Engage the Organization

And a Performance Culture Will Follow

A Kaufman Global White Paper

How engagement and value are dynamically linked

Why leadership finds it so difficult to connect the dots

What can be done about it

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ACCELERATING PERFORMANCE

A fully engaged organization is fundamental to success. Why is this so difficult to achieve and what can be done about it?

The whole is greater than the sum of its parts. Leaders are tasked with turning this concept into reality every day. Their primary objective is to create value by getting the most out of their organizations – getting people to work together towards common goals. To do so requires broad and deep engagement. When the organization is formally and consistently engaged, a culture of performance follows. Understanding how this works, why it's so elusive for many leaders and their organizations, and how to make it happen with reliability is the key to sustainable improvement.

People come together to make things better. There are plenty of examples of companies doing great things, pulling past their competition, dominating a product or service and overtaking markets — at least for a time. Information is readily available to tell us both what good looks like and how to achieve it, yet, the competitive landscape changes gradually. A multitude of options make it difficult to determine which among all possibilities gets the limited supply of attention and energy. One consistently common thread for successful organizations is engagement. It was described in Steven Spear and H. Kent Brown's insightful 1999 article, Decoding the DNA of the Toyota Production System. This passage sums it up:

> *"Indeed, in watching people doing their jobs and helping design production processes, we learned that the system actually stimulates workers to engage in the kind of experimentation that is widely recognized as the cornerstone of a learning organization. That is what distinguishes Toyota from the other companies we studied."*

The key words are system and engage — there is a system for engaging people. It certainly takes its share of attention and energy, but the dividends are huge.

Value and engagement are intimately linked

Engagement is about working together, being involved, two-way communication and, most of all, the ability to have input, make decisions, and take action on those things within one's immediate control. This level of involvement generates value. However, value is an exceedingly complex topic. If you doubt this, read a little about prospect theory, loss aversion and anchoring. So first let's establish that we are talking about the value that is derived from efficient and effective processes.

The most basic definition of value; the worth of something, implies subjectivity. Value for a product or service is best understood where it is created, and where it is consumed. Since value means different things to different people we need to find some common ground. A simple way to think about it goes like this: Value remains when waste is removed. Waste is anything an all-knowing, all-seeing customer would not be willing to pay for — because it has no worth to *them*. Just as the customer has an opinion about value, those closest to creation of the product or service know the most about how to mitigate waste and increase value. This definition allows anyone to ask and answer value questions related to their personal situation, such as: *"Would the customer be willing to pay for:*

- *me looking for my missing wrench?"* No.
- *us counting excessive inventory?"* No.
- *our inability to find or retain the best talent for this job?"* No.
- *accidents that result from an unsafe work environment?"* No.

You get the idea.

The individual or team touching the product, service or process creates value, and the customer judges it. However boundaries can't go completely undefined and left to personal whims. In day-to-day work, value is bounded in absolute terms like quality, quantity, time, etc. These definitions are turned into metrics and spread across the enterprise, but usually at levels too high to effectively measure individual or workgroup performance. Only through engaging the organization at this level — those doing the job — can we react to the dynamic environment, make real-time adjustments and capture the value that is otherwise lost.

Peter Drucker, the highly regarded organizational design and management thinker, described "knowledge workers." This was a natural evolution from manual labor and factories to offices, information, data and design work. We need to expand the concept of knowledge worker and describe a new one: **Value Workers**. Value workers are individuals and small teams or natural workgroups with common deliverables. They subjectively know the most about and best way to achieve optimal results within their sphere of influence. Value workers apply their deep local knowledge at their position along the value chain. A few examples:

Manufacturing

- The assembly line worker knows the most about how to reduce the amount of movement required for the job.
- The maintenance technician and equipment operator are best able to increase Overall Equipment Effectiveness and reduce Mean Time To Repair.
- The Plant Manager optimizes factory output by engaging the functions and taking decisive action.

Psychiatric Hospitals

- The direct care worker may recognize patient behavioral triggers sooner than their physicians due to daily interaction and familiarity.
- The unit treatment team is best equipped to improve a patient's mental health by making necessary changes to the treatment plan.
- The Hospital Administrator balances the needs of the patients, nursing staff and doctors and sets priorities.

