using such measures have fallen into the dustbin of history than the number that have continued to live up to the label.

My definition of outstanding organizations is more subjective than objective; it requires some judgment to apply. Like Supreme Court Justice Stewart's dictum about pornography, people know outstanding organizations when they see them. In my experience, the number of people who truly think that their organization is outstanding when it isn't is relatively small.

But my definition isn't just about a subjective feeling. It's based on some very tangible results and even more so on evidence of specific capabilities. An *outstanding organization* is one that has consistently delivered high value, relative to the alternatives, to stakeholders for years, if not decades. The delivery of value can be measured in any number of ways and varies not only by type of organization but also by context. For instance, a business may measure value in terms of customer loyalty, profitability, and market share. Or it could measure growth, return on invested capital, and employee satisfaction. A government agency or nonprofit may measure constituents served per dollar spent, efficiency, or program outcomes. The important part isn't the specific measure of value but that the organization delivers value consistently for years (and thus stock market valuation generally is a terrible measure of whether an organization is outstanding).

However, I recognize that this definition isn't very useful for organizations that aspire to be outstanding. It's the equivalent

to telling a middle-school basketball player that the key to success is being like Michael Jordan. True, but not helpful.

THREE CAPABILITIES OF OUTSTANDING ORGANIZATIONS

For organizations that desire to be outstanding, it's more important to focus on the capabilities of outstanding organizations than on the outcome—consistent value creation—that they attain. When we look at capabilities, it's easier to see and be specific about what makes an organization outstanding.

I've been working with organizations that want to improve some aspect of how they operate for the majority of my career—several hundred organizations in a wide range of sizes and industries at this point. I've also spent a great deal of time studying and learning from outstanding organizations that I've encountered and from the gurus of excellence—the authors and consultants who, in total, have worked with and studied hundreds of thousands of organizations.

All that work has led me to conclude that outstanding organizations, no matter what sector or environment they operate in, share three capabilities: They are excellent problem solvers, they improve continuously, and they are resilient.

Problem Solving

It's not much of a stretch to say that problem solving is the purpose of any organization. Organizations, in almost all cases, are formed to solve a problem—a gap between a current and desired condition—be it an unmet customer need or a social issue. Solving that problem inevitably involves other problems: how to

identify, hire, and retain talented employees; how to improve product or service quality; how to deal with an unexpected supply shortage; how to improve administrative efficiency; how to react to a competitive or environmental change. In recent years, it has become popular to avoid the word *problem* in organizations, recasting it instead as an *opportunity for improvement*. While proponents of using more positive terms are surely well meaning, I think they've got it entirely wrong. The issue isn't that the word *problem* is negative, but that many organizations have forgotten that their core purpose is identifying and solving problems. These organizations then begin attempting to hide or avoid problems, forcing executives to perform semantic gymnastics (such as substituting *opportunity for problem*) that waste everyone's time and ultimately erode trust.

Outstanding organizations, in contrast, never fear calling a problem a problem. Even more important, they don't fear acknowledging that a problem exists. In fact, they go out of their way at every turn to find hidden problems and bring them out into the sunlight so that everyone can see them and can get on with the task of solving the problem in the best way possible.

Outstanding organizations, because they are constantly attuned to finding and solving problems, gain a great deal of expertise in identifying the most important problems and dealing with the root cause. Just to be clear, by problem solving I do not mean reactive firefighting. Simply "solving" problems in such a way that the same problem reappears in short order—or the "solution" simply causes a different problem that needs solving—isn't a marker of outstanding organizations.

True problem solving isn't something that just happens. Outstanding organizations teach effective problem solving through a highly detailed methodology that includes careful problem definition, root cause analysis, and evaluation of pos-

sible countermeasures (a term I use instead of solutions for reasons that I'll explain in Chapter 2). Then they take the time to study whether the countermeasures they chose work and take further action based on what they learned. But it's not the specifics of the methodology that matter. As I'll discuss in detail, the real thing that sets outstanding organizations apart in problem solving is that they have invested heavily in developing their people's skills. In other words, the discipline and engagement of people matters more than any element of a methodology.

