

Reflections

The SoL Journal
on Knowledge, Learning, and Change



FEATURE ARTICLES

Changing Culture Change

Diana McLain Smith

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Learning Lean: Don't Implement Lean, Become Lean

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Joseph Jaworski

PUBLISHER'S NOTE 12.1

**Frank Schneider**

This issue marks a transition for *Reflections*. As you know, Sherry Immediato ended her tenure as publisher of *Reflections* with volume 11.4. Having worked with Sherry over the last decade, I have always been inspired by her unwavering dedication to mak-

ing *Reflections* a purposeful, relevant, and high-quality publication. It is with that experience in mind that I am taking up the baton of publisher with this new volume.

For me, *Reflections* has always been an important expression of what SoL – as a learning community – stands for and the impact we have in the world. It has been a strong voice for sharing emerging and leading-edge work, a tradition I plan to carry forward. As we are planning for future issues, I am particularly committed to encouraging more contributions from members around the world. I am thrilled to work in joint stewardship with Janice Molloy and Deborah Wallace as senior editors of *Reflections*.

Our decision to devote this issue to emerging models of leadership came after much consideration. We are aware that endless books and articles have been written on the topic, yet as a society we are eternally dissatisfied with existing definitions. In this issue, we are peeling away another layer of the “onion” to get us closer to the heart of leadership, including a deeper look at leading oneself. To do so, it seemed only fitting to tap into the wisdom of the larger SoL community and contribute the latest work on leadership from a few of our colleagues. Each article in this issue offers a distinct and emerging model of leadership.

In “Changing Culture Change,” Diana McLain Smith describes efforts to transform a firm’s culture in order to minimize an increasing gap among its senior leaders and others. Recognizing that tacit assumptions are difficult to shift, Diana and her colleagues identified three axes along which they could surface, observe, and

eventually alter damaging shared assumptions that were at the core of the organization’s culture. Their research boldly challenges existing theories that culture change is either a top-down or a bottom-up effort. In “Learning Lean,” Michael Ballé and Peter Handlinger explain why CEOs’ efforts to implement lean in their companies have often been disappointing. They argue that too often leaders try to helicopter in a set of lean practices without giving adequate attention to the critical role that building teamwork and individual competence plays in achieving successful outcomes. The authors present a case study of a construction company where leaders ensure that employees are given ample opportunity to practice “becoming leaner” together.

In “Leadership for Our Times: The Leadership System Model,” David Kantor concludes that the failure of leadership in this era of perpetual performance crises stems from our reliance on the CEO-as-savior model. He says that this approach places an impossible burden on any leader, no matter how well equipped to meet the challenges of the position. Kantor proposes a new model, the “Leadership System,” in which the focus of responsibility and accountability shifts from an individual to a team of leaders who have equivalent but widely varying sets of capabilities. The final piece is an excerpt from Joseph Jaworski’s newly published book, *Source: The Inner Path of Knowledge Creation*. In it, Jaworski shares elements of his personal quest to redefine transformational leadership. He suggests that we need “renewing leaders” who possess not only a keen cognitive understanding of the world, but who are also guided by an underlying intelligence that he refers to as the “Source.”

As we work on upcoming issues of *Reflections*, we welcome your contributions – a story from the field, podcast, interview, book excerpt – something that has inspired you and that you are interested in sharing.

Frank Schneider
Publisher

EXECUTIVE DIGEST 12.1

Changing Culture Change*Diana McLain Smith*

A common belief exists that leaders can manipulate organizational culture, like a sculptor shapes clay. But whereas the expression of culture, such as written mission statements and office arrangements, can easily be changed, people's implicit assumptions often prove more difficult to shift. Based on insights from culture experts, Diana McLain Smith and others at a small professional services firm sought to change the firm's culture to close the growing distance among senior leaders and others. They found that by observing and transforming relationships along three axes, they were able to surface, examine, and alter the shared assumptions that lie at the core of a firm's culture. Equally important, they learned that culture isn't a top-down or bottom-up creation: it is a joint venture created by followers and leaders in relation to each other and their external constituents.

Learning Lean: Don't Implement Lean, Become Lean*Michael Ballé and Peter Handlinger*

Many leaders have tried to apply the "Toyota approach" to improve performance and financial results, yet few have succeeded. Those who do have learned that they can never *implement* lean per se but rather must strive to *become* leaner every day. According to Michael Ballé and Peter Handlinger, the "system" in "Toyota Production System" is not a cut-and-paste set of practices, but a series of related *learning activities* aimed at developing individual competence and teamwork. The authors use the example of a "lean" construction company to illustrate the positive outcomes that can occur when people observe worksite problems for themselves and struggle to find solutions together. Based on these principles, the authors identify four general lessons for any CEO who hopes to achieve lasting results from lean efforts.

Leadership for Our Times: The Leadership System Model*David Kantor*

In the face of a performance crisis, organizations meet with an essential decision: delve deep into their own workings to uncover the complex web of forces driving their decline or place their hopes and fears in the hands of a heroic savior. As the rash of CEO turnovers in the last five years powerfully demonstrates, the white knight approach is the prevailing panacea. Perhaps the hangover of those childhood fairytales compels us to so stubbornly cling to the myth of the hero who charges in to save the day. Yet, as experience has demonstrated time and again, savior CEOs rarely live up to expectations. In this article, David Kantor offers an original argument for replacing the CEO-as-savior model of leadership with one that comprises a system of interconnected leaders with equivalent but widely varying sets of capabilities.

Renewing Leaders: Beyond Servant Leadership*Joseph Jaworski*

The notion of transformational, or servant, leadership has been around for thousands of years. It has been the standard against which we have judged our most revered leaders – until now. In his new book, *Source: The Inner Path of Knowledge Creation*, Joseph Jaworski suggests that servant leadership is no longer adequate to meet today's challenges. He calls for a more advanced generation of leaders, which he refers to as "Renewing Leaders" or "Stage IV Leaders." Jaworski explains that what sets these individuals apart is their unique capacity for combining their cognitive understanding of the world with their ability to connect with the "Source," an underlying intelligence that provides them with the power to create the kinds of organizations and society we desire. In this excerpt, Jaworski paints a compelling profile of one such leader whom he believes exemplifies and embodies this most advanced stage of leadership.

FEATURE 12.1

Changing Culture Change

DIANA McLAIN SMITH

A common belief exists that leaders can manipulate organizational culture, like a sculptor shapes clay. But whereas the expression of culture, such as written mission statements and office arrangements, can easily be changed, people's implicit assumptions often prove more difficult to shift. Based on insights from culture experts, Diana McLain Smith and others at a small professional services firm sought to change the firm's culture to close the growing distance among senior leaders and others. They found that by observing and transforming relationships along three axes, they were able to surface, examine, and alter the shared assumptions that lie at the core of a firm's culture. Equally important, they learned that culture isn't a top-down or bottom-up creation: it is a joint venture created by followers and leaders in relation to each other and their external constituents.

**"Before I built a wall I'd ask to know
What I was walling in or walling out."**

– Robert Frost, "The Mending Wall"



Diana McLain Smith

Few organizations build cultures adaptive enough to sustain a firm's competitiveness over time. By 2006, only six of the 18 companies showcased in the 1994 bestselling book *Built to Last* still outperformed the Dow Jones Industrial Average. "The other twelve," strategy experts Gary Hamel and Liisa Välikangas wryly observed in the *Harvard Business Review*, "have apparently gone from great to merely OK." The road to merely OK may or may not be paved with good intentions, but it is most surely paved with outdated cultural assumptions, and these cultural roads are proving very hard to repave.

That's why so many leaders now say what design experts David Nadler and Michael Tushman concluded in *Competing by Design*: "Culture . . . is the single most difficult aspect of organizational architecture to reshape in a lasting way." The soft stuff of culture, it seems, is the hardest stuff to get right. Yet it is also the most important, determining how firms – or more aptly, the people in them – actually behave.

Perhaps no one knows this better than Allan Kennedy, coauthor of one of the first books written on corporate cultures. His efforts to put his ideas into practice at a small firm called Selkirk Associates in the 1980s still have much to teach us about how *not* to shape the culture of a firm. More recently, with the benefit of Kennedy's experience, and with insights from culture experts before and after Kennedy's time,¹ I set out with folks at another small firm to see what kind of cultural change we could create. The two experiments together suggest that:

- Relationships, not individual leaders alone, shape and reshape the invisible assumptions that lie at the core of a firm's culture.
- Relationships hold the power to reinforce or transform the cultural assumptions that give rise to outdated hierarchical, functional cultures disconnected from the marketplace.



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- Only by transforming key relationships will culture change go deep enough to last.

This article tells the tale of these two culture experiments and reflects on what they together have to teach us about culture and culture change.

EXPERIMENT 1

Designer Cultures

In the early 1980s, just as ideas about corporate culture were taking off, Allan Kennedy launched a software company as a kind of culture laboratory. As the firm's CEO and cofounder, Kennedy wanted to see if he could use the ideas from his book to build a highly flexible, entrepreneurial culture based on collaboration, decentralization, openness, democratic decisions, respect, and trust. An article in *Inc.* magazine recounts:

For Kennedy, this was not a long-term goal, something that would evolve naturally in the fullness of time. On the contrary, it was a pressing, immediate concern. Accordingly, he focused all his attention on creating such a culture from the start. "I spent lots of time," he says, "trying to think about what kind of values the company ought to stand for and therefore what kind of behavior I expected from people." These thoughts eventually went into a detailed statement of "core assumptions," which he reviewed and amplified with each new employee. In the same vein, Kennedy and his colleagues chose a "guiding principle," namely, a commitment to "making people more productive." They would pursue this ambition, everyone agreed, "through the products and services we offer" and "in the way we conduct our own affairs."

By all accounts, they acted like one big happy family in a large room with no offices and a lot of camaraderie – that is, until the day the walls went up.

At first, everything went according to plan. Bound together by the firm's espoused assumptions and values, the group scurried to develop exceptional software products for sales and marketing management. By all accounts, they acted like one big happy family in a large room with no offices and a lot of camaraderie – that is, until the day the walls went up. The *Inc.* article continues:

The problem stemmed from the situation in the big room, where the technical people were laboring feverishly to develop Selkirk's first product, while the salespeople were busy preselling it. The former desperately needed peace and quiet to concentrate on their work; the latter were a boisterous lot, fond of crowing whenever a prospect looked encouraging. In fact, the salespeople crowed so often and so loudly that the technicians complained that they were

being driven to distraction. Finally, they confronted Kennedy with the problem. Their solution, which Kennedy agreed to, was to erect five-foot-high movable partitions, separating each functional grouping from the others.