Oilfields

- The maintenance technician controls cost by managing the proper inventory of materials to complete a job.
- The operations manager knows the most about balancing customer priorities for field technical equipment.
- The oilfield operator knows which component suppliers contribute to the best rig operating conditions or uptime.

If leaders want better results they must embrace pushing decisions and the ability to make change and capture value down into the organization where value workers engage.

Why do leaders fail to act?

The simple answer may be because it is exceedingly difficult to challenge ingrained culture and belief systems. Pushing decisions down, engaging the organization broadly and deeply and giving up some amount of control is not a simple matter. In fact, it counters the culture of traditionally run organizations. Societal norms can contribute a lot of resistance as well. Gert Hofstede, a leading thinker on organizational decision-making and social behavior, presents a compelling argument for how national origin directly affects the amount of autonomy given at various levels of the organization.

To dig a little deeper into the reasons leaders fail to pursue engagement, we recently surveyed a large group of top leaders and known change agents. These individuals come from diverse industry backgrounds such as consumer products, energy, government and technology. Averaging over 20 years of experience, each has a proven track record of successfully engaging and improving their organizations. The question was asked:

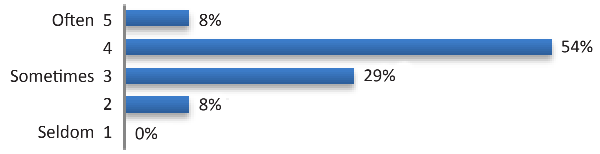
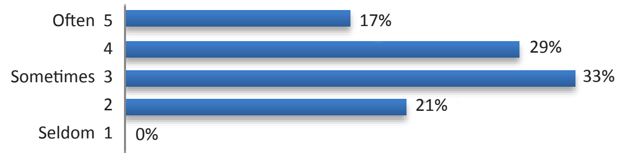
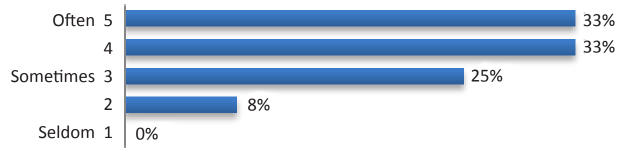
> ***If we accept that the leader's function is to create value and that one vital and comprehensive way to do this is by fully engaging the organization — at all levels and at all times — why do so few leaders truly, actively pursue this essential aspect of sustainability and performance?***

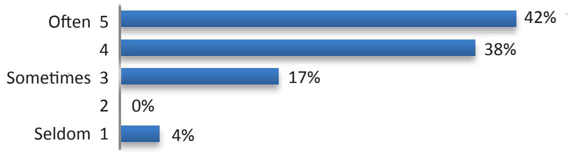
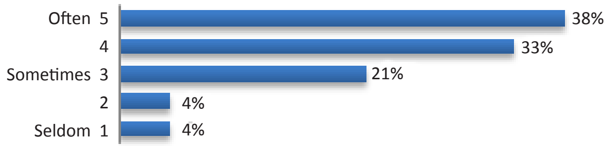
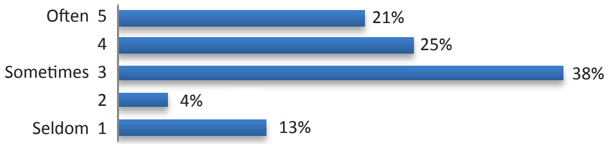
What Leaders Are Saying

"Sometimes political realities get in the way."

"Belief that a short burst of engagement / communication will suffice. For example, a speech rather than a communication plan. They underestimate the number of times the message must be delivered to gain traction. A leader's lack of follow-up can result in he or she being lulled into thinking a process is in place and functioning. Without testing it themselves, the organization can revert back or have a shadow process where the real work is achieved and the new process or method is a facade."

Six possible answers were given with a rating that ranged from 1-seldom to 5-often. Results follow.