CONTINUOUS IMPROVEMENT

Continuous improvement builds on the core capability of problem solving, but the motivation for and the "spirit" around building this capability digs further into the culture of the organization. Solving problems is primarily about maintaining performance, and there's no way you can achieve consistency without it. But even with the best problem solving you can still be consistently mediocre. Continuous improvement is about raising the bar of performance another step towards excellence.

True continuous improvement isn't haphazard. It's not about a project here or there to improve some aspect of operations. Continuous improvement is a mindset and a culture that is always—every employee, every day—looking for opportunities to do the job better, even when the organization is performing at the highest level it ever has. Outstanding organizations don't work on improvement when it is convenient and stop when things get "too busy."

Maybe the best analogy is to elite athletes or musicians. Rarely do you see an Olympic swimmer or runner set a world record and announce that he or she has no plans to get better

and break his or her own record. Similarly, the most widely lauded pianists, violinists, and their like still spend hours every day practicing specifically with the intention of getting better. They are devoted to continuous improvement—closing a defined gap between current and desired performance—even when a problem isn’t immediately apparent. Outstanding organizations do the same; they dedicate significant chunks of time to working on the business, not just in the business.

Resilience

Some organizations take on an air of invincibility. They succeed on such a grand scale over such a length of time that people begin to assume that such organizations are perfect. When a challenge inevitably arises, the organization makes a slip, or conditions turn against it, those illusions are shattered. The truth is that no organization is perfect because each one is made up of imperfect people. No methodology, no charismatic executive, no governance scheme, no commitment to innovation, and no history of success or even mastery with problem solving or continuous improvement can generate perfection. Every organization will slip or stumble on occasion or face changing conditions. What distinguishes outstanding organizations is their resilience to these slips and stumbles and changing conditions.

Psychologists and social scientists increasingly have come to recognize the importance of resilience as a desirable personal trait.¹ When looking at why different people with nearly identical starting points (be it extraordinary intelligence, wealth, poverty, disability, or another trait) end up at strikingly different levels of success, these scientists have found that the way a person reacts to a setback makes a huge difference. Some people are resilient in the face of a setback or disaster—they are able to redouble their efforts or shift course—whereas oth-

ers dwell on the setback and essentially give up. Importantly, while some portion of resilience probably is inborn, most of it is a learned behavior. For instance, one way to increase a child's personal resilience is to tell him or her stories about how his or her parents or grandparents overcame obstacles. Having a family narrative of resilience equips children to believe that they can overcome obstacles and bounce back.

Since organizations are made up of people, it hardly should be surprising that resilience can be both an organizational capability and an outcome. And it is—in outstanding organizations. These organizations are able to deliver value over years and decades not because they never put a foot down wrong or are extremely lucky, but because when they do make a misstep, they are able to honestly acknowledge the issue and bounce back. No matter how grim the situation it may find itself in, the organization does not lose energy in attacking the problem; it does not blame customers, suppliers, the market, the customer service department, the sales teams, or the full moon for the circumstance; and it does not pretend that the issue will go away. Toyota Motor Corporation, Intel, and Southwest Airlines are three examples of companies that have demonstrated high levels of resilience in the face of significant external pressure and changing market conditions. Outstanding organizations don't get caught in the "We've always done it this way" trap. If the way they have always done it isn't working anymore, they stop doing it that way and find a new and better way to do it.

I'm far from the first author to attempt a definition of excellence in organizations. I think you'll find that my definition overlaps with some of the descriptions and characteristics posited by respected authors and consultants. I don't disagree with their versions of what an outstanding organization is, but many of the clients with whom I work are left scratching their heads

after reading one of these modern (or not so modern) classics of the business bookshelf. They have attempted to follow the advice they see in these books, but don't see much progress in terms of their performance.

THE TRADITIONAL PATH TO BECOMING AN OUTSTANDING ORGANIZATION

The quest for organizational excellence has a very long history. While such names as W. Edwards Deming, Jim Collins, Peter Drucker, Tom Peters, Peter Senge, and Gary Hamel are top of mind today, the modern movement can be traced all the way back to Frederick Winslow Taylor. Taylor, working in the early days of the industrial revolution, suggested that most businesses were poorly run and that the careful application of his management principles would lead to major increases in efficiency. His most famous work involved standing over workers with a stop watch and timing how long it took them to perform each task. He then set benchmarks for all workers based on the best performers.