In the memory of Selkirk veterans, the day the wall went up lives on as a day of infamy: a symbol of divisiveness that undid all their best-laid cultural plans.

Indeed, the erection of the walls touched off a feud between engineering and marketing that eventually grew into “open organizational warfare,” according to Kennedy. “I let the wall stand, and a competitive attitude developed where engineering started sniping at marketing. We had two armed camps that didn’t trust each other.”

That, however, wasn’t the worst of it. Once they released their first product, they discovered that the market didn’t value customer service quite as much as their culture did:

Not that there was anything wrong with the product. It was, in fact, a fine piece of software, and it premiered to glowing reviews. . . . The problem had to do with the price tag, a whopping \$12,000 per unit. The Selkirk team had come up with this rarefied figure, not out of greed, but out of a commitment to customer service – a goal to which they had pledged themselves as a part of their cultural mission. In order to provide such a service, they figured, a Selkirk representative might have to spend two or three weeks with each customer helping to install and customize the product. Trouble was, customers weren’t willing to pay for that service, not at \$12,000 per unit anyway. After a flurry of interest, sales dropped off. . . . “We just blew it,” says Kennedy. “We were arrogant about the market. We were trying to tell the market something it wasn’t interested in hearing.”

By the time the team figured this out:

Selkirk’s entire sales effort was in shambles, a victim of its commitment to employee auton-

omy. Sales targets were seldom realized. Indeed, they were scarcely even set. At weekly meetings, salespeople would do little more than review account activity. In the end [Kennedy] was forced to fire more than half of his staff, slash prices by 87%, and start over again.

Many firms today, most of them older and wiser than Selkirk, have made worse mistakes on a grander scale.

What Happened at Selkirk?

Many firms today, most of them older and wiser than Selkirk, have made worse mistakes on a grander scale. Over the past 20 years, I’ve watched countless culture change efforts fail to dismantle functional fiefdoms or transform sluggish hierarchical behavior, and I’ve seen just as many strategy efforts fail because the assumptions upon which they were based were out of touch with the market. So how do leaders make such mistakes, especially those like Kennedy, who are committed to collaboration, learning, and trust? Are they just isolated lapses of judgment, or do they reflect something more fundamental?

I believe they reflect something more fundamental: the largely shared, implicit belief that leaders are like sculptors and that culture is like clay, susceptible to direct manipulation. I suspect it was this belief that led Kennedy to confuse the expression of culture – written documents like values or mission statements, espoused beliefs or assumptions, office arrangements, rituals, and rites – with a culture’s less visible but more powerful core: the *implicit assumptions* people carry in their heads. Because Kennedy was so focused on the former, he overlooked the assumptions people brought with them to Selkirk. It was those assumptions that governed how the people at Selkirk interpreted events and how they behaved, individually and collectively. To see what I mean, let’s look more closely at how the sequence of events unfolded

at Selkirk and at the assumptions informing each step:

- First, a fight breaks out between sales and engineering over the groups' conflicting needs: the technical group needs silence to concentrate; the sales group needs to celebrate its victories to stay pumped up. At play in how this fight unfolds is the implicit assumption that one group's needs must prevail over the other's. This zero-sum, adversarial assumption made their conflict intractable, requiring intercession from above.
- Next, the two groups don't try to work things out between themselves; instead, they each go to Kennedy to complain about the other. Here a second shared assumption comes into play:

Embedded in these choices is an implicit assumption about his role as leader: his job is to fix problems, not help the team work through any conflicts among groups or between values.

if you can't settle a dispute among yourselves, send it up the hierarchy. This second assumption reinforces the first one about the intractable nature of conflict. After all, if you assume you can send your conflict up the hierarchy, why bother settling it among yourselves?

- In their meeting with Kennedy, the technical folks "confront" Kennedy. Interesting word. One can only imagine what they said – "Hey, buster, you created this great big office space with no private offices. *You go fix it!*" – at which point, they suggest a five-foot-high movable partition to separate the two functional groups. Embedded in this move is the assumption that their role as followers is to say what's wrong and needs fixing, and that the participatory leader's role is to do what they say – or run the risk of being viewed as undemocratic, a clear violation of their espoused values.

- Kennedy responds by doing what the technical group demands, telling himself that he's simply adhering to the firm's democratic values. What he doesn't see is that he isn't adhering to that same democratic value with the sales group (he never consults them), nor is he adhering to the firm's espoused value of collaboration (he doesn't ask the groups to collaborate on a solution with his help). Embedded in these choices is an implicit assumption about his role as leader: his job is to fix problems, not help the team work through any conflicts among groups (in this case, sales and engineering) or between values (in this case, openness to the technicians' needs and collaboration among groups).
- The next thing you know, a five-foot wall goes up, confirming everyone's assumptions about the intractable nature of conflict. With the wall creating greater distance between sales and engineering, an even more competitive attitude develops between the groups, turning them into armed camps that don't trust each other.
- In the end, Selkirk's entire sales team is in shambles, making it late to discover that customers aren't willing to pay \$12,000 per unit for a service the folks at Selkirk assumed customers would value.

What Can We Learn from the Selkirk Experiment?

"We just blew it," Kennedy said in the *Inc.* article. True enough. But they didn't "just" blow it. Selkirk's failure was the inevitable consequence of people's interactions with each other and with their customers – and the assumptions informing those interactions.

Think about it. Had the relationship between engineering and sales been less adversarial and more collaborative, their dispute would never have landed on Kennedy's doorstep. And had Kennedy and his direct reports forged a relationship in which they shared responsibility for solving the problem between sales and engineering, Kennedy would never have erected the wall. As it was, their relationships weren't up to the job of resolving the competing needs and interests of different groups, or any

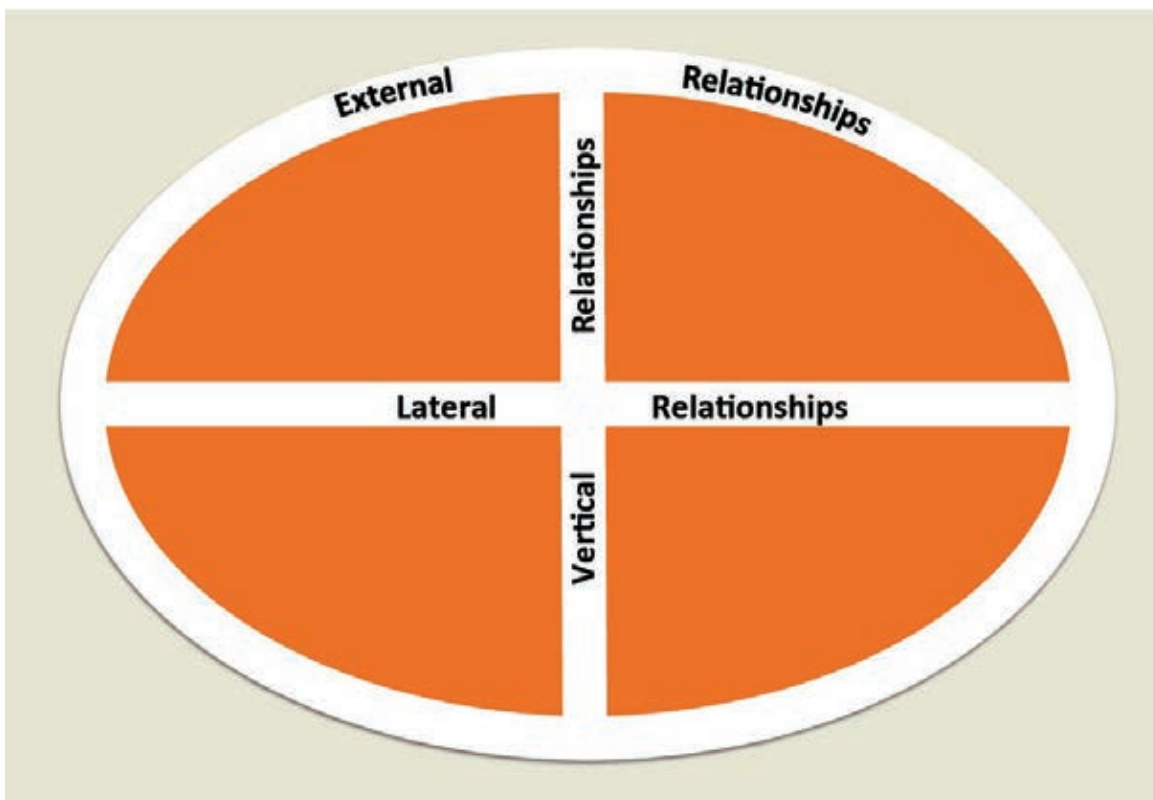
tensions that arose among espoused values once put into practice. Instead, their relationships – and the assumptions underlying them – conspired to sabotage the collaborative, democratic ideals everyone held dear. As a result, they were unable to learn from each other or their customers, and their firm came crashing down.

So what do we still have to learn from this 30-year-old experiment? A lot. Kennedy's experience has taught me four lessons I've never forgotten:

- You should never confuse the visible face of a culture with the invisible assumptions that lie at its core. While the face of a culture may be as malleable as clay, the core is more like glue: quick to adhere, hard to unstick.
- You can't dictate or mandate cultural assumptions. People will always bring their own assumptions – forged at school, at home, and at past organizations – to whatever firms they join. Those assumptions can only be transformed through new social experiences.
- All social experience takes place in the context of relationships, and so it is in the context of relationships that people will either change or perpetuate their assumptions.
- The quality of a firm's relationships determines which outcome occurs and thus whether (and how fast) people and their firm will learn, change, innovate, and adapt.

These lessons have helped me see that culture isn't a top-down creation – or even a bottom-up one. It's a joint venture created by followers and leaders in relation to each other and their external constituents. After years of studying and tilling different cultural soil, I've come to think of these relationships in geometric terms along three axes that together define a culture's assumptive core: *vertical* (relationships across levels), *lateral* (relationships across functions), and *external* (relationships with customers, suppliers, channels, investors) (Figure 1).

FIGURE 1 **The Geometry of a Firm's Culture**



This way of thinking led me to wonder: perhaps if we focused as much attention on developing adaptive, learning-oriented relationships as we do on developing adaptive, learning-oriented leaders, we might breathe some cultural life into our adaptive, learning-oriented aspirations. In any case, that's the hypothesis we set out to explore two years ago at a small professional services firm only slightly larger than Selkirk.