Survey Reason	Result
Understanding. The importance of, and methods for, engagement are not well understood. Or perhaps the concept is understood, but not beyond the idea that engagement is important in the same way communication is important.	**Fail to Understand** 
Belief. Engagement is not valued. I know, it's difficult to believe that the top-down "I'll tell you what to do because I know what's best" approach still exists. But it's true and even worse than that, it's common.	**Do Not Believe** 
Tools. This is mistaking operational improvement tools (Lean and Six Sigma) for engagement. Many believe a performance culture is created with tools and techniques and don't realize (or ignore) that broad organizational engagement is missing. Tools are applied, but no traction is achieved.	**Tools Instead** 

<table>
<tr><th>Survey Reason</th><th>Result</th></tr>
<tr><td>Distraction. The near-term emergencies are too urgent and too daunting. Anything that seems like a program above and beyond running the business and dealing with day-to-day emergencies simply won’t get mindshare.</td><td>Too Distracted

</td></tr>
<tr><td>Immediacy. The business demands near-term results… period. There’s no time to focus on something that might not deliver a here and now win. If immediate results aren’t achieved, personal compensation and job security are at risk.</td><td>Can’t Wait for Results

</td></tr>
<tr><td>Risk. The existing system is performing well enough to meet basic expectations so there is little need to develop a new performance culture. Even if the results are not there at the end of the month, quarter or year, the reason can be anything other than attempting something new.</td><td>No Need for Risk

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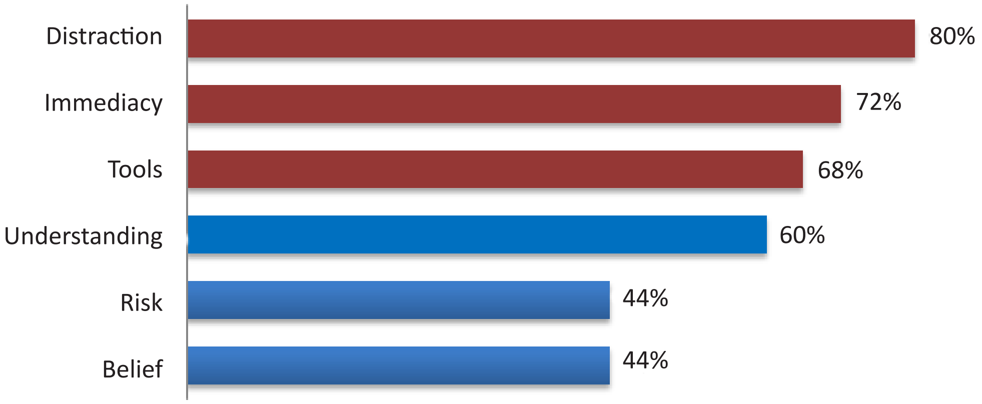
Every element listed is a known factor to begin with but three items stand out with 68% of more of the responses at a rating of 4 or 5. They are: Distraction — Too many competing priorities; Immediacy — The need to get immediate and certain results with little time to spare on anything new or different; And, Tools — The application of improvement tools and techniques with little focus on substantive, ongoing engagement.

Combined Percentages for Above Average Ratings (4+5)



Distraction. The top reason at 80% is that leaders are too distracted with day-to-day operations and other external inputs to focus themselves or their teams on anything other than existing systems applied to here-and-now deliverables. This defines a mostly reactive environment and one that has multiple competing inputs — often from above. Engagement is not a priority, or rather; the structure and measurable actions required for it are not a priority. Whenever we hear that all significant change "starts at the top," this is the exact mechanism being referred to. In this instance, engaging the organization fully is not valued enough by top leaders to make it a priority.

Immediacy. Next comes immediacy at 72%. Immediacy has to do with the extreme focus on short-term goals and results. There's no time for something that might not deliver a here-and-now win, requires some level of faith and is even slightly different than anything we're already doing. As we move upward, if results are not achieved, personal compensation and job security are at risk. Two quarters of poor performance and the level of distraction goes off the scale.

Immediacy and distraction are intimately linked. Distractions mount as the need for immediate results rises. If it goes on long enough, pressure and confusion over priorities lead to loss of morale and disengagement. People tend to exit these types of environments and it's unfortunate that engagement — a major mitigation factor and the single greatest contributor to employee morale and retention — is among the first to go and is seldom pursued in a systematic fashion.