Taylor's efforts launched the business consulting industry. It's at least mildly ironic that it later emerged that Taylor fudged much, if not most, of his data and invented many of his stories of improvement.²

But Taylor's concept that most organizations were mediocre in terms of their management certainly has stood the test of time. In fact, over the last several years, a team led by Stanford economist Nicholas Bloom has documented that much of the difference in the economic performance between countries such as the United States and the United Kingdom versus India and China can be traced to poor management practices in the

developing nations.³ Essentially good management is a technology that disperses around the world very slowly. Before you think that research reflects well on management in developed countries, let me point out that the difference is not that American companies, for instance, are very good at management but that abysmally poor performers get weeded out rather quickly. Thus, while the average level of performance of American companies is higher than that of Indian companies, that average level is still not very impressive.

This explains why Collins, Peters, and Senge have been perpetual best-sellers for decades and sales for W. Edwards Deming's classics *Out of the Crisis* and *The New Economics* have been steady and are beginning to rise again. And it explains the ongoing fascination with Lean, Six Sigma, and other improvement and excellence methodologies. Organizations all over know excellence when they see it, and they know that they are not excellent. Their desire for excellence has led them toward the modern disciples of Taylor—and to many other approaches to becoming outstanding.

I've worked with countless companies that have become devoted followers of best-selling authors—they've done all they can to create a vision, get the right people on the bus, and so on. Others have read *The Toyota Way* and many other books about Lean over and over again. Some have referred to my book, *The Kaizen Event Planner* (coauthored with Mike Osterling), and run scores of *kaizen* events focused on problem solving and continuous improvement. Yet the majority of these organizations don't get the results they want and need. The averages bear out their experience. Despite more than 100 years of organizational improvement literature, the average company still performs at shockingly low levels.

Stories about the failures of companies that have turned to Just-in-Time, Theory of Constraints, Lean, or Six Sigma are cropping up increasingly in the media. Several times a year, for instance, there seems to be a *Wall Street Journal* article about companies rethinking their approach or suggesting that their gains from deploying Lean were short-lived. These stories in general bear out my experience: No matter what the methodology many companies employ, they can't seem to get the results that such improvement methodologies promise. I'm not the only one seeing this. Many of my colleagues in the improvement industry are seeing this phenomenon too. Jeffrey Liker, author of *The Toyota Way*, which is in many ways the Bible of the Lean movement, has recently published a book specifically about this issue: the failure of companies to get lasting gains from implementing Lean.⁴

Why? Why are so many companies unable to achieve the organizational improvement for which they are looking? Why do so many fail to reach their full potential despite a earnest commitment to becoming outstanding? I've been thinking about this almost nonstop for the 20-plus years I've been building, managing and improving operations. I think the answer is that most organizations start the journey to becoming outstanding in the wrong place. They start with tools, methodologies, such as SIPOC diagrams, value-stream maps, 5S, and Pareto diagrams, but they are not addressing the fundamental cause of mediocrity: rampant chaos in the organization. Chaos undermines an organization's best efforts to build strong capabilities.

ORGANIZATIONAL CHAOS

For many of you, I won't need to define *organizational chaos*. You know exactly what I am talking about: shifting priorities,

unclear direction, unstable processes, unhappy customers, disengaged employees. However, I find that most organizations have become so accustomed to chaos that they don't even recognize it. Or if they recognize it, they don't believe there's anything they can do about it. It's business as usual. In fact, sadly, many organizations seem to have embraced chaos and called it a good thing. One example is the rising number of job descriptions that include "tolerance for ambiguity" as a necessary skill. Let me be clear: Chaos is never a good thing for an organization. While the world is fluid, and increasingly so, this is no excuse for ambiguity and chaos inside organizations. There is a need for flexibility—which I prefer to call, as earlier, *resilience*—but that is an entirely different thing from internal ambiguity and chaos. Rather than asking your workforce to accept and develop a skill set around coping with chaos, you should be doing everything you can to reduce the chaos to begin with.

