Building Competitive Enterprises: A Human-Centric Approach

Presentation to the Alliance of CEOs
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CEOs’ Common Desires

- Delighted customers
- Inspired strategy
- Aligned executive team
- Cross organizational collaboration
- Valuable new products/services to bring to market
- Turned on and engaged employees

- Resulting in rising profits and share prices

Is there a ‘must-have’ ingredient that allows for these?
Must Have Ingredient: Effective Communication and Coordination

- Why is that challenging?
- Fundamental misunderstanding about people and communication
- Commitment-based Management aligns more closely with how people actually engage in the world
- Principles can be applied at all levels: from individual interaction to enterprise and strategy design.
- Promise: share four “Big Ideas” that can make a big difference
What We Aren’t
A Misaligned Executive Team
Serious Consequences

- Intelligent conversations cease
  - People are inauthentic
  - Unhealthy competition is dominant
  - People see each other as caricatures
  - People are protecting themselves

- The team has become insulated and is failing to pick up on important developments inside and outside the company

- Strategic reflection has become dominated by personal agenda

- The company is becoming less competitive every quarter

- What’s going on here and how to fix it?
Big Idea #1:
We don’t live in the same reality. Listening is the key to bridging our differences.
We don’t live in reality—
we live in our interpretation of reality

As the father sees
As the child sees
As the mother sees
How Many Rivers are Present?
Back to Our Executive Team

- Both key execs stuck in believing they see "reality"
- Both in a mood of arrogance, closed to others’ views
- Others on the team are resigned
Listening: Appreciating another’s way of seeing the world

<table>
<thead>
<tr>
<th>One World</th>
<th>Multiple Worlds</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Sending information</td>
<td>• Affecting others</td>
</tr>
<tr>
<td>• Arrogance</td>
<td>• Humility</td>
</tr>
<tr>
<td>• Having the truth</td>
<td>• Recognizing our interpretation is always incomplete</td>
</tr>
<tr>
<td>• “I’m right and you’re wrong”</td>
<td>• Others’ interpretations have legitimacy</td>
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<tr>
<td>• Key is finding the true perspective</td>
<td>• Different interpretations have different effectiveness for different purposes</td>
</tr>
</tbody>
</table>
Our Executive Team

• To solve the strategy problem, first solve the listening problem
• Have people recognize the multiple worlds present and explore them
• Trust begins to build
• Arrogance gives way to respect; curiosity replaces contempt
• Good thinking can happen
• To go further, we still have to invent together which brings us to our next Big Idea.
Big Idea #2:

There is a universal, underlying structure to communication. Fluency with it dramatically improves coordination.
Foundational Distinctions in a Field

Periodic Table of Elements
Communication Actions

Requests
Offers
Promises

Declarations
Assessments
Assertions
Request

- I need your help
- Can you give me ...
- I’ll be asking for your support
- This is my ask ...
Offer

- Would you like ...?
- May I ...?
- I can take care of that
Promise

- I’ll have it to you in an hour
- You can count on me for that
- I give you my word
The Commitment Loop

I. Identification › Request

II. Co-Design › Promise

Customer

Desired Outcome

What and by When

Performer

IV. Evaluation › Acceptance

III. Execution › Report Delivery
Declaration

- *It is because I say so ...*
- *I’m the decider!*
- *I am (not) satisfied!*
Assessment

- I think ...
- I feel ...
- I believe ....
- I (dis) agree ...
- In my opinion ...

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Assertion

- The facts are...
- I testify that...
- I witnessed the following...
- The thermometer says it’s 40 degrees
The Universal Communication Actions

**Conversations for Future Results**

- **Request:** Would you give me a ride home this evening?
- **Offer:** May I get you a cup of coffee?
- **Promise:** I will pick you up at 8am.

**Conversations for Alignment**

- **Declaration:** As CEO, I am committing this company to a new direction.
- **Assessment:** Jill’s a great manager.
- **Assertion:** Our net margin last quarter was 12%.
Owning Their Communication

- Awareness of the actions they were taking in speaking shifted the quality of conversation

- **Assessments** were explored carefully before being accepted or rejected.

- **Requests** were made, but instead of being responded to with fearful yesses or automatic declines, conversations for exploring the concern and co-designing the terms emerged.

- In the mood of collaboration, people began to make *offers* that were seen as helpful to each other.

- The key decisions became obvious. Some immediate decisions (*declarations*) were spoken, and implementation plans were discussed (clear *requests* and *promises*.)
Improving Coordination Throughout the Company

- Improving the lack of clarity and accountability throughout the organization
  - Meetings were designed to reach promises and declarations faster
  - Email subjects began to include the action required (e.g. “Request: . . .”)
  - Project management put its focus on managing promises, not activities
- As the team aligned at the top, the question of cross-functional coordination became more urgent
- Which leads us to our next Big Idea
Big Idea #3:
These principles can be applied to improve coordination throughout the enterprise.
Case Study:

- **Fortune 500 company**
- **Contracted** IT Services Provider
- **Complaints** about IT Services
- **Lost** productivity
- **CIO** loosing credibility

![Order completion time graph](image)

**Order completion time**

- **UCL = 77 days**
- **Average 24 days**

**Very unhappy customers:**

- Unacceptable delivery times
- > 85% errors
- Perceived lack of care or concern

**Rampant expediting**

**Finger pointing**
Case study: Results

In four months!

