

# Leading Transformation to Sustainable Excellence

Presentation Handout





## **Leading Transformation to Sustainable Excellence: Presentation Handout**

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# Leading Transformation to Sustainable Excellence

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*Create the Organization You Really Want and Society Needs!™*

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## Presentation

This presentation is an introduction to leading organization design and transformation to achieve sustainable excellence. The award-winning leadership and design frameworks presented are based on years of leadership and design practice and research.

The Challenge is to create sustainable value for multiple stakeholders. The “bar” is continually being raised, and the definition of success for all types of organizations (profit seeking, non-profit, and government) is continuously changing and increasingly complex.

Unfortunately, many of our organizations are “kludges” of ill-fitting pieces and parts making it difficult to create value for any stakeholders. Good news, organizations were designed by humans and thus can be redesigned.

Regardless of position or title, Organization Architects (leaders, entrepreneurs, and those who help them) must master two skills - organization design and leading transformation.

## Presenter

My passion is helping leaders design and build organizations that create sustainable value for multiple stakeholders: investors, customers, employees, suppliers and partners, society, and the natural environment. During the last 35+ years I have enjoyed a wide variety of experiences working in and with commercial, non-profit, and government organizations from Asia to Europe. Experiences have ranged from my first adult job with the U.S. Air Force to Vice President for a \$1.3 billion *in vitro* diagnostics manufacturer with operations in 40 countries to consultant for senior executives in a wide variety of industries and organizations. During this time I have designed a wide variety of systems and methods from aircrew in-flight emergency procedures to strategic management systems to production and operations systems. As a designer of organizations and systems, my work has focused on helping leaders design, build, and transform organizations to develop three essential organizational competencies – strategic leadership, execution excellence, and organizational learning and innovation.

### **John Latham, PhD**

Founder + Framework Creator  
Organization Design Studio™ Ltd.

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# I. The Challenge

*"Organizations today face increasing pressure from multiple stakeholders and relentless global competition, forcing them to become more innovative in everything they do and produce."*

Latham (2013c)

## Raising the Bar

The definition of success for all types of organizations (profit seeking, non-profit, and government) is continuously changing and increasingly complex. From the mid-1940s to the 1970s the limited global competition allowed business leaders to focus mainly on financial results. The "party" ended sometime around 1980 when Xerox woke up to a situation where the Japanese were selling copiers in the US for what it cost Xerox to make them (Kotter and Heskett, 1992).

During the 1980s product quality became a key success factor and was directly linked to market and ultimately financial success. In the beginning, many proposed that high quality was simply too expensive. However, we eventually discovered that high quality = reduced cost and increased market share or as Phillip Crosby wrote in a book by the same title – *Quality is Free!*

As the service and knowledge worker industries increased in size and importance, they discovered that talented, passionate people are also a key to high quality, customer satisfaction, and financial performance. During the 1990s, successful organizations became quite good at "connecting these dots" or as Federal Express called it – "people, service, profit."

The "bar" has been raised once again to include sustainable results in three key areas - financial, environmental, and societal - or as some call it, the "triple bottom line." There have been many programs, tools, and techniques proposed and implemented over the years aimed at improving organizational performance. In the end, we have discovered that there are no quick and easy answers. What is needed to achieve sustainable excellence is for leaders to become architects of their organizations and reimagine and reinvent them to create value for multiple stakeholders.

Reference: Kotter, J. P., & Heskett, J. L. (1992). *Corporate culture and performance*. New York: The Free Press

# Stakeholder Value

The creation of value for ALL key stakeholders is a requirement for sustainable excellence. In other words, designing an organization that creates “Win-Win” for all stakeholders vs. taking from one to serve another. The good news is a zero sum game of trade-offs is not needed to create value for multiple stakeholders. High performing organizations take a systems approach to design that focuses on developing a workforce that creates and delivers great products and services that result in satisfied customers who buy more (repeat business) and tell their friends (referral business) which improves the top line making the investors happy. Also, systems thinking has also enabled designs that create value for other key stakeholders such as suppliers and partners, society and the environment.