I'm also not talking about *energizing* chaos—the type of externally driven change from customers and competitors that stimulates innovation, reduces complacency, and spurs teams to achieve new heights. Not only is this type of chaos largely unavoidable, in small doses, it's highly desirable.

I'm talking about the undesirable type of chaos—*self-inflicted chaos*—the disorder and confusion that your organization creates on its own and, by extension, has the power to reduce or eliminate completely. I'm talking about the type of chaos that robs your business of the energy it needs to innovate and respond to the marketplace's ever-increasing demands for faster, better, cheaper. Chaos sabotages your ability to provide value to your customers, satisfy shareholders, and offer a work environment that doesn't break employees' spirits. Left unchecked, chaos destroys everything that's good about an organization, its products, and the people who make them.

How Chaos Undermines Organizations

Chaos is the enemy of any organization that strives to be outstanding. Here's how it works: Chaos inserts hairline cracks into what could be an otherwise robust structure. Under pressure, these hairline cracks begin to grow, weakening the foundation and organizational supports that you need for execution. So it's no wonder that the improvement approaches you have attempted to adopt are failing to deliver as you had hoped. Turning to the next new thing isn't doing the trick because you're trying to build a high-rise structure on a foundation that can't support it. Imagine your business as the building in Figure 1.1.

The results your business achieves are based not only on how you execute but also on the foundation—the organizational behaviors and conditions—on which that execution is built. When the foundation is cracked, the results will be unstable and far from excellent on a regular basis. In fact, your

FIGURE 1.1 A chaos-cracked foundation generates inconsistent results.



execution frequently will wobble from one project or initiative to the next, from one product launch to the next, and from one customer or market segment served to the next. A rousing success will be followed by a miserable failure. And each failure will be slightly different from the last, so the countermeasures you put in place, in an attempt to be a “learning organization,” don’t make much of a difference. More fundamentally, efforts at improvement such as Total Quality Management (TQM), Six Sigma, or Lean may look like they produce positive results initially as you straighten some of your pillars of execution, but with a cracked foundation, the pillars start to topple again, usually in a different direction, sooner than later. I’ll refer to this diagram to explain how to shore up the foundation—and how the process of shoring up the foundation by adopting new behaviors automatically will begin to strengthen the pillars of execution: problem solving, continuous improvement and resilience.

Can you make small local improvements with a cracked foundation? Absolutely. Many organizations have experienced some degree of success doing exactly that. And certainly some improvement is better than no improvement. But if you want to accelerate your efforts and make a decisive move toward “outstandingness,” you have to go back to basics and build a stronger foundation for success.

By reducing the organizational chaos that is completely within your control, you not only establish a solid foundation on which excellence can be built, but you also free up the psychic energy and resources you need to cope with the truly unforeseen circumstances that businesses must navigate from time to time. Building a strong foundation enables you to evolve from expecting results to actually achieving them. To

build a strong foundation, you need to look at the root causes of organizational chaos.

Missing the Trees for the Forest

In many of the organizations with which I've worked, I've noticed that managers and workers simply don't see the chaos or the causes of chaos around them. The types of behaviors that result in chaos usually are not purposeful, but in many cases they have become habitual—which makes them all the more damaging to an organization striving to be outstanding. Habits are nearly invisible. You engage in them without realizing they are there. And you can look at another organization that is succeeding and not notice the real differences between how that outstanding organization behaves and how your organization behaves. When looking at outstanding organizations, you may miss the important trees and just see the forest.

This type of blind spot is similar to what is known as the *Dunning-Kruger effect*, after the two psychologists who described it. Basically, the Dunning-Kruger effect notes that people who are truly incompetent don't know that they are incompetent.⁵

They lack the knowledge that allows them to understand the difference between competence and incompetence. If you apply this concept to the world of organizational performance, you begin to understand why organizations often adopt improvement tools and isolated components of holistic improvement philosophies but consistently fail to see the things that truly make a difference in performance.