Tools. Following closely at 68% is "toolitis." This is a common ailment of many organizations where things like Kaizen Events, Value Stream Mapping and 5S (Cleaning and Organizing) are viewed as engaging the organization. It's true that these types of activities get people involved, but only temporarily. Six Sigma is more of an expert practitioner methodology and has even less of an engagement mandate. There are many examples of organizations stalling in their continuous improvement efforts when they apply a tools-only approach. They have the tools, but value workers are not compelled to pick them up and use them because they aren't aware of or have visibility to their own performance. Production organizations often find it difficult to expand into business processes because they can't translate the improvement techniques they started with.

What Leaders Are Saying

"Some people fail to see the cause and effect — fail to see that engagement drives better results for both short and long-term objectives. Some see driving engagement as something else they have to do and when there is not enough time, it is one of the first things to go. They fail to make the investment that will give them breathing room later on."

"The misconception that engagement is a cost is often a key driver for failure. Management sees that they are spending valuable time and resources that should be utilized in producing "results". They misunderstand the long-term benefits of the upfront investment and the ultimate return."

"I believe organizational instability (i.e., changes in management) creates challenges to a performance culture, especially in early implementation. The more established the culture, the less likely the disruption, but in early implementations, an organization in flux can lose momentum."

All of these factors are closely related and combine to form a powerful barrier to real change. That "fail to understand" and "don't believe" were scored as significant factors says a lot, and not in a good way, about basic leadership and management skills. Training is one element that can help, but people learn through their own experiences that are illuminated by existing values and norms. To change these patterns requires a significant reset on how organizations reward certain behaviors.

These barriers — and they apply at all levels — are daunting for anyone attempting change within the area they control. Some traps are more common depending on where you are in the organization. The lower you go the more the system will attempt to kill your initiative (i.e., *"Not invented here.", "Who else knows about this?"* or *"This is not part of your job description."*). As you go higher in the organization the problems associated with trying anything different prevent ignition - pick any combination of reasons.

Those in the middle of the organization have simultaneously the most to gain and the most to lose. Here there is a lot of local control over value creation - therefore the gains can be fast and big. The personal risk of failure for trying something different is less. However there is strong attachment to the status quo and disruption isn't much welcomed. Besides, operating just marginally better than one's peers doesn't require anything as foreign as attempting your own fully engaged organization. Without the support of peers and bosses, mid-level managers quickly start to feel they are rowing upstream alone.

Given all the reasons why not, it's amazing that anyone pursues the engagement prerogative, but some do. And when someone, somewhere, intends to make a meaningful difference by getting everyone involved to the fullest extent possible, with well-conceived boundaries that are defined by accountabilities, expectations, metrics and process discipline, well… there is a way to make this journey a little less painful.

Leading change

Leaders change culture by changing what they value. In the simplest terms possible, the enlightened leader engages all value workers and the fundamental mechanisms that allow decisions and actions to be pushed lower. This is demonstrated by the requirements accountabilities leaders place on the organization. Engagement is an action, not a result and as such the action of engaging can be measured, coached, improved and administered. The ever popular "engagement scores" reported from annual surveys convey results, not the compliance level of the actions required to get to those results.

What Leaders Are Saying

"Engaging the organization and sustaining that effort requires energy that can be used more effectively (Leader mind-set) toward other initiatives (e.g., new product or market, acquisition, restructuring, etc.) with greater perceived impact that is more easily linked to the Leader's actions."

"Most leaders do engage their organization through organizational structure, management objectives, incentive compensation, business plans, etc. These are mostly top down, and managed down through the functional leadership team. This falls short because the hand down is neither consistent nor complete. Leadership tends to focus on big picture, external facing topics such as sales, marketing and new product development."