EXPERIMENT 2

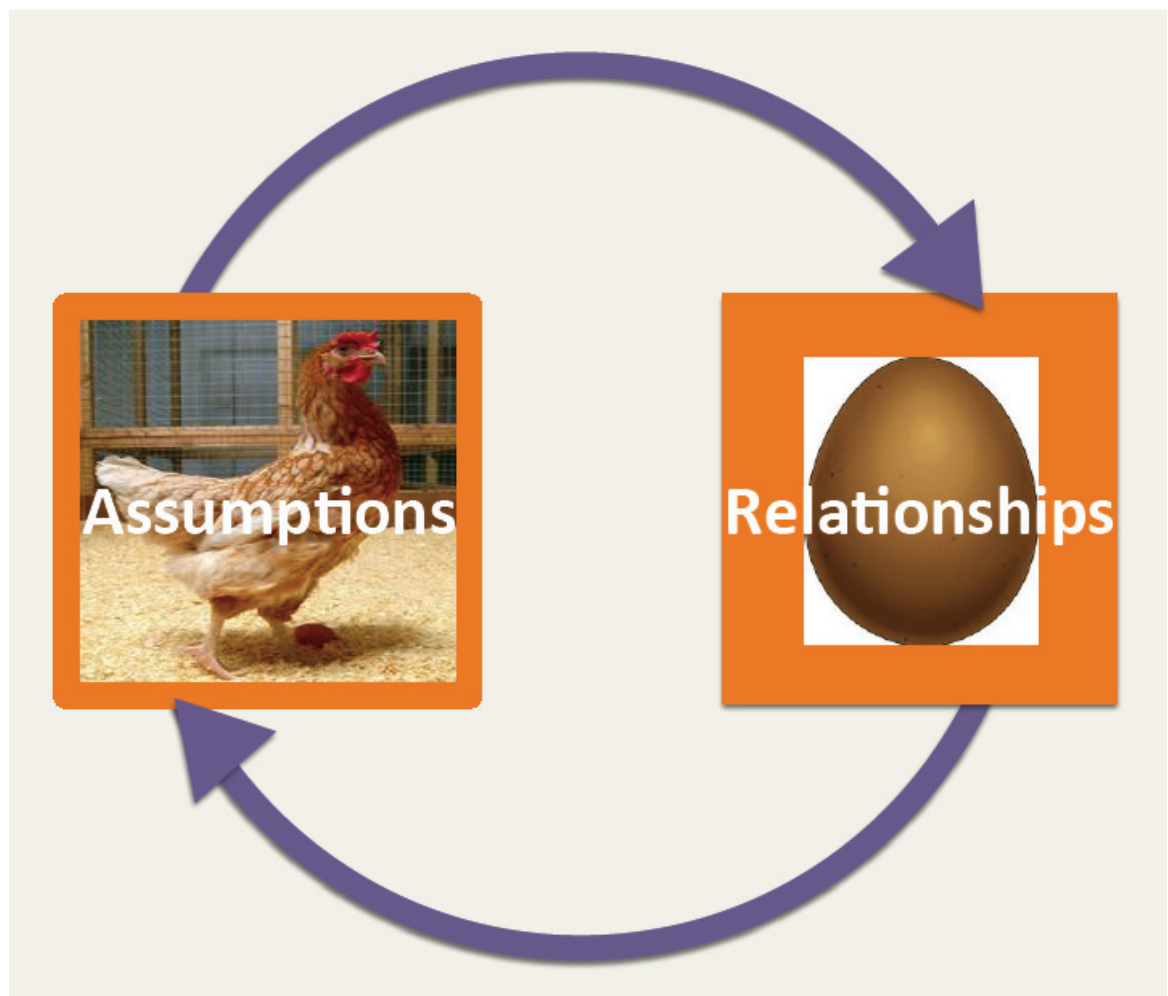
A Relational Approach to Culture

In 1979, six years before publishing his seminal book on culture, *Organizational Culture and Leadership*, Ed Schein observed: "Almost any change in behavior, assumptions, attitudes, and values is mediated by interpersonal relationships of one kind or another." More recently, cognitive

psychologists R.G. Lord and C.G. Emrich made a similar point: "Collective cognition is neither created or housed in the mind of a single individual. Instead, it reflects a socially constructed understanding of the world derived from social exchanges and interactions among multiple individuals in a group or organization."

In the real world, matters are a bit more complicated. That's because we face a tricky chicken-and-egg problem. That is to say, our interactions not only shape our assumptions – making them more or less adaptive – those assumptions also shape our relationships, making them more or less adaptive as well (Figure 2). And here's the rub: the less adaptive relationships are, the less likely they are to transform the assumptions that prevent people and firms from realizing their aspirations.

FIGURE 2 **The Cultural Chicken & Egg Problem**



The INNOVATE Experiment

Two years ago at a small, highly successful, fast-moving professional services firm I'll call INNOVATE, Inc., you could see the effects of this chicken-and-egg problem every day. Despite their success and aspirations like Selkirk's to build an entrepreneurial, collaborative, learning-oriented culture, staff and partners at all levels had come to feel disconnected from the firm's most senior leaders and from the clients whose work had brought them to the firm. Like the people I've studied in many other firms, they assumed that they were helpless to close the growing distance among them. In their minds, that distance was an immutable by-product of INNOVATE's high-pressured, frenetic, transactional culture, something that lived "out there," totally outside their control, shaped by the most senior leaders who held all the power and all the decision rights.

As a result, when things got especially frenetic or pressured, as they often did, people saw no point in saying much or in negotiating their competing needs. They just hunkered down, did their jobs, complained to each other, wasted precious time waiting for decisions from above, and planned their eventual exit from the firm. Of course, this behavior only reinforced their assumed helplessness and widened the distance among staff, partners, senior leaders, and the clients we served. Worse yet, it cemented the unawareness that helped create and maintain the problem.

To crack this chicken-and-egg problem at INNOVATE, we decided to start with relationships. We figured, since seeing is believing, it would probably be easier to act our way into believing differently than it would be to ask people to believe their way into acting differently.

With that hypothesis in mind, we targeted relationships along the three axes mentioned earlier – *vertical* (relationships across levels), *lateral* (relationships across functions), and *external* (relationships with external constituents) – attending to each axis in that order. We thought that by changing the patterns underlying these relationships,

TABLE 1 **Stages of Culture Change**

Stage 1	Mapping the Cultural Terrain
Stage 2	Distrupting Current Patterns and Assumptions
Stage 3	Inventing New Patterns and Assumptions
Stage 4	Integrating and Building

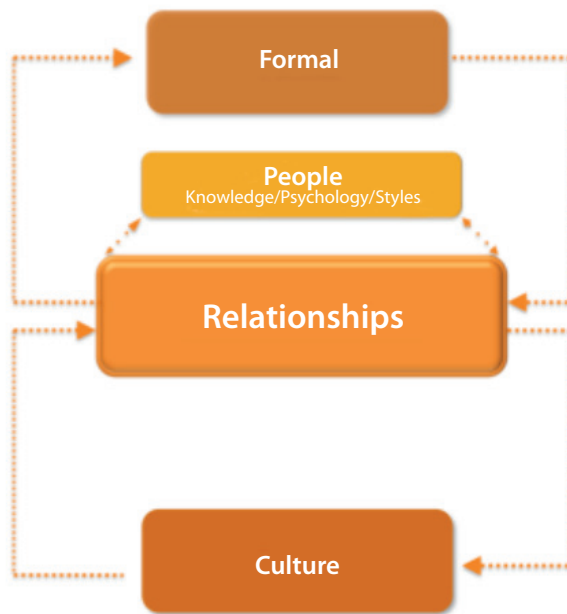
we might be able to change the shared assumptions that were holding people back, which in turn would make our relationships more adaptive and so on. By doing so, we hoped to jumpstart and sustain a virtuous cycle – transform relationships to transform assumptions to transform relationships and so on – all of it breathing life into our aspirations and creating change that would last.

When we first set out, we didn't expect change to happen overnight. We recognized that if we wanted to get to the core of the firm's culture, we'd have to stage change over time. Now, looking back two years later, I can see that we went through three stages of change and are about to enter a fourth (Table 1). Though very different in focus and results, each stage unfolded in the context of key relationships along each of the three axes, informed by new data and guided by a new idea.

It's easier to act your way into believing differently than to believe your way into acting differently.

Stage 1: Mapping the Cultural Terrain

This first stage was guided by a concept called *Steering Mechanisms* (Figure 3, p. 8), which helps people see the mechanisms through which organizations chart their course and create results.² As shown in Figure 4 (p. 9), the idea highlights the role people's relationships play in translating a firm's formal strategies and structures into cultural realities. Throughout the change effort, we used this idea to focus our collective attention on relationships as a lever for culture change, so folks could see how relationships – created and main-

FIGURE 3 **Steering Mechanisms**

tained by them – shaped cultural phenomena that up until then had felt totally outside their control.

To map the cultural terrain during this first stage, we collected data – observations, tape recordings, surveys, and interviews – that allowed us to map the relationship patterns that were defining our culture and affecting our ability to achieve our aspirations, serve our customers, and grow our impact. We then used the results of this inquiry to structure a series of firm-wide conversations through which people came to see something they had not previously noticed: that through their relationships, everyone was creating a cultural reality no one especially liked. They now faced a more conscious choice: Would they continue to play the game or transform it (Figure 4)?

Through their relationships, everyone was creating a cultural reality no one especially liked.

That choice – while disconcerting and even troubling to some – liberated people from their assumed helplessness and empowered enough of them to take the risk of reaching across divides that had emerged over time.