My colleague Tim Ogden introduced me to the work of economist Lant Pritchett, who describes this process as *isomorphic mimicry*, a phrase that means the copying of forms rather

than functions. It's similar to, for instance, non-venomous snakes that have evolved to look like their poisonous cousins. These pretenders will fool you if you don't look too closely, but they can't execute when it really matters. Pritchett uses it to explain why so many years of work by high-powered consultants and billions of dollars of aid to developing countries hasn't produced well-functioning government institutions. These efforts often have been focused on getting the governments to mimic the government institutions in developed countries as they exist today. But these institutions usually developed and changed over a long period of time and work only because of the behaviors, capabilities, culture, and habits that developed. Copying these institutions in their current form, without the history, culture, knowledge, experience, and habits that underlie them, produces tepid results at best. The institutions just don't function, even though they look identical to the functioning institutions in developed countries on paper.

Isomorphic mimicry is a great description for what has happened particularly in the Lean movement. When Toyota's success first came to the attention of Western auto manufacturers in the 1970s, Toyota's efficiency and productivity were so much greater than those of its competitors that executives at Ford, General Motors, and Chrysler simply didn't believe that the stories they were hearing were true. This led to an avalanche of attempts to document what Toyota did differently. The conclusion of many of these early studies of Toyota focused on the tools they use—5S, pull systems, work cells, and the like. Scores of companies copied the tools—they mimicked what they could see was different—but failed to notice all the foundational elements that truly make Lean work. These orga-

nizations didn't notice the cracks in their foundations, cracks based on invisible habits and behaviors.

THE FOUR CAUSES OF CHAOS—AND THE FOUR CONDITIONS THAT CREATE OUTSTANDING ORGANIZATIONS

Organizations fall prey to chaos because they either haven't recognized or haven't created or invested in the fundamental conditions that are at the core of exceptional performance in any endeavor—whether business, sports, the arts, education, science, law enforcement, or the military. I've observed these four conditions as the common denominators in excellence of any sort: clarity, focus, discipline, and engagement. Without fail, every top-performing athlete, musician, actor, journalist, intelligence agent, scientist, and student displays these behaviors, whether they're conscious of them or not.

How does this tie to organizations, whether commercial, nonprofit, or government? Not only are the same four conditions fundamental requirements for exceptional performance, but I've also found that the amount of chaos in an organization is directly proportional to degree to which the organization lacks these conditions. Thus the reason why history keeps repeating itself in terms of improvement methodologies and business performance is because organizations lack the building blocks to successfully apply the principles and tools required for long-term results. In other words, the lack of these conditions is the root cause of the chaos that cracks your organization's foundation, which leads to lackluster performance despite your best efforts. Let's look at each of these conditions turn.

Lack of Clarity

Think for a moment how much time you spend each day clarifying information. This may take the form of an e-mail exchange to clarify a request from a colleague, a telephone call to a customer, a meeting that goes on far longer than needed as team members argue over what an executive meant, or a conversation in the hall in an attempt to understand how a particular metric was calculated. You might seek clarity about your organization's vision and purpose, what your customer has actually bought, how your boss measures success, or what a particular term or acronym means. You may also find yourself spending unplanned time conducting your own research to understand who to engage with to address a problem, the sales strategy for a particular product line, or what Sally *really* meant when she said "We're making progress." If you start to document it, you'll be shocked to see how much of your time is devoted to either clarifying or reworking something because the information wasn't clear in the first place.

Many organizations also lack clarity about their customers' needs and wants, what specific value it provides to those customers, and how it delivers that value operationally. Much of the time, no one in the organization can describe a process from beginning to end. Workers are often clear about their own piece of the process, but not about the upstream inputs, nor how their outputs affect downstream customers, knowledge that is essential for making effective and lasting improvement. Problem solving is another area where a lack of clarity is common. It's impossible to address problems fully without laser clarity on what the problem actually is.