# Six Stakeholder Groups

## Six Stakeholder Groups

There are six key stakeholder groups. For any organization these can be segmented into sub-categories with different needs, wants, and desires.

**Investors** - For-profit investors provide capital and expect a monetary return on their investment. Non-profit investors (a.k.a. donors) provide capital and expect the most benefit to the primary beneficiaries of the non-profit services. Government investors (a.k.a. taxpayers) provide capital and expect the best government services for the least amount of tax burden.

**Customers** - Depending on the type of organization the customers might be paying recipients of products and services, primary beneficiaries of non-profit or government services, patients, or students.

**Employees** - Depending on the type of organization the workforce stakeholders could be employees, volunteers, or contractors.

**Suppliers and Partners** - Inputs to the organization are provided from a variety of external organizations from component product suppliers to partners that share both risk and reward.

**Community** - The public and local communities in which the organization operates are stakeholders in many aspects of organization operations.

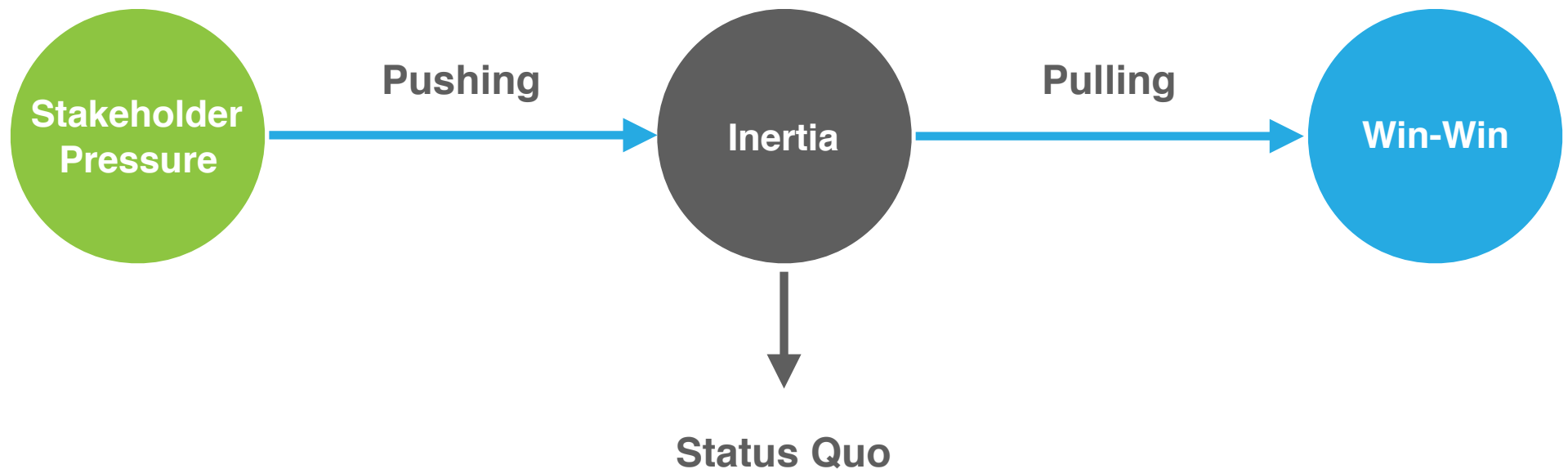
**Natural Environment** - Finally, the environment and future generations find a voice in the other five stakeholders and public policy and regulation.

The focus on stakeholder needs and relationships helps provide a common alignment point for the strategy, execution, and learning and innovation. Also, a systems perspective combined with design thinking provide the basis for organization designs that create value for multiple stakeholders.