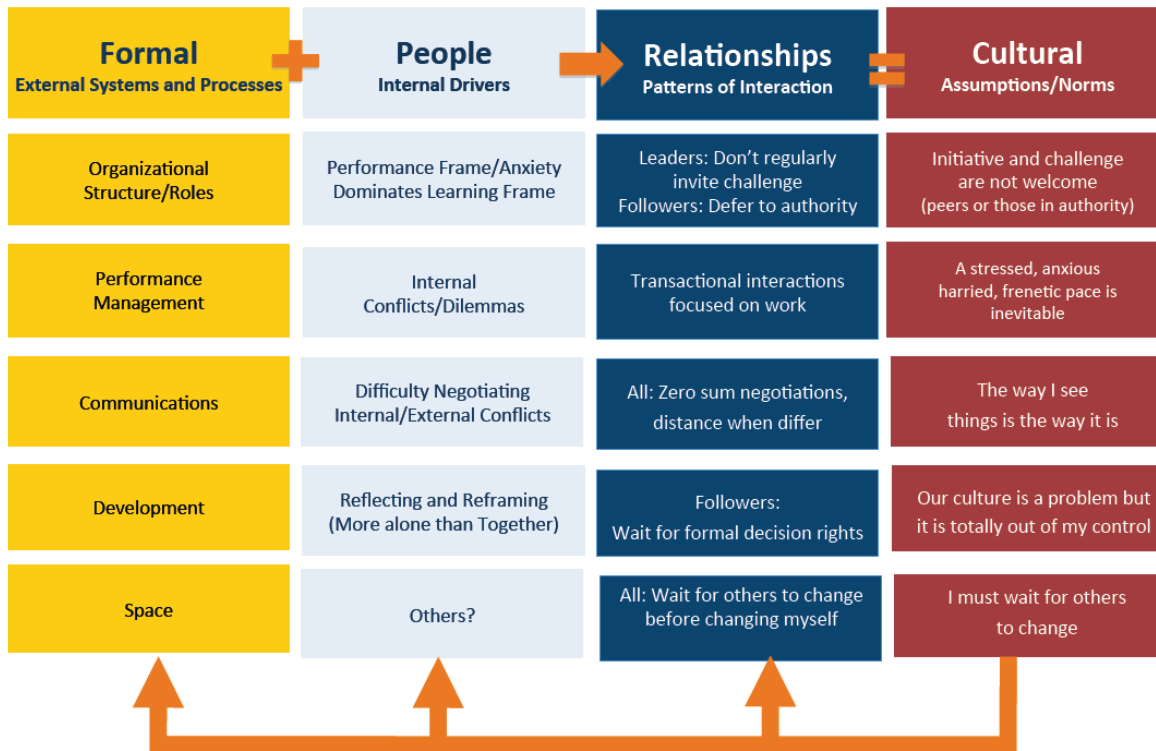
As you might expect, not everyone jumped into the culture-change pool right away. Some waited to see what happened when others dived in, others put only a tentative toe in the waters, while still others insisted that the water was shark-infested and anyone going in was nuts.

Stage 2: Disrupting Current Patterns and Assumptions

No matter. We had enough folks at each level jumping in to move us into the second stage of change. At the beginning of this stage, we made a number of formal changes to address the handful of issues that had left staff feeling disconnected and hopeless. Most important among them was the creation of a new performance system and what we called “functional homes.” Each home was led by a managing partner, who was held accountable for developing staff members and ensuring they felt a sense of connection to their work, the firm’s leadership, and their clients’ work.

At the same time, we also held staff accountable for ensuring this shift actually happened. That was the new deal: “If you want greater connection, then help make it happen. It’s on you, too.” Had staff not also taken responsibility, leadership would have retained total responsibility and, along with it, total control. Sharing control meant sharing responsibility and accountability as well.

It also meant working through the cultural assumptions and formal structures that were making mutual control and responsibility for change difficult across levels. To get at those, we continued our firm-wide conversations, focusing on the challenges people were facing. As we talked these through, we drew on another guiding idea called *Patterns of Awareness* (Figure 5, p. 10). This idea, which captures well-documented cognitive biases, shows how each person in an interaction sees only half the picture: what the other person is doing and how that makes them feel. What they don’t see is what *they* are doing and how that makes *others* feel. Nor do they see how each person in the interaction is eliciting or reinforcing the very behavior they find difficult, creating a vicious cycle.

FIGURE 4 **Reflecting on the Results of Our Inquiry****Q: Will you play the game or transform it?**

This idea helped us disrupt the highly shared and limiting assumption that others are to blame and we ourselves are helpless by showing that the fault lies not in the stars or even in individual people, but in the patterns of interaction we together create.

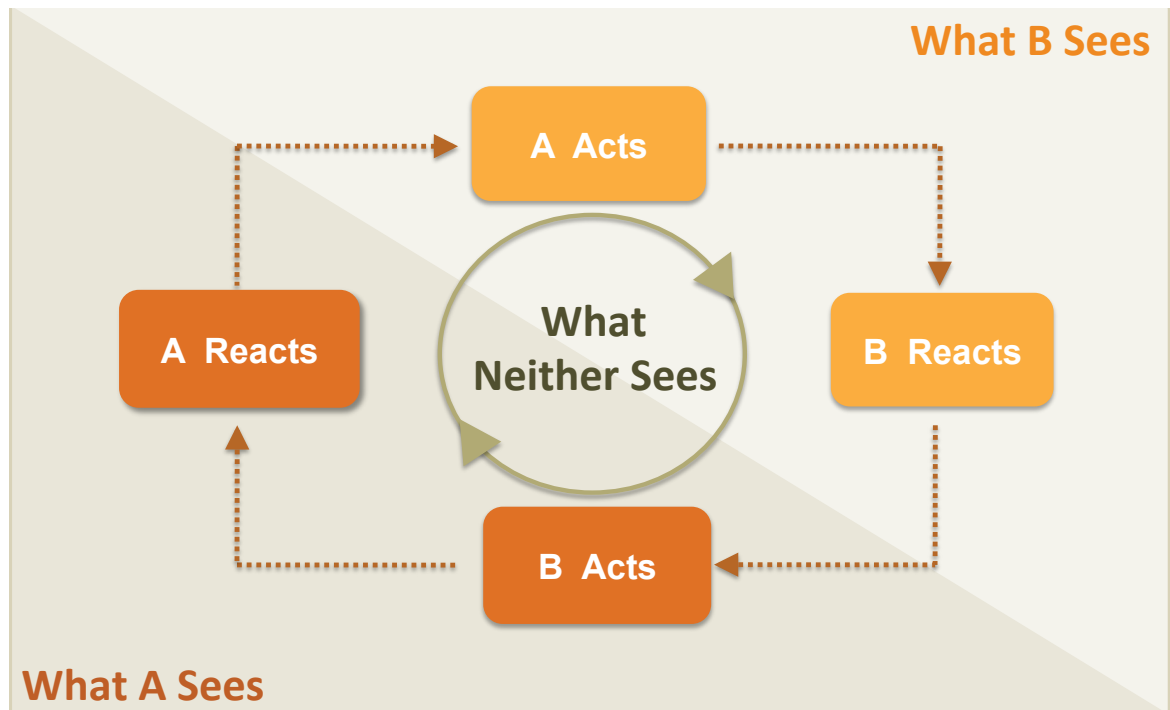
More aware of their own behavior, people began to entertain the notion that they might be forging – and therefore could alter – patterns of interaction they didn't like. Still, we knew it would take more than insight alone to transform something so basic. It would take repeated practice and reflection in the context of the challenges people faced each day.

With that in mind, we offered voluntary seminars for folks to reflect on themselves in relation to others as they grappled with their work. Though someone well versed in these ideas facilitated each group, peers had the greatest impact, with

people helping each other uncover and reexamine the implicit assumptions that had been holding them and the firm captive.

Transformation takes repeated practice and reflection in the context of the challenges people face each day.

As word spread about what folks were learning in these groups, more and more people in and outside the seminars began doing things differently to see what happened. Many of these mini-experiments generated different results, suggesting they were on the right track: that if people acted differently, others might act differently, and together they might be able to create a virtuous cycle that would eventually move them in a more adaptive, less limiting direction.

FIGURE 5 **Patterns of Awareness**

Seeing truly is believing. At this point, enough people were seeing enough of a difference to reconsider the cultural assumption that they were helpless and those at the top held all the cards.

Enough people were seeing enough of a difference to reconsider the cultural assumption that they were helpless and those at the top held all the cards.

Stage 3: Inventing New Patterns and Assumptions

As we entered this stage of change, we could see a new assumption begin to emerge – the assumption that through our own actions and the relationships we create, we can either perpetuate or change the culture around us. This emergent belief is all we needed to create patterns of interaction that opened up the possibility for growth and learning rather than assuming it away.

As new patterns emerged, more and more people joined the change effort. This made it possible for us to broaden our scope, involving more people along all three axes and gradually shifting our focus externally. Here, we focused on a select number of clients and investors, going through the same steps with them we'd taken internally: mapping patterns of interactions and uncovering the assumptions that limited what we were able to learn and achieve together.

During this stage, we also went deeper, unearthing other assumptions at play within the firm – assumptions about what it means to perform, learn, and succeed as well as about who's "in" and who's "out" and why. As we did this work, we could see more learning-oriented patterns of interaction take hold, as people more openly reflected on their assumptions and on how they were affecting their own and the firm's performance, learning, and growth.

During this stage, we relied on a third guiding idea, *The Anatomy Framework* (Figure 6), to better understand why one person's actions led another

person to react and act in a particular way. By looking at people's interlocking frames, and at the cultural knowledge embedded in their repertoires and in the firm's social context, we could more clearly see that these patterns were a product of our own making, and thus could be unmade and remade.

Though highly productive, this peeling back of the relational onion never became (and should never become) a widespread daily event; the demands of a fast-growing firm would never permit it. Instead, we focused on a handful of highly symbolic relationships – relationships that, if changed, would have a transformative impact on people's assumptions about how things work. What's more, this process unfolded in the context of doing the firm's work – making decisions, implementing plans, figuring out how to solve a problem – with an eye toward improving our performance. By taking this targeted, goal-oriented approach, we were able to build our cultural capabilities while getting the work done, without sacrificing one at the altar of the other.