This is not an area where "get the results by any means" works. Ongoing participation in, decisions and actions aimed at value creation is what good looks like. As for any robust process, standard work and discipline are part of the picture and because there are so many factors at work against real engagement, a structured approach is required. Fortunately, the mechanisms are simple and straightforward - so simple in fact that they're easy to gloss over and claim, *"We already do (something like) this."* — which is usually not the case. With that said, here they are:

1. **Require Leadership Teams (wherever they exist) to be engaged in improving their business.** Apply this philosophy and structure at all levels of the business. In the middle of the organization, this means a one to two hour weekly session with specific focus on improving the business, not running it. At the very top, a once a month meeting. It doesn't take much effort, but it does require some specific and measurable actions. The Leadership Team can't simply fold this improving the business discussion into their weekly staff meeting. When this happens, the "Improving the Business Meeting" always degrades into the "Dealing with Emergencies" operations meeting.

Their most basic objective for improving the business is, as you might expect, to engage the rest of the organization. In offices and administrative areas, the change is even more dramatic because it requires dynamic interaction of the various functions. This shift, including the format and primary objective for the meeting are significant changes and usually require specific and measurable accountabilities and activities as well as coaching and dealing with resistance to make it stick.

2. **Require natural workgroups — those who touch the product or service — to meet briefly every day at a primary visual display that contains information and metrics that the workgroup controls**. We call this the Lean Daily Management System® (LDMS®). While the full execution of LDMS is broader than this description, the fundamental premise is that work teams will improve what they can control only if they have direct visibility to their performance and are given some license to actually change things. By the way, this is the only way or place to enable process discipline — imagine if some of the metrics for the workgroup were related to measuring whether or not their defined processes (standard work) were actually followed.

Managing change

These changes are not easy or natural for traditionally run organizations. This is well beyond a process definition problem; it is a fundamental management system / change management issue. Even though the elements noted above are simple enough to describe and understand, they cause significant stress inside a system that is well equipped to prevent such change. There are a few things that must be done to actively manage the creation of a new performance culture:

1. **Hold leaders accountable for engaging their teams and their organizations**. Involve Human Resources and incorporate a few simple activity metrics into the appraisal system. The action of engagement can be measured. Operational results will follow and the difference between those who are doing it and those who are not will become quickly apparent.
2. **Demonstrate new values by asking the right questions**. If you want to find out how your organization is doing with engagement, ask:
   - How does the leadership team here deal with improving the operation — how do they communicate, what do they measure and when and where do they meet?
   - How do people know about their own performance? Are they measured on things that are within their control?
   - If someone (anyone) has an idea about how to improve something, how do they communicate it? How is it evaluated and implemented?
3. **Develop change agents**. It's common to have operational excellence resources for Lean or Six Sigma but many times they are viewed as nothing more than technicians and not as true change agents. Change agents are more than the purveyors of tools and techniques — they know how to deal with resistance, communicate systematically and coach the organization from top to bottom. Their job becomes one of dealing with people and change as opposed to only conveying technical waste and variation reduction methods.

What Leaders Are Saying

"Lack of commitment by those who are asked to execute the change is often a reason as well. Without a compelling reason for change the line management will only pay lip service to the change. They do not demonstrate leadership through action. They must be the shining example of change and often are the worst offenders in holding on to old methods."

"Sometimes a "victim mentality" prevents a leader from stepping up to lead, especially at mid-levels of the organization. Sometimes leaders may: 1) Think they are not empowered, or fail to take the responsibility. 2) They may lack the capability or resources needed. 3) They may not want to accept the accountability that comes with leading. I have seen parts of organizations where the senior leader has created a culture that does not welcome or encourage problems to surface; issues are kept hidden or only discussed "at the water cooler."

4. **Communicate frequently and broadly according to a well-defined plan that builds awareness at every level.** One-way communication does little to engender engagement, therefore at the same time new values are being outlined and communicated from above, seek new and better ways of soliciting input from below.

Leaders can make the whole greater than the sum of the parts if they are willing to approach "the parts" as active participants and value workers in the endeavor. To develop a long-term, sustainable performance culture, engage decision makers in the middle of the organization on a weekly basis to drive prioritization, decisions and resource allocation on improvement initiatives. Engage everyone else on a daily basis for just a few minutes to improve communication, teamwork and the measurement and improvement of key processes. Measure these actions and activities through formal internal mechanisms to demonstrate a fundamental shift in the philosophy and values of the organization and a performance culture will begin to emerge.

Kaufman Global helps organizations make big changes stick.

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