# Forces for Change

**Dissatisfaction**

**Desired Future**

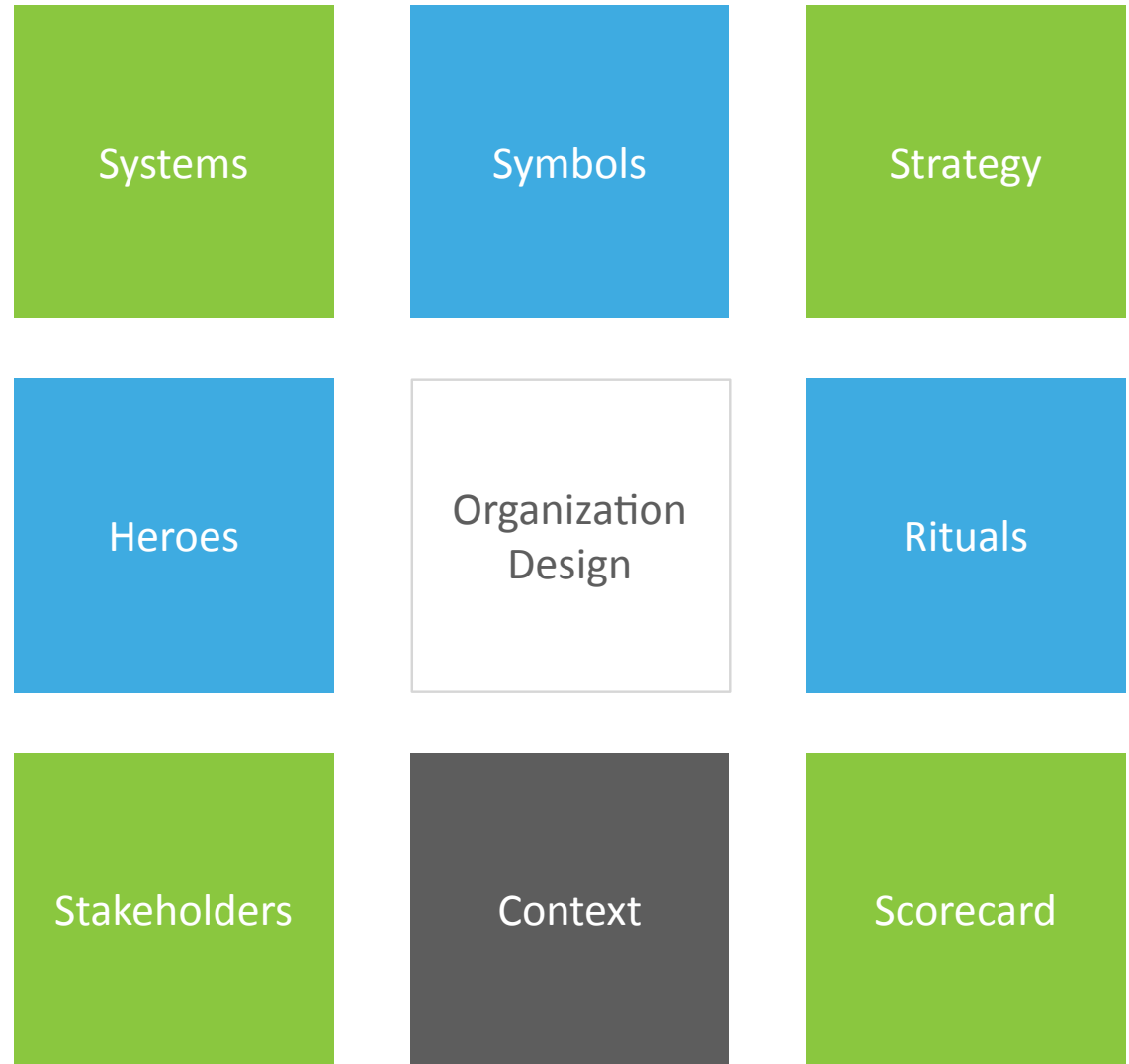


Organizations today are feeling pressure to change from one or more of the six stakeholder groups. All are asking that we do more with less. Better products and services for less money, manpower, and impact on the environment. This dissatisfaction is a useful pushing force to help overcome the inertia of the status quo. This is the “burning platform” described in the leading change literature.