Lack of clarity takes a toll on organizational performance in three ways: First, it misdirects resources from productive use (all those minutes, hours, and even days spent trying to clarify some-

thing). Second, it saps the energy of employees who recognize that they are wasting time and can't get to their "real" work, or are disappointed when it turns out that all their work was for naught because the wrong output was produced owing to unclear inputs. And third, it produces poor decisions and poor results that cost money and time (and potentially reputation), creating operational and administrative drag on an organization.

Unclear communication is a deeply embedded habit in most organizations that I've encountered. People rely on jargon, acronyms, and shorthand with nary a thought to how many others understand it. Executives use euphemisms and half-truths to sugar-coat messages that need to be stripped of all fluff. Or they don't communicate at all, which creates an equal dose of ambiguity. I often see widespread overcommunication that distracts and obfuscates, coupled with serious undercommunication about issues that really matter. A lack of clarity inserts cracks into your foundation, undermines your organization's performance on every dimension, and leads to wildly inconsistent results.

Lack of Focus

Improvement professionals and managers frequently complain that their organizations suffer from a habitual lack of focus. Leaders dip into and out of projects, mandate that projects in progress be replaced with others, redirect resources, overrule decisions, and disappear when leadership support is most needed. It's a type of executive behavior that many of you will recognize. Another habitual lack of focus occurs in organizations that are unwilling to prioritize. Organizations have simply too many problems and are presented with too many opportunities to try to do it all at once. But most organizations can't accept this and make everything a priority. And when every-

thing's a priority, nothing is a priority. A lack of focus also causes organizations to jump in and out of problems, and start and stop various improvement projects, and try every new-fangled management approach, in many cases accomplishing little. All of these behaviors are symptomatic of *organizational attention-deficit disorder* ("organizational ADD").

Companies with organizational ADD cannot perform at outstanding levels because their resources are too scattered and they typically never fully solve problems. They become accepting of "good enough" (a euphemism for "not good enough") out of necessity because they have to rush on to the next priority. This lack of focus inserts cracks into the foundation for outstanding performance.

Lack of Discipline

Similarly, I find that many organizations can't commit to any project or effort long enough to master the issues and produce outstanding results. One place in which this is especially apparent is in companies' adoption of improvement methodologies. When one approach doesn't produce results in six months, they drop it and try another. Or they combine it with something else without reconciling some of the fundamental differences in approaches to create an effective, holistic management system as is often found with Lean Six Sigma, for example. The end result is that few, if any, people in the organization get enough experience with any of the methodologies to build proficiency. Problem solving and continuous improvement isn't a job for experts—it's a job for everyone. So everyone—and I do mean *everyone*—in the organization needs to learn problem-solving fundamentals and practice until they attain at least proficiency, if not mastery, for outstanding performance to emerge. This takes discipline.

When you look at outstanding performers in sports or the arts, for instance, you will find extraordinary discipline. They don't switch from sport to sport, instrument to instrument, or event to event willy-nilly. They practice relentlessly—patient persistence, I call it—for years, even decades, to first master the fundamentals, and then build upon those fundamentals to perform at more advanced levels. They keep practicing even after everyone acknowledges their mastery. And they don't just practice for practice's sake; they have a very specific and strategic practice plan focused on improving their skills. They don't give up when they encounter a barrier or an obstacle.

How many organizations have you seen that have the discipline and patient persistence to achieve mastery in problem solving and making improvement—versus those who expect their Lean champions or Six Sigma green belts to perform at high levels after only four weeks of classroom work and one project, never investing in additional development or the coaching that's absolutely vital in producing mastery? I haven't seen many—but the ones that I have seen are outstanding organizations. If your organization lacks discipline—and its cousins, patience and commitment—you certainly have a cracked foundation.

Lack of Engagement

The next time you're in your office, take a moment to look around you. How many of the people you see appear truly invested in and invigorated by their work? How many of them care deeply about whether your organization is outstanding? How many of them are willing to wrestle a problem until they find the best possible solution and produce the best possible output? How many of them are thinking about not just fighting fires but continuously improving even in areas where they already excel? I'm guessing it's not many.

Can you blame them? So many organizational habits have developed that teach people to disengage. Organizations fail to listen; exhaust employees with a lack of clarity, focus, and discipline; and “reward” performance with either a bit of cash or, all too often, a kick out the door. They have not established the environmental conditions that enable engagement.