Stage 4: Integrating and Building

Over the past six months, we've entered the fourth and final stage of culture change. I suspect that by the end of this stage, we will return full circle to mapping new cultural terrain and changing again. At the moment, however, our attention is devoted

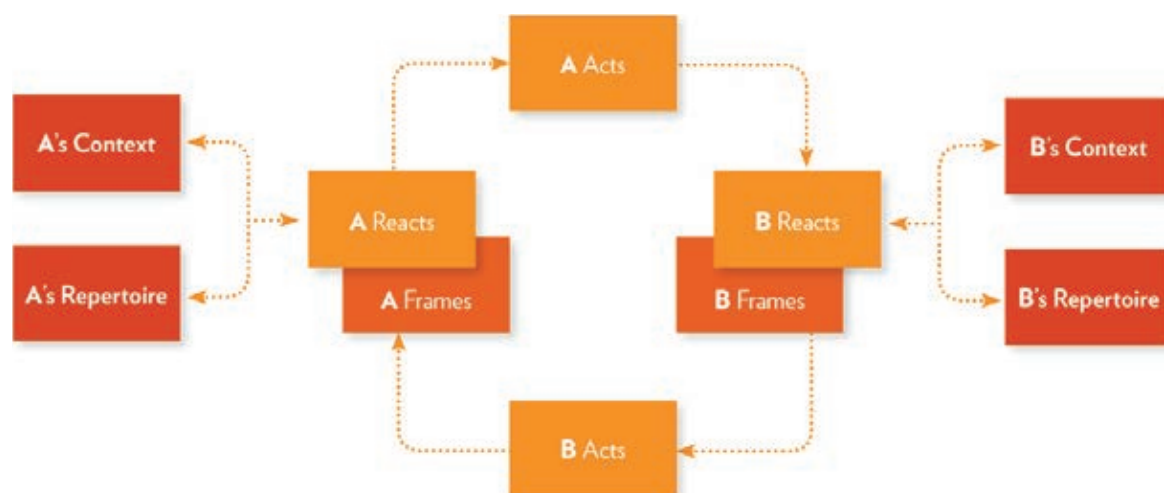
to integrating and building on what we've learned so far, even as we recognize that this round of change – like all rounds – has its limits.

We were able to build our cultural capabilities *while* getting the work done, without sacrificing one at the altar of the other.

Our focus returns to the formal organizational level, as shown in the *Steering Mechanisms Framework* (Figure 3). Only now, with a good deal of cultural learning under our belts, we're freer to design formal strategies and structures that meet our aspirations and the demands of our external environment *without* having to work around or compensate so much for the limits of our culture and the relationships that define it.

In the past, for example, we might have hesitated to pursue our deepest aspirations for fear of alienating potential investors; now we have a manifesto that captures those aspirations, and we're engaged in an open dialogue with our investors about how best to realize them. In the past, we viewed decision rights as a purely formal matter, with senior leaders needing to define them more clearly; now we see that our assumptions about our own power define the decision rights we feel

FIGURE 6 **The Anatomy Framework**



more or less free to exercise, no matter what the formal reality says. In the past, we rarely discussed these matters; now we discuss them with greater competence and genuine curiosity.

Still, during this last stage, the limits of change are also becoming more apparent. Cultural assumptions – though shared at one level – always carry a more variable, personal hue. Take two assumptions at INNOVATE: *I must perform well to succeed* and *I must learn from mistakes and failures to succeed*. Though highly shared, these assumptions vary in their hold on people and in their meaning. For a small number of folks, the two hold equal sway and their meanings peacefully coexist. These folks believe excellence depends on learning from mistakes and failures, which leads them to take risks and to talk about mistakes and failures openly.

But for the vast majority of people, the two assumptions don't coexist quite so easily. While they consciously believe it's important to learn from mistakes and failures, they worry that these will reflect poorly on their performance. As a result, they hesitate to take risks, and they expend a lot of unnecessary energy navigating the tension they perceive between the two assumptions.

For still others, the two assumptions are irreconcilable, leading them to avoid mistakes altogether and to cover up their failures, making it hard for them to learn or to improve their performance.

The problem, when it comes to culture change, is this: that last group, though small, makes it much harder for the middle majority to build a culture that values performance and learning in equal measure and that has the cultural competence to constructively resolve any tensions between the two. As a result, left to their own devices, members of that last group will slow culture change down and ultimately define its limits.

Since we're still grappling with this conundrum ourselves, we don't yet have any good answers. In the meantime, we're looking to the first group to encourage the middle majority to join their ranks by demonstrating what's possible. If that works, we're hoping it will gradually shift the center of cultural gravity more in the direction of high-performing learners. But the data is not yet in on this approach, so it's too soon to draw any conclusions – except for one.

Culture change is a lot more complicated than any of us would wish, yet wishing away those complications only makes it more so. Given that, it's best to engage them and see what you can make of them.

A Brief Reflection on Selkirk and INNOVATE

A lot of time has passed since Kennedy's Selkirk experiment, yet few firms have learned its lessons. Most still focus on the public face of a culture and leave its invisible core intact. Others make changes at the formal level only to see those changes washed out by the deeply ingrained assumptions that inform individual and collective behavior. Still others focus on building culturally desirable capabilities in individual leaders, independent of the relationships in which they must exercise those capabilities, making them difficult to use in the heat of the moment.

The experiment at INNOVATE suggests that by observing and transforming relationships along three axes – vertical, lateral, and external – you can surface, examine, and alter the shared assumptions that lie at the core of a firm's culture. The approach at INNOVATE emphasizes the role relationships play in translating formal designs into cultural realities, and it puts culture change back in the hands of the people who create it. Everything I've learned to date suggests that's where culture change belongs.³ ■

ENDNOTES

- 1 For more writings on culture and culture change, see Geertz, C. (1973). *The Interpretation of Cultures*; Sackmann, S. (1991). *Cultural Knowledge in Organizations*; Schein, E. H. (1985). *Organizational Culture and Leadership*; and Van Maanen, J. (1988). *Tales of the Field*.
- 2 For more on Steering Mechanisms, see Smith, D. M. (2002). "Keeping a Strategic Dialogue Moving" in Simcic, P., Brown, P. & Wiig, R., eds. *Corporate Communication: A Strategic Approach to Building Reputation*. Gyldendal Norsk Forlag. Also available at www.dianamclainsmith.com and www.actiondesign.com.
- 3 For more on how to apply the frameworks cited here, see Smith, D. M. (2011). *The Elephant in the Room: How Relationships Make or Break the Success of Leaders and Organizations*. Jossey-Bass. You can also find resources at www.dianamclainsmith.com.

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COMMENTARY 12.1

Commentary

ROBERT HANIG



Robert Hanig

In reflecting on some of my recent experiences with a number of global organizations in the field of organizational learning, leadership, and cultural transformation, I have found the most practical and well-informed clients are interested in improvement in the following areas: results, capacity, and sustainability. *Results* constitute specific and measurable improvements in profitability, development impact, resource efficiencies, etc. *Capacity* refers to the ability of the organization and its people to produce the results themselves without high levels of ongoing external support. *Sustainability* is the ability to not only continue and expand on initial improvements, but also to develop the insight and intelligence to discern, generate, and nurture the conditions necessary to create an enabling environment and to sustain competitive advantage.

Most, if not all, students and practitioners of organizational learning have concluded that improvement in these three areas requires a particular type and quality of organizational culture. At the same time, they are profoundly

frustrated as most of their attempts to define, generate, or influence this condition we call culture have landed somewhere on a scale between disastrous and mildly successful.

The principles, frameworks, and illustrations in this article represent a significant contribution to our ability to understand and influence the elusive and critical dimension of organizations we call culture.

Diana Smith's synopsis of Allan Kennedy's Selkirk experiment in "Changing Culture Change" rings true to those of us who have been intimately involved in culture change efforts. It describes the overly familiar experience that produces profound cynicism in all but the most stubbornly optimistic. Through this case,

Diana forwards the notion that cultural assumptions can only be changed through social experience, and that all social experience takes place in the context of relationships. Therefore, it is in the context of relationships that people will either change or perpetuate their assumptions.

Rather than simply presenting a new and interesting theory, Diana names and explores some of the core challenges and dilemmas of culture change. She suggests a way forward with a simple yet powerful framework that shows how relationships translate formal strategies and structures into cultural realities and that outlines the stages of culture change. The principles, frameworks, and illustrations in this article represent a significant contribution to our ability to understand and influence the elusive and critical dimension of organizations we call culture.

By revealing the fundamental components of personal and shared assumptions, their causal connections, and the patterns of behavior they produce, Diana provides us with a new perspective, language, and set of practical

tools with which to grasp and shift the cultural realities that too often diminish our ability to realize our personal and collective aspirations in our organizations, institutions, and communities.

Act Your Way into Believing Differently

One of Diana's key observations, that *it's easier to act your way into believing differently than to believe your way into acting differently*, has proven to be particularly effective in my work and personal life. Robert Fritz, a colleague and author of numerous books on learning, creating, and change, expresses a similar principle in a different way: *Changes in reality precede changes in belief*. Here's a simple example of the power of this insight applied. Suppose you were given the task of teaching someone to swim, a person who had a deep-seated belief that this skill was impossible to learn. In this example, we have two choices – work on changing this belief or simply ask the person to join us in the pool for a hands-on swimming lesson (practice in moving arms, kicking feet, and holding breath). Good luck with the first choice, because for every argument we would offer explaining why it is possible for this person to learn to swim, he or she would respond with examples of why it is *not* possible. By opting for the second choice – acting your way into believing differently – we never argue with or confront the belief but simply guide him or her in practicing the new skills. It is difficult to maintain a belief that something is impossible once you are actually doing it!

Examples abound of how this approach has been applied in organizational contexts, including the most extensive leadership intervention in British Petroleum's history.¹ Despite skepticism by many BP senior executives, we were able to produce unprecedented financial results, increase leadership capacity, and sustain effectiveness in many parts of the business by using a radically new approach that included an in-depth relationship building/engagement process within and between key segments of the leadership population.

The success of this BP intervention also underscores some of the principles Diana explains in the INNOVATE story. Because the intervention team was made up of leaders from all aspects of the business, the principle of *"If you want greater connection, then help make it happen"* was particularly relevant. To ensure that our work was directly related to the actual technical, organizational, and cultural challenges facing BP, we engaged leaders from many different parts and levels of the organization in sponsoring and leading the core of the development and review process. In this respect, another critical principle was that of *"working through cultural assumptions and formal control structures that were making mutual control and responsibility for change difficult across levels."*

"No problem can be solved from the same level of consciousness that created it."

– Albert Einstein

Am I Doomed?

In recent development programs that my colleagues and I have designed and conducted for leaders engaged in organizational change initiatives, a profound question has begun to surface frequently. In its simplest terms, that question is, "Am I doomed?" or "Is there anything I can do to shift the problematic social conditions of the larger system of which I am a part?"

The willingness to simply and honestly ask this question while suspending the usual, often superficial responses can in itself produce a transforma-

tional moment. Coupled with our willingness to reconsider our commitment to our aspiration, to accept that our implicit assumptions may be inadvertently diminishing our capacity to effect change, and to explore other approaches to our relationships, the possibility for transformational change becomes even greater. As described in

the INNOVATE case, considering and experimenting with shared assumptions – in particular, “*I must perform well to succeed*” and “*I must learn from mistakes and failures to succeed*” – demonstrates the profound implications that this type of individual and collective inquiry and subsequent action can have on the quality of relationships, on an organization’s culture, and on learning and growth in our own lives.