You know you need to jump, but which direction do you go? While dissatisfaction is an important forcing function, overcoming inertia requires the combined tension of dissatisfaction and a compelling directive or vision of the desired reality. The combined pressure from dissatisfaction with the status quo and the compelling vision must be greater than the resistance to change or inertia.

## II. Alignment & Organization Design

*For our purposes, organization design is a stakeholder-centered approach to aligning and integrating the systems, strategy, and scorecard with the organization's culture and the unique context.*



# 3 C's of Alignment & Organization Design

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*“Design is the  
first signal of  
human  
intention.”*

William  
McDonough

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## Organization Design

When many people hear the words “design” and “designer” they often think of fashion, interior design, or the design of everyday items such as glasses, salt shakers, and so forth. However, everything that is not created by nature is designed by humans (consciously or unconsciously). Thus, our human-created organizations can be purposefully designed or redesigned to produce even greater value for the multiple stakeholders.

Organization designs consist of artifacts that convey information about the context, culture, and systems. Artifacts take many forms from diagrams and descriptions of systems to visual displays of data to organizational symbols.

## Cornerstones

The four cornerstones of organization design are the stakeholders, strategy, systems, and scorecard. All four are manifested in artifacts including documents, speeches, etc.

## Culture

The values of a culture are not directly visible. They are inferred from how people act (practices) and the symbols, rituals, and heroes of the organization that are visible and audible.

## Context

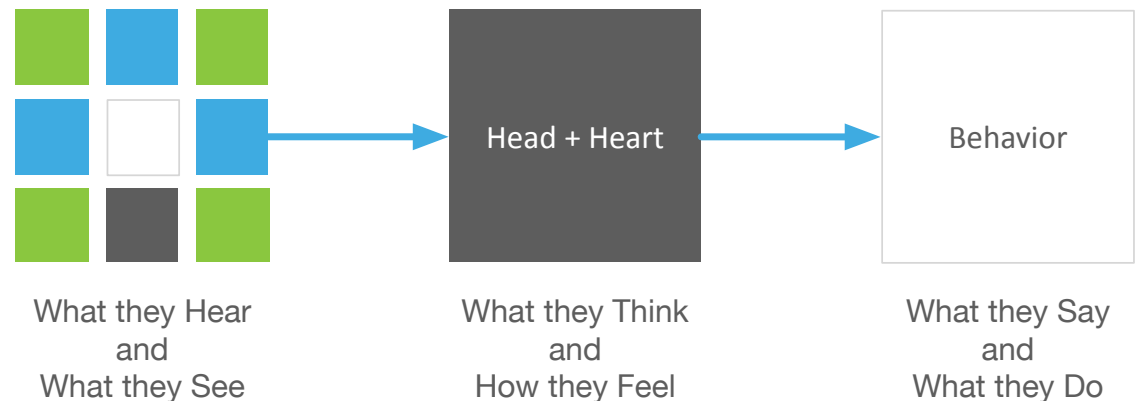
Context also contains important information including the facilities, the technology, type of work (e.g., nuclear power vs. education), and the purpose and mission of the organization.

These key components must be **aligned** and **congruent** to achieve sustainable excellence.

# Why Organization Design?

## Why?

We focus on organization design and alignment because it influences the behavior of those who work in and with the organization. Stakeholders experience the organization's many processes and practices, interactions, and artifacts. While interacting with the organization, stakeholders hear and see many manifestations of the organization design. What they **hear** and **see** influences what they **think** and how they **feel**. What they think and feel influence what they **say** and **do** - their behavior.