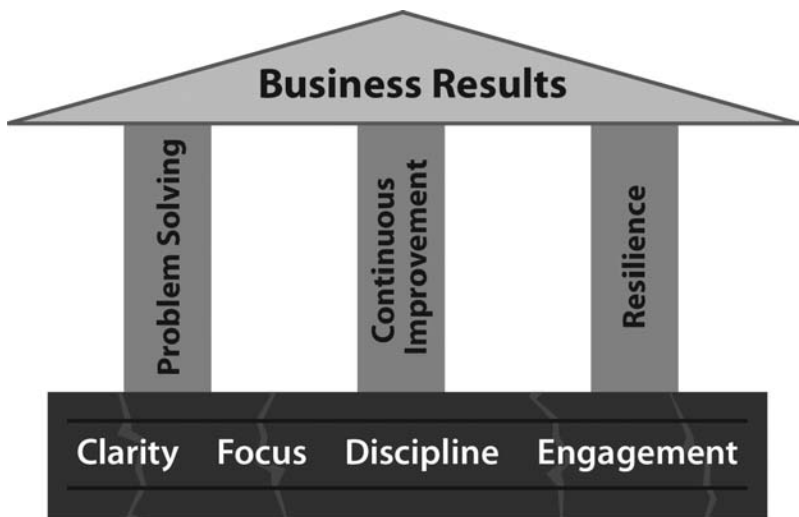
The remarkable thing about how disengaged many employees are, is that human beings naturally want to be engaged in their work. This was obvious even to Karl Marx, who accurately predicted that the industrial revolution was disengaging people from their work so much that workers would rise in revolt. Everyone likes to feel that they do something well and contribute to something larger than themselves. When organizations, owing to performance-undermining habits, prevent employees from either producing work they can be proud of or deny them the type of recognition and encouragement that really matters, they send a clear message: “Please disengage. Stop caring about your work. Stop caring about this organization.” As organizational performance researcher David Sirota said, “Most companies have it wrong. They don’t have to motivate their employees. They have to stop demotivating them”⁶

These are the organizational habits and behaviors that crack the foundation for outstanding organizational performance. Reversing these habits and adopting the conditions for outstanding performance—clarity, focus, discipline, and engagement—create the firm, stable foundation you need to achieve outstanding performance. These four conditions build on each other and reinforce each other. But the lack of one of the conditions also undermines the others. They aren’t exactly stepping stones, with one preceding the next, but they are progressive. It is virtually impossible to have truly engaged employees if you don’t have clarity, focus, and discipline. While getting focused

will help, your focus will flounder if you don't have clarity. And it is tough to become disciplined if you aren't clear about and focused on your top priorities. Figure 1-2 shows how these four conditions provide the solid foundation on which all the other aspects of outstanding performance are built. The three core capabilities of outstanding organizations—problem solving, continuous improvement, resilience—simply don't do any good if they are not built on this solid foundation. Over years of working with organizations frustrated at their failure to achieve excellence, I've learned the hard way that you can't build capabilities on a cracked foundation. The good news is that as you work on the four foundational conditions, the capabilities will begin to evolve naturally.

That brings us to the central question: How? How do we build this so-called foundation for success? The answer is that

FIGURE 1.2 Repairing the cracks in the foundation.



it's as simple—and as complex—as changing organizational behaviors and habits to create the conditions to be outstanding.

BUILDING THE FOUNDATION FOR AN OUTSTANDING ORGANIZATION

Breaking habits isn't easy. And the larger the organization, the harder it is. This is why even the most successful organizations that have made the transition to outstanding performance talk about a *ten-year journey*. In order to accelerate the transition, you need to get very serious about replacing your existing organizational habits with the four behaviors for exceptional performance.

By infusing the fundamental behaviors of outstanding performance into your organization's DNA, you can reduce the chaos that's been preventing you from achieving what your collective workforce is capable of producing. Your leadership team will be able to sleep at night, your workforce will go home energized at the end of the day, and your customers and shareholders will delight in your success.