- Trust
- Ownership
- Pride
- Collaboration

Order completion time

Before: 85% errors

After: 2% errors

Distrust
Finger pointing
Resignation
Silo mentality
Case Study: Client view

<table>
<thead>
<tr>
<th>Help Desk</th>
<th>Advise</th>
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<tbody>
<tr>
<td>Employee (EE)</td>
<td>Fill out form</td>
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<tr>
<td>EE Mgr</td>
<td>Approve Price</td>
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<tr>
<td>Service Mgr</td>
<td>Price Order</td>
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<td>Service Mgr</td>
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<td>Service Mgr</td>
<td>Assign Work</td>
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<td>External Vendor</td>
<td>Provide Product</td>
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<td>Service Tower</td>
<td>Install</td>
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<td>Configure</td>
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<td>Inform &amp; Bill</td>
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<td>Service Tower</td>
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<td>Service Tower</td>
<td>Accept</td>
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<td>Service Tower</td>
<td>Pay</td>
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<tr>
<td>Service Tower</td>
<td>Resolve</td>
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The Commitment Cycle

Initiation

C: Request

C: Declare Satisfied

Desired Outcome

Co-Design

P: Promise

P: Report Complete

Assurance

Execution

P: Promise

C: Satisfied

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Case study: Revealing the mess

Common Coordination Pathologies

- **Shallow Promise**
  - “I’ll do my best…”

- **Working from the queue**
  - “I just do what I’m told…”

- **Professional work**
  - “It’s right because I said so…”

- **On the assembly line**
  - “Next!”

- **The Customer’s complaint**
  - “What happened to my request?”

Staff "where do I get…?"

Staff "where do I get…?"

Point Captain "where do I get…?"

Help Desk "where do I get…?"

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Dept Mgr
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Deliver IT Service per SLA
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OAC
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Input CPT
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RISSTracker
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Justify
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Deploy Mgr
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Submit SRO
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WWF_Mgr
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Synchronize TCR
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Price
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Case Study: Process redesign

What’s needed to satisfy the customer?
• One stop shop
• Easy to order commonly used IT products
• Fulfilled in a reasonable time (<10 days)
• Reliably delivered (no errors)
Case Study: Process redesign

Service Promise:
- We’ll fulfill our promise on time, to your satisfaction
- Status of delivery will always be visible
- We’ll report any problems immediately
- We’ll strive to continuously improve
Case Study: Process redesign

Listen

Define

Align

Provide in-Scope IT Services 10 days or less

Employee

Approve Request

EE Mgr

Request submitted

Service Scheduled

Service Mgr

Configure Order Execution

Scheduler

Configure Order Execution

Scheduler

Order closed

Execute Order

Tower Mgrs

Report completion

Service Mgr

Execute Order

Tower Mgrs

Confirm Order Fulfilment

Service Mgr

Employee

Listen

Define

Align
Case study: Results

- Happy customers
- Improved trust all around
- More productive employees
- Improved process (cycle time / errors)

Order completion time

Before: 85% errors
Avg = 24 days

After: 2% errors
Avg = 6.5 days
Big Idea #3: We can apply these principles to improving coordination throughout the enterprise

- This is just one example....
- We’ve applied this to many processes

- All sizes and types of companies, domestic and international
Big Idea # 4: These principles can successfully extend to strategy, innovation, and culture.
Case study: Commitment-based Coordination as Competitive Advantage

- Multinational division selling power plants
- Located on 5 continents and selling on 6
- Newly appointed division president
- Invented the strategy of “Commitment, Inc.”
- Outperform the marketplace through superior coordination
- Held his stand in the face of great internal opposition
Leading the Transformation

The President of the Division created multiple teams for transforming the company

- **Innovation team** went to work modularizing their power plant designs

- **Process team** created a universal set of commitment processes coordinating all aspects of sales, engineering, manufacturing, and erection

- **Mobilization team** went to work teaching the doctrine of coordination based on commitments
Results

- Groups from around the world began to work together
- Proposal were put together more quickly with greater protection for margins
- Projects margins improved as the “cost of poor coordination” declined
- Bottom line: within 3 years, they were the number one competitor in their industry
- A couple of years after that, the division president was promoted to CEO of the multinational
“Last week I flew to Norway where I met with a German engineer and a Norwegian engineer. Each one of us knew exactly the role we had to play. It is in the Blue Book. In just one day of work we crafted a global strategy to close a new sale in Brazil. This would be impossible without Commitment-based Management and the way it is orchestrated in the Blue Book.”

-- Head of Sales, South America
In Summary
A Human-centric Approach
to Building More Competitive Enterprises

- Big Idea #1: We don’t live in the same reality. Listening is the key to bridging our differences.

- Big Idea #2: There is a universal, underlying structure to communication. Fluency with it dramatically improves coordination.

- Big Idea #3: These principles can be applied to improve coordination throughout the enterprise.

- Big Idea #4: These principles can successfully extend to strategy, innovation, and culture.
Experiment

- Experiment with what we’ve been talking about: work with any current concern and see what new views open
  - Listen to someone challenging to understand how they see the world
  - Pay attention to how well requests are formulated around you and how often people co-design their promises
  - Listen for ungrounded assessments trying to capture your attention
  - Take a simple process and look at it with commitment loops
  - Where is your organization not listening on the meta-level?

- What can we answer for you?
- We’re always happy to help
Satisfied Clients

**High Tech**

- sgi
- Theravance Biopharma
- ABB
- FLEXTRONICS
- KLA Tencor
- VERIGY
- IBM
- Cepheid
- FormFactor
- Cellvizio

**Life Sciences**

- BIO-RAD
- scios
- MedAmerica
- XOMA
- Sonoma Valley Hospital
- PRIMA Medical Group

**Healthcare**

- CEP America
- MedAmerica
- Sonoma Valley Hospital

**Financial Services**

- ADP
- Citi
- Wells Fargo
- ABN-AMRO Bank
- Bank of Ireland
- Deutsche Bank

**Construction / Mfg**

- ALSTOM
- Voith
- GM
- Daimler Chrysler

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