## How?

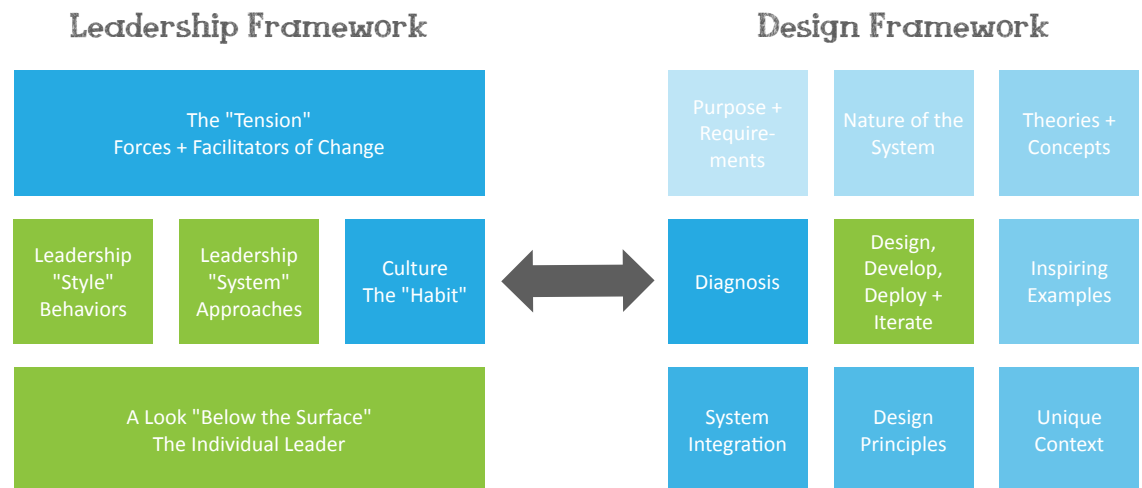
The first step to organization design is for the leaders to become organization architects. The organization architect must master two core competencies. First, they must become designers. Second, they must learn to lead organization transformation. Only then will they be prepared to lead the design of the overall organization. Two frameworks, one for design, and one for leadership provide a flexible approach to guide the creation of the organization you really want!

# Organization Architects

Organization Architects (OA) come in a wide variety of roles, responsibilities, and backgrounds. There are two main types of OAs - leaders and those who help them. Leaders include those leading existing organizations that need to be redesigned and entrepreneurs who are designing the organization for this first time. Those who help them include internal subject matter experts (SMEs) and external consultants. Becoming a competent OA requires the development of two key skill sets - Leadership and Design.

*“What is lacking is not insightful analysis, but truly bold and imaginative alternatives to the management status quo—and an army of innovators who have the stamina to reinvent management from the ground up.”*