“In adaptive contexts, you cannot abstract the problems and challenges from the people and systems that produce them.”

– Ronald Heifetz²

Beyond Abstraction

The principles, frameworks, and approaches that Diana outlines in this article provide a coherent and accessible explanation of the mechanisms from which seemingly impenetrable sources of collective behavior emerge and are sustained. They also offer a language and practical approach for enhancing our critical relationships and creating healthy cultures so that *we are able to build our cultural capabilities while getting the work done, without sacrificing*

one at the altar of the other. Indeed, the serious application of these ideas and methods constitutes an effective way of meeting the challenge of producing results, building capacity, and sustaining competitiveness in our organizations, institutions, and communities. ■

ENDNOTES

- 1 Priestland, A., & Hanig, R. “Developing First-Level Leaders,” *Harvard Business Review*, June 2005.
- 2 This quote is from a personal communication, although similar ideas appear in all of Heifetz’s books, including *The Practice of Adaptive Leadership: Tools and Tactics for Changing Your Organization and the World*.

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Robert Hanig is director of RLH Consulting and a founding member of the Society for Organizational Learning. He currently designs, directs, and delivers management and leadership interventions and programs for the World Bank, the International Finance Corporation, and the International Monetary Fund.

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FEATURE 12.1

Learning Lean: Don't Implement Lean, Become Lean

MICHAEL BALLÉ AND PETER HANDLINGER

Many leaders have tried to apply the “Toyota approach” to improve performance and financial results, yet few have succeeded. Those who do have learned that they can never implement lean per se but rather must strive to become leaner every day. According to Michael Ballé and Peter Handlinger, the “system” in “Toyota Production System” is not a cut-and-paste set of practices, but a series of related learning activities aimed at developing individual competence and teamwork. The authors use the example of a “lean” construction company to illustrate the positive outcomes that can occur when people observe worksite problems for themselves and struggle to find solutions together. Based on these principles, the authors identify four general lessons for any CEO who hopes to achieve lasting results from lean efforts.



Michael Ballé

The CEO was amused. He was talking to a class of MBA students who had come to visit a “lean construction company” and who appeared disappointed by what they had seen: no value stream maps, no ubiquitous kaizen events, no lean roadmap. What was lean about this firm?

The only thing that drew their attention was the freestanding chart with a list of daily problems, causes, countermeasures, owners, due dates, and statuses.

Yes, the building site seemed more orderly than they’d expected, but nothing overtly screamed “higher efficiency.” Plenty of waste remained, the students claimed.

The CEO, John Bouthillon, readily agreed with them – the construction sites were still full of waste, even

after three years of steady improvement – but that was not the point. Lean, as he now understood it, was not about eliminating waste to improve processes per se, but about getting local managers to work hard at eliminating waste in their areas in order to *teach them to do the job better*. This improved job perfor-

mance then led to smarter processes, more satisfied customers, and an increased bottom line. To sustain profitable growth, John needed managers who could solve immediate problems *now* and then learn from their experience to improve conditions on their next project: change today to change tomorrow.

In lean parlance, a sensei (or master) is an executive coach tasked with teaching the lean system to the company’s senior managers.



Peter Handlinger

The CEO’s Work with a Sensei

During the last years of the previous CEO’s tenure, sales had skyrocketed with the housing bubble, but because of exploding costs, the company actually lost money. With slow growth and low returns,

the business was utterly unprepared for the market crash caused by the financial bubble's collapse. In taking over as CEO, John looked for a method to handle the business differently. He read the books, attended the conferences, and was keen to try lean in the construction world. Rather than go down the path of least resistance and delegate the lean initiative to his operations directors with the support of outside consultants, though, John decided to follow the advice common to all the main lean books: find a "sensei."

By spending time with the management teams on site and looking for obvious waste, the CEO had the perspective to spot problems that the site's management team didn't easily see.

In lean parlance, a sensei (or master) is an executive coach tasked with teaching the lean system to the company's senior managers. Sensei differ from traditional consultants inasmuch as they *teach* but do not implement. The sensei discusses current conditions and defines the next step with the executives, who then have to figure out how to make it happen. Bouthillon arranged to participate during a sensei visit to the shop floor of an industrial company and subsequently convinced the sensei that he was serious about doing lean in house. They eventually agreed that they would visit a construction site in John's company together once a month, and that John would commit to at least a site visit per week on his own.

The sensei's first focus was "safety always." He asked the CEO to point out all potentially dangerous situations and then to discuss them with the local management team: Why hadn't they seen them? What would they do about them? After a few months of this activity, the sensei then moved on to "first-time quality." So, when the casting is off, can the wall be used for the next step without rework? What would be the customer's point of view? John was surprised not to hear about value

stream mapping or kaizen events, but stuck to the process. The sensei also constantly badgered him about the link between his financial results and the physical conditions of the site: What did he need to change physically to sell more? What were the physical drivers to his costs? Could he see exceptional costs being accrued just by looking at the construction site's on-the-spot operations?

An Evolving Strategy

At first, Bouthillon felt frustrated, wondering where the process was going and when he would finally learn about lean, but then he observed that the company's margin was steadily improving. Analyzing previous projects, he found a degradation of margin over the lifespan of each, owing to unforeseen costs. Over the first year that John worked with the sensei, the margin degradation slowed considerably, generating a year-end profit (see Figures 1 and 2). John was pleasantly surprised and curious to learn what had happened. Other than investing two days a week in visiting sites (which meant seeing every site every month) and arguing about safety and quality, he didn't feel he had done anything special that would explain the dramatic P&L improvement.

John eventually reasoned that by spending time with the management teams on site and looking for obvious waste, such as rework or rescheduling, he had the perspective to spot problems that the site's management team didn't easily see or that they chose to ignore in order to get ahead with the work plan. By challenging site managers on these issues, he encouraged them to deal with problems as soon as they appeared rather than work around them. As a result, the company saw a reduction in the number of real fires that showed up as extra costs in the accounts. As John persevered with this lean "Genchi Genbutsu," or "go and see" approach, the CEO also recognized that some of his site managers were learning and coming up with new ways of dealing with their issues, in particular in the realm of subcontractor relationships. In the past, interactions with subcontractors had centered mainly on tough price negotiations and conflict management during the course of projects.

FIGURE 1 **PO Construction: Turnover* and Profit**

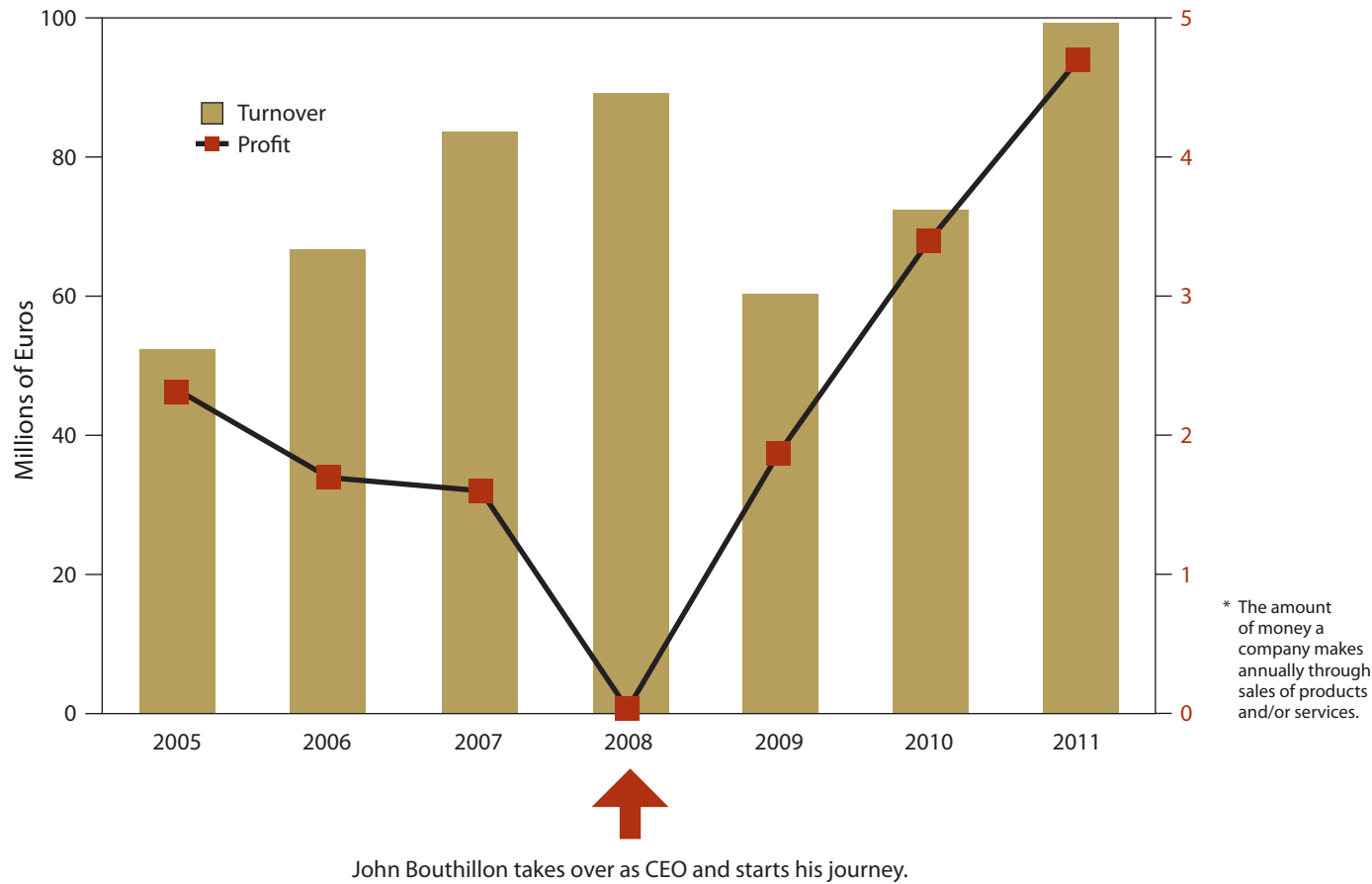
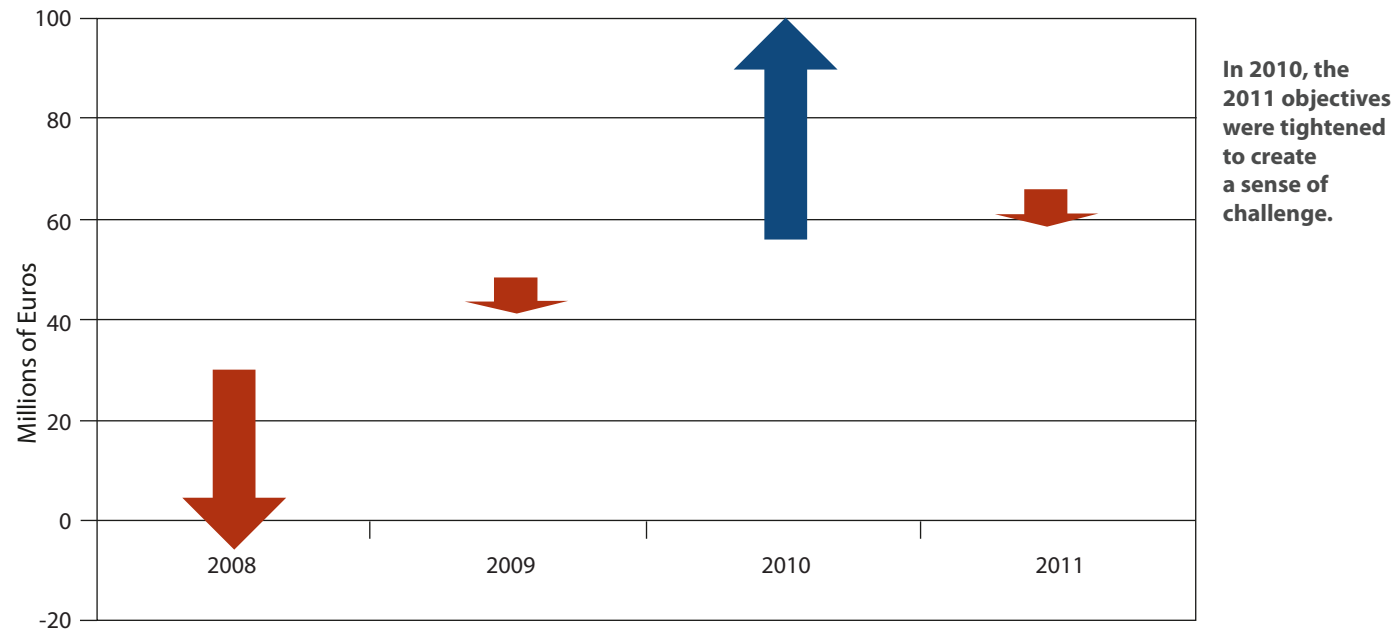