Now the reality. Transforming an organization isn't for the faint-hearted. Breaking long-standing organizational habits and laying the foundation for success takes significant will, tenacity, and intestinal fortitude. It takes leadership commitment across your entire team. It takes time and resources. Achieving clarity and laser focus in only one business unit, discipline that comes and goes, or engagement of only one faction of your workforce creates the same effect as an unbalanced washing machine. To become truly outstanding, you'll need to create organization-wide alignment, become adept at the fundamentals of change, and adopt an "all hands on deck" approach.

This book contains the steps you need to take and the tools you need to employ, but the heavy lifting remains with you.

The following four chapters address each of the behavioral requirements for outstanding performance. In each chapter you'll read about how the absence of one these behaviors introduces chaos into an organization. You'll read about the real-life examples I've experienced in over 20 years of working with organizations of all types and sizes and in nearly every industry. Many of these stories will be painfully familiar, and you'll come to understand the degree to which your organization unwittingly creates chaos. Then I turn to specific how-to approaches for replacing these bad habits with outstanding performance-enabling behaviors, building a strong foundation for finally getting the results you're looking for.

In Chapter 2 you'll come to understand the degree to which the lack of clarity drains your organization's financial resources—and the psychological toll the resulting ambiguity takes on your customers, workforce, and leadership team. You'll learn how to develop an intolerance for ambiguity—yes, intolerance—and the must-dos for creating performance-enhancing clarity in thought, word, and deed throughout your organization.

Chapter 3 addresses the problems associated with the lack of focus and provides the specific actions required to tame organizational ADD. You'll learn a powerful method for staying focused amid rapid change. As a result, you'll be able to accomplish far more, far more effectively, in less time, and with fewer resources.

In Chapter 4 you'll learn how the lack of discipline affects organizational performance and practical ways to adopt consistent habits that strengthen the bottom line, improve the customer experience, and create a work environment that engages the people who make it all happen. You'll also learn what it

really takes to solve problems across an organization and what it really takes for processes to perform as desired.

Chapter 5 addresses the organizational attributes that lead to employee engagement and the behaviors that disengage. It shows why, at the end of the day, employee engagement is the single largest contributor to an organization's success and challenges traditional thinking about how best to create it. We have a history of paying lip service to employee engagement. Chapter 5 gives you practical how-to methods to finally deliver on it—at all levels of the organization.

In Chapter 6 I'll show you how all these conditions work together, reinforce each other, build capabilities, and enable outstanding performance. Before we start working on repairing our foundation for outstanding performance, though, there is one other topic to address.

RESPECT FOR PEOPLE

While I've talked about clarity, focus, discipline, and engagement as conditions that build the climate and foundation for outstanding organizational performance, there is one other foundational element—a presupposition that underlies even these four conditions. If your organization doesn't fundamentally have a respect for people, none of what follows will work. I have never seen an outstanding organization that believes that people are interchangeable, that they are simply parts in a machine to be used when needed and discarded when they are no longer convenient. I have never seen an outstanding organization that does not invest extensively in its people. I have never seen an outstanding organization that views people as a variable cost. I have never seen an outstanding organization

where employees do not feel valued and, as a result of feeling valued, feel loyalty to their managers, their executives, and the organization.

If you believe that you can become an outstanding organization simply by cutting labor costs, I honestly have to say that nothing in this book will help you. I don't believe that anything in any book about organizational excellence will help you. Organizations are not machines—they are fundamentally and irreducibly made up of people. If leaders in your organization don't carry respect for people, as evidenced by a willingness to hear their input, value their contributions, invest in developing their skills and capabilities, and avoiding layoffs to get quick but unsustainable expense reduction, you simply cannot become an outstanding organization. Organizations that do not respect people—and turning to layoffs as a first solution versus a last resort is indeed disrespectful—cannot become excellent problem solvers, cannot improve continuously, and will not be resilient. Everything that you read in the next few chapters is grounded on a deep respect for the people in your organization, for your customers, and for your suppliers.

With this in mind, let's get started on the hard work of becoming an outstanding organization.