Gary Hamel  
*The Future of Management*



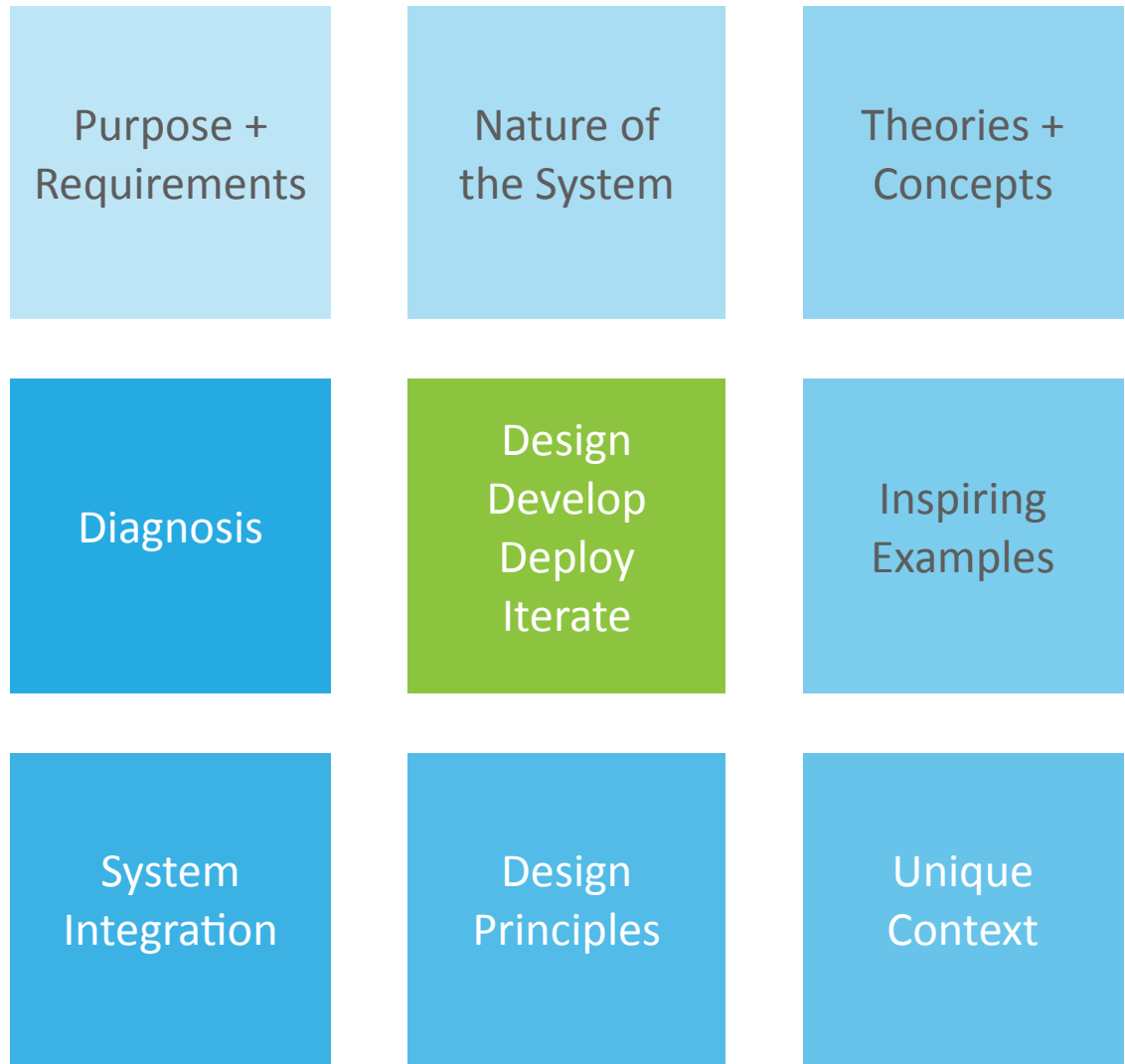
Organization Architects are collaborative and leverage the help of both internal subject matter experts and external consultants to save time and \$\$\$\$. While the leadership framework can be designed and implemented without any help from the outside, internal and external consultants or subject matter experts (SMEs) help facilitate and accelerate organizational transformation (Latham, 2013a). Successful transformations benefit from the support of an internal SME OAs who was the senior leader's "right-hand" person during the transformation. Also, external OA consultants help accelerate the learning and improvement process. Time is money!

# III. Design Framework



*“Design thinking can be described as a discipline that uses the designer’s sensibility and methods to match people’s needs with what is technologically feasible and what a viable business strategy can convert into customer value and market opportunity.”*