FIGURE 2 **Target Versus Actual Profit of Construction Sites**





© Thinkstockphotos.com

Furthermore, Bouthillon was surprised to find out that as he continued to visit the sites and work with the sensei (who had by now added “lead-time control” to “safety always” and “first-time quality”), he’d progressively changed his mind about his entire strategy. Rather than go after every possible

lems. In hindsight, this approach seemed obvious, but he hadn’t held this vision in taking the job. The vision kept emerging and refining itself as his project directors worked on issues and experimented with new ways of solving problems. The lean approach had become transformative.

The vision kept emerging and refining itself as project directors worked on issues and experimented with new ways of solving problems.

deal in the hope of maximizing volume, he was now careful to choose projects according to the firm’s capacity – and to protect his margins in doing so. Rather than poach project managers from the competition to staff extra projects, John formulated an internal plan to develop superior project managers. Rather than treat subcontractors as a commodity, he now had a vision of supplier integration built on mutual resolution of prob-

At the outset of his lean journey, John had expected to learn new lean processes, but as things progressed, he realized that to transform the company, he first had to transform himself: he had to radically change his assumptions about what made his business successful. First, rather than design processes from the top and then find people to staff them, he realized that the more competent people become, the better they can organize themselves and the processes they use. Working on site with local managers to solve increasingly difficult problems paved the way for them to learn how to organize better, which then “trickled up” to the company level.

Second, John learned that professionalizing managers was *his* responsibility. He now recognized that competence had to be bootstrapped on the

job, every day, through problem solving and small-step improvements.

Finally, the CEO found out the hard way that such daily learning routines are difficult to sustain and require specific organizational support, in this case, regular CEO visits to the sites and the strengthening of the central engineering office not to solve problems, but to teach workers at the sites to solve specific technical issues by themselves.

Four Lessons for Leaders

Toyota, the inventor of lean, never sought to implement lean per se; rather, it strives to *become* leaner every day. John's experience of leaning his company reflects a deep truth in Toyota's approach to performance: people, not systems, make products. The "system" in "Toyota Production System" is not a set of practices to be copied and pasted, but a series of related *learning activities* aimed at elimination of waste to improve quality, lead time, and cost performance.¹ We have identified general lessons that any CEO needs to face if he or she hopes to get the expected financial results from lean efforts.

Lesson #1: Lean Is a System of Related Learning Activities

As many know, "lean" is the generic term used to describe efforts to capitalize from Toyota's example and apply its management lessons. Toyota is unique in having, over half a century, the fastest industrial growth in a mature market. From a local, near-bankrupt, fledgling automotive manufacturer in the 1950s, it has grown to become the world's number-one automaker, redefining both product and processes. Its long rise has never been smooth but rather a series of unexpected crises and innovative responses. To a large extent, Toyota is at its most interesting when in trouble; its ability to rise to challenges and respond in surprising ways is part of what makes it special.

For example, in 2008 and 2009, Toyota was pressured to recall more than 10 million vehicles for purported quality and safety problems. In their

book *Toyota Under Fire*, Jeffrey Liker and Timothy Ogden document that these concerns were overblown, as confirmed by findings from both the U.S. National Highway Safety Transportation Administration and NASA. After fining Toyota for a few defects that caused no accidents, the NHTSA closed the case.

Toyota is at its most interesting when in trouble; its ability to rise to challenges and respond in surprising ways is part of what makes it special.

In a personal communication, Liker stated the following:

Perhaps the most interesting part of the story is how Toyota responded. First, executives decided not to point the finger at anyone else. Second, they let the facts emerge from outside sources as they realized their credibility was at a low point in the United States. Third, they used the crisis as an opportunity to reflect, find problems they could constructively work on, and improve themselves. The company made massive organizational changes to respond more quickly to customer complaints, including a major drive to make each region of the world more self-reliant and empowered to make recalls immediately, even before an investigation by Toyota of the facts.

Toyota came out of the crisis stronger. By 2012 . . . Toyota was back on track for record sales . . . [and] once again . . . dominated the quality awards in the United States.

One thing to note is that Toyota's growth over time *did not occur following any technological disruption*, as in the case of the Microsofts and the Googles. It rose to defeat the best players in a saturated, mature market. Toyota chose to forge its own path and create its own engineering,

manufacturing, and management practice, which it termed the “Toyota Production System” and the “Toyota Way.” This approach, which at any given time produced “twice the output, half the effort,”² has beguiled many researchers and spurred copy-cat attempts. Both people outside of Toyota and new hires within the company have difficulty grasping Toyota’s way of working. As one Toyota vice president describes it, “When I joined, I already had 15 years [in the] automotive industry under my belt, and when they told me I knew nothing about building cars, I thought ‘yeah, right.’ It took me two years to realize that they were right and that I had to do control-alt-delete and learn everything from scratch.”³

“We don’t have a manual. We do have one golden rule: *making people before making parts.*”

For the past 20 years, since Toyota’s uniqueness was first publicized by Womack and Jones in the landmark *Machine That Changed the World*, the lean movement has been trying to accurately describe that secret ingredient. Many companies have attempted to apply the Toyota approach. Few have succeeded, although those that do, like John Bouthillon’s company, do so spectacularly.

Lesson #2: Performance Is Driven by People, Not Systems

Lean is generally understood as *waste elimination*: the systematic reduction of non-value-added activities. By projecting onto Toyota the Taylorist perspective of specialists who design processes for frontline workers to execute, a majority of firms have interpreted lean as creating a staff structure of lean specialists who eliminate waste from operational processes by conducting lean projects. Such cost-cutting approaches usually deliver some benefits (as any Taylorist initiative will) but rapidly become disappointing in terms of bottom-line results and are never transformational: they never make the company radically more competitive in its markets.

The logic seems sound. Everyone agrees that better processes lead to better performance, and Toyota’s processes are recognized for their superior effectiveness, so let’s use the lean tools to design Toyota-like processes and implement them to replace the ones we have.

Better Performance



Better Processes

Unfortunately, it is not easy to specify exactly what constitutes Toyota-like processes. Although the literature abounds with high-level principles, and consultants are ever ready with cookie-cutter solutions, the processes are often hard to apply in a specific context. What is more, implementation tends to be a headache, as people resist change (e.g., “not invented here” or “our situation is unique”) and claim that the redesigned processes are poorly thought through in the first place – often rightly so.

Better Performance



Lean Practice



**Design
Toyota-
Like
Process**



**Better
Processes**

In any case, it turns out that this approach is *not* how Toyota developed superior processes. When coauthor of this article Michael Ballé first studied how Toyota engineers implemented lean at one of their supplier plants for a particular part, he observed them improving the supplier’s production cell in a steady, step-by-step manner, reaching an impressive 30-percent *total cost* reduction for the part over two to three years. He assumed that the Toyota engineers had a rulebook of what a good process looked like and that they replaced the supplier’s shaky process with their own better one. But every time he asked the Toyota engineers for the roadmap, they invariably told him that they didn’t have one: they helped the supplier’s engineers solve problems as they appeared. Exasperated, the lead engineer eventually responded, “We

Forty Years of Lean Visions

1980s – Kaizen Events: “Quality circles” were the first full-scale wave of TPS-born concepts to hit the West. This discovery created a broad enthusiasm for “kaizen,” a term coined by Masaaki Imai (1986) to describe Toyota’s unique shop-floor and team-based continuous improvement process based on a number of standardized tools, such as “5S,” “kanban,” “SMED,” and “poka-yoke.” Overall, every tool delivered on-the-spot results, but deploying the toolbox as a whole failed to lead to either improved financial results or sustained performance improvement. Not surprisingly, the enthusiasm faded. However, over time, the lean tools have become entrenched within most industrial activities. All in all, the one large-scale effect has been that most corporations now accept as a given that they must have some sort of continuous improvement program in place.