Tim Brown, IDEO

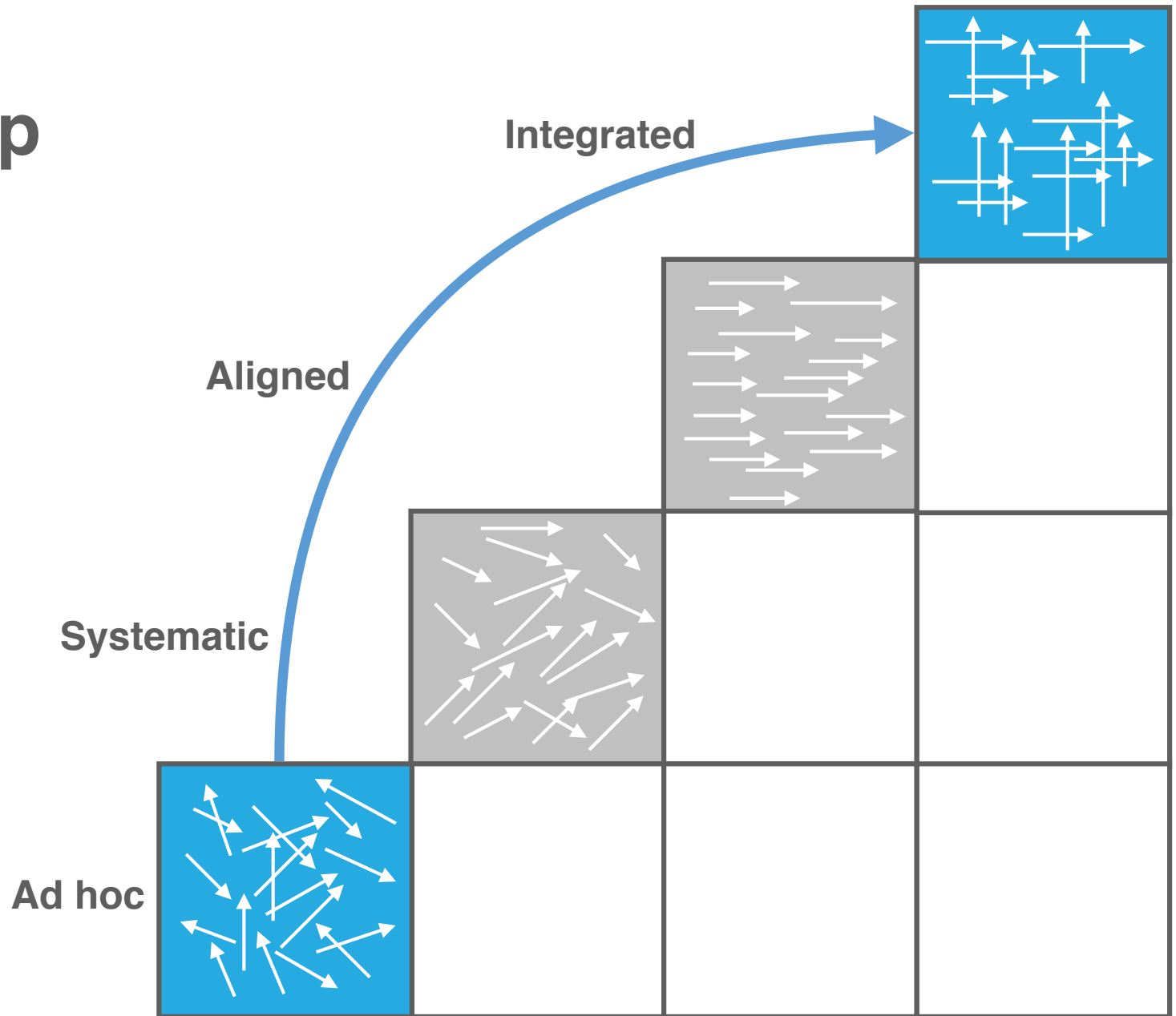


The Design Framework provides a structured but flexible approach to help you navigate the design process. The discovery phase is composed of the first eight components in the framework from purpose to diagnosis. The final component includes the design, development, deployment, and continuous improvement of the system.

# Take the Design Leap

*“Everything around you that you call life, was made up by people that were no smarter than you.”*

Steve Jobs, 1994



# Five Phases of Design



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*The Discovery phase enables the design team to make the “LEAP” to an Aligned and Integrated design.*

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## Discovery

The first eight steps of the design framework form the discovery phase. These first eight components are the “springboard” to the creative design and development process. The challenge is to integrate and incorporate all of these elements into the design team’s thinking without letting them inhibit creativity.

## Design

The design emerges from the development of multiple options to identify an “ideal” system, processes, and methods. Three versions are developed in this phase including an ideal design, a doable design, and a detailed design.

## Develop

Depending on the nature of the process, it might be useful to develop a prototype and test that design with a small group before full-scale implementation. This will allow the design team to learn from the deployment and refine the design before it is fully implemented. Once the new design has been refined to meet the feasibility criteria, it is ready for full-scale implementation.

## Deploy

Deploying a system or process throughout the appropriate parts of the organization is an exercise in leading change. Successful full-scale implementation of a new design requires a plan, trained employees, resources, and a process to review progress.

## Iterate

High performing systems and processes have “learning loops” built into the system to ensure continuous innovation and improvement of the organization’s ability to execute the new system and to improve the system itself and keep it current with changing organization needs.

# IV. Leadership Framework



*“Successful leaders in the future will have to become architects of enduring organizations by designing systems that create sustainable results for multiple stakeholders”*

Latham (2012a)

Forces and Facilitators

Leadership  
Style

Leadership  
System

Culture

Individual Leader Characteristics

Leading the journey to sustainable excellence requires the flexible combination of leveraging the forces and facilitators of change with leadership activities and behaviors, organizational culture, and individual leader characteristics.

# Leadership Framework



## Leadership Framework Components

### Forces and Facilitators

While the motivation for change varies widely, there must be enough tension to overcome the inertia of satisfaction with the status quo. The framework identifies key forces and facilitators of organizational change that are common to successful organization design or redesign.

### Leadership System (Activities)

Nine systematic activities to leading the design or redesign of the organization systems form the core of the leadership system. You might consider these the “science” of leading transformation.

### Leadership Style (Behaviors)

The framework offers nine leader behaviors that support the leadership system for organization excellence. You might consider these the “art” of leading transformation.

### Culture (The Habit)

Ultimately, sustaining excellence requires the new systems, processes, and practices become habit and embedded in the culture. Culture is composed of values, norms, traditions, symbols and rituals. In the end, individuals working together are the essence of any sustainable change.

### The Individual Leader (A Look Below the Surface)

Organization architects have five characteristics that increase the odds of achieving and sustaining high performance including purpose and meaning, humble but confident, integrity, systems perspective, and motivational and attitudinal patterns.

# V. The Prize

## Leadership & Design

The Leadership and Design approach is faster than other traditional methods, has a bigger payoff, and increases the odds of success.

1. First, the leadership and design approach is a more direct route to the goal of sustainable excellence.
2. Second, the direct route results in a faster journey which = increased benefits or speed to benefit.
3. Third, learning from those who have already been successful, increases the odds of success.

The goal is performance excellence that is sustainable.

## Sustainable Excellence

Sustainable Excellence is the creation of ever-increasing value for multiple stakeholders including investors, customers, employees, suppliers and partners, the community and the natural environment.

It is achieved through the design and redesign of an organization's systems to create continuously improving high-performance results across a comprehensive scorecard that compare favorably to relevant comparisons AND eventually embedding those changes into the culture of the organization.

Sustainable in this context means that the change endures, and it does not take from one stakeholder to serve another. Instead, it is designed to meet the needs of all the stakeholders. Only then will you have the organization you really want and society needs.

There is an old saying, when you think your excellence journey is over, it is! Achieving sustainable excellence is a never ending journey so enjoy the trip!

# Resources

## Application eBooks

Two Free application eBooks are available for download from the Free Member Library at <http://organizationdesignstudio.com/join-library/>

1. Latham, J. R. (2015). *Leadership Framework: An Introduction*. Organization Design Studio, Ltd: Monument, Colorado (84 pages) <http://organizationdesignstudio.com/free-ebook-leadership-framework/>
2. Latham, J. R. (2015). *Design Framework: An Introduction*. Organization Design Studio, Ltd: Monument, Colorado (65 pages) <http://organizationdesignstudio.com/free-ebook-design-framework/>

## Research and Practice Papers

Publishers have given me permission to post these papers on my personal website. They are Free to download but please respect the copyrights.

1. Latham, J. R. (2013a). A framework for leading the transformation to performance excellence part I: CEO perspectives on forces, facilitators, and strategic leadership systems. *Quality Management Journal*, 20(2), 22 [http://johnlatham.me/wp-content/uploads/2013/12/2013\\_QMJ\\_P1.pdf](http://johnlatham.me/wp-content/uploads/2013/12/2013_QMJ_P1.pdf)
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Leadership | Design | Sustainable Excellence

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