1990s – Lean Thinking: In their initial research, Womack and Jones were drawn to Toyota’s superior processes for carrying out work. In their seminal book *Lean Thinking*, they introduced the notion of value streams organized to deliver value to customers. Their focus on processes has had a lasting impact on how managers look at their organizations and triggered a wave of reengineering efforts to streamline processes, reduce hand-offs, and emphasize flow over point optimization. This powerful conceptual framework has certainly changed many aspects of how people think about their businesses but fell short of triggering the expected transformation to a full lean enterprise as defined by Womack and Jones. Value stream and process thinking is as relevant now as it was 20 years ago, but it turns out that mastery of processes is just one aspect of TPS and, by itself, does not lead to a radically different industrial model.

2000s – The Toyota Way: As the research on Toyota’s unique way of doing things continued, a broader understanding emerged that took into account not just how the company organized its processes, but also how it actually managed its people. In another seminal book, Jeff Liker (2003) described a corporate culture of problem solving and employee involvement at all levels. The emerging argument was that lean processes can only be maintained by a lean culture, and that the establishment of such a culture depended on adhering to a number of principles defined by the Toyota Way. It became clear that lean could not be achieved by having frontline teams conduct local improvement workshops, or by having lean experts remodel processes for better flow, but rather by involving managers in creating a culture of people development through systematic problem solving – something of a tall order.

2010s – Toyota Kata: At the turn of the decade, Mike Rother (2009) narrowed down the specificity of Toyota’s culture to the deliberate use of “kata”: set behavioral patterns or forms that are repeated as one would carry out a training drill. Rother argues that such repetition in turn creates the common TPS mindset that underlies Toyota’s lean culture. The kata approach is consistent with the strong emphasis on the teaching role of Toyota managers previously described by Jeffrey Liker. Liker mentions a visit to Japan where he had the opportunity to interview Executive Vice President Atushi (Art) Niimi, who had recently returned from a position as president of Toyota Motor Manufacturing North America. Asked about the hardest thing to teach American workers, he answered without hesitation, “They want to be managers, not teachers.”⁴

don't have a manual. We do have one golden rule: *making people before making parts.*"

The other author, Peter Handlinger, worked for Toyota for 14 years and became general manager of production control until retiring early to teach others what he had learned. Outside of the Toyota environment, he keeps being surprised by how little practical emphasis managers give to individual competence and people development. All questions he gets are about improving the system, the organization, the process, etc. He finds it hard to communicate that the main focus of lean activities within Toyota is on developing people. Indeed Toyota's lean model is close to:



"Toyota believes that competent engineers make great cars," concludes a senior engineer working on a joint-venture program between a French automaker and Toyota, "not the system itself."⁵ Although it should sound obvious, this paradigm represents a radical shift. After more than a century of Taylorism, we are all convinced that the system's design, not individual workers' talents, explains performance. The thought is that individual talent is nice to have, but too ephemeral to rely on. Furthermore, after half a century of financial management, we are also convinced that systems should be optimized for cost reduction, not for overall performance. Toyota looks at it the other way around: process performance is the key to lower costs.

Contrary to common opinion, we do not believe that Toyota's superior processes are the result of superior process design rules, but stem from the company's unique system of developing individ-

ual competence and teamwork in order to get skilled individuals to jointly create superior processes to respond locally to specific situations. *Competent people – not systems – make outstanding products or deliver superior services.*

Toyota veterans recount four sets of skills being constantly drummed into them:

- **How to analyze one's own work:** A number of standard analysis tools help all employees analyze their own work *in detail*.
- **How to see the waste one generates:** Out of these analyses, people are trained to see the waste inherent in the way they do their work and the waste their technical choices generate on other functions. No blame is attached to this notion of "waste," just the belief that no process is ever perfect, and consequently one can always find some form of waste to eliminate.
- **How to solve problems at the root to further one's deep knowledge:** When problems occur, employees at Toyota are trained to react immediately to return conditions to a normal situation. Beyond that, they also learn to ask "why?" repeatedly until the root cause of the problem emerges. The immediate aim is to solve problems so that they don't crop up again in the future, but, more profoundly, this practice is about developing deep knowledge of the job.
- **How to solve problems with colleagues from other functions:** Adult learning is no longer about filling in a blank slate – the slate is already full. Adults learn by confronting their perspectives with others and seeing their beliefs from another's point of view. "Teamwork" is about accepting the *individual* responsibility to solve problems by taking into account the perspectives of other stakeholders and working with them to find the solutions generating the least collateral waste.

Lesson #3: Learning Must Occur on the Job, Everybody, Every Day

The underlying assumption is that *the more competent people become, the better the processes – and outcomes – they can create*. Their individual competence guarantees that changes to the process



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are actual improvements, as opposed to random changes. Their increased competence also makes improvement *stick*, as workers understand why and how they should now work differently.

“Learning by doing” is a central piece of lean management (with “go and see” and “respect for people”). Contrary to what usually happens in organizations, the learning by doing process is not left to chance but is actually managed in three broad steps:

- **Learning from repeating standard steps in sequence:** The most basic form of learning occurs through repetition. Jobs are defined around “standards,” a way of doing the job that we know from experience works best. By following the standards with care, we learn to do the job better and better, which leads to “economies of repetition.” We also learn to identify problems more easily, since deviations from the standard become visible.
- **Learning from solving local problems through kaizen:** Kaizen – small-step improvement – is about solving small, local problems that get in the way of performing to the standard. At this stage, we don’t attempt to redesign the

The more competent people become, the better the processes – and outcomes – they can create.

entire process. The aim is to understand the root cause of the problems in the existing process and solve it. Doing so requires teamwork and ingenuity, as it’s often tempting to remove the existing approach and invent a new process. Giving in to this temptation stops the learning and keeps us from developing a deeper understanding of what is currently going wrong.

- **Learning from kaizen activities to radically change the process:** As repeated kaizen activities produce local innovations, the right conclusions can now be drawn to radically change the existing process, involving other functional specialties. For instance, a new plant design should incorporate all the ideas generated by kaizen in existing plants, and so on. Radical process change is about drawing the right conclusions from local problem solving.

TPS as a System of Visualizing Work and Revealing Problems

As a training system, TPS has three fundamental components: (1) an *ideal* that serves as a “North Star” to give a direction to progress, (2) a *practice* of workplace tools to sustain step-by-step improvement, and (3) a *tradition* of relentless learning that happens by working with people to encourage open minds and teamwork.

- **The Ideal:** Complete customer satisfaction through complete employee engagement is leveraged by three core ideas: *right first time*, *just-in-time*, and *use your ideas not your money*. TPS defines an industrial ideal where products are made 1x1, with 1x1 quality confirmation, and where front-line employees are developed to the fullest of their abilities by participating in the running and improvement of their own workspace.
- **The Practice:** TPS provides a toolbox to make problems visible on the shop floor. The TPS does not offer suggestions for a “better process.” It proposes techniques to make the process visible in order to highlight problems. Through kaizen activities, workers themselves can contribute to the design of their own workplace and collaborate with colleagues from other functions.
- **The Tradition:** Most of the verbal anecdotes about the TPS masters of old are not about the brilliant process solutions they came up with, but about the great challenges they offered their students. Mr. Hayashi, currently one of Toyota’s top TPS experts, recalls how he was trained by Mr. Ohno: “I was really afraid of Mr. Ohno when I was young. But I think he was developing thinking people. He never gave us the answer. When he gave us an assignment, he would just stand by and watch us fail, even if he knew the answer. . . . Mr. Ohno scolded us after first making us really think and struggle, and this helped us to come to a deeper understanding.”⁶

The fundamental assumption of the TPS is that people learn when they see problems for themselves and struggle to find solutions together. The “system” in TPS serves as a cognitive scaffolding to help employees go up the learning curve by creating space for them to “go and see” problems where they occur, supporting them with standard problem visualization techniques, and spurring them to learn through the challenges driven by their sensei.

Learning thus occurs *on the job*, in the course of a day’s work. Such a discipline of learning by doing flies in the face of the general practice in which a new manager comes in with preconceived ideas of how the process should run (usually based on what she did in her previous job) and then imposes the radical change upfront and tries to stabilize and standardize the new process. This stabilization and standardization seldom happens, because workers have no logical reason to believe that the new process actually solves any real problem in the specific situation, beyond reflecting the new manager’s prejudices and authority. Lean practice works the other way around, with first visualizing processes and standards, then solving problems through kaizen, and eventually improving company policies by getting managers to work together toward a shared vision of “ideal conditions.”

Toyota suppliers are often surprised when they call for help with process improvement. The first thing Toyota engineers do is ask for the existing procedure (if not formulated, they will write it down on the spot) and then check whether this procedure is being followed. The suppliers see this as a complete waste of time. They know their process is bad and expect that Toyota will have a better way to do things, so why should they spend time and effort being consistent about a process everybody knows is *wrong*? For their part, Toyota engineers will claim that they don’t have a specific answer in mind, so they will first try to make the existing process work consistently, which will highlight the problem areas for kaizen activities and eventually lead people to learn how to completely redesign the process. Both sets of engineers work in radically different paradigms, and it’s hard to talk across the gap.

Lesson #4: The Organization’s Design Must Support On-the-Job Learning

We all enjoy learning when we get to pick the topic (usually something we already know and want to learn more about) and the pace of learning (when we feel ready). The experience of working with true sensei is invariably

uncomfortable because not only do they choose the topic, but they get you to try something before you feel ready; they control your learning pace. The sensei's role is to be the navigator through the world of learning.

In Japan, the responsibility for staff development rests squarely on the manager. Consequently, teaching by doing, in a large part, defines the managerial role. The company is organized around knowledge lines in narrow functions, and managers are expected to keep a technical edge over their staff members in order to teach them standards and kaizen. Within Toyota-owned plants outside of Japan, most managers, starting at the supervisory level, have a Japanese coordinator from the "mother" plant to teach them standards and kaizen.

The new site is integrated into the Toyota Way by predominantly using resources from the mother plant, which is in turn held accountable for the integration process – a process that could extend over several years or sometimes decades. Toyota

TABLE 1 **Roles in Support of the Toyota Way**

	Rhythm	Level	Topic
Sensei	Monthly	Top Management	Strategic challenges
Executive Coordinator	Daily	Operations management	Lead-time reduction
Coordinator	Daily	Frontline management	Variation reduction
Hands-on Specialist	Work cycle	Frontline worker	Movement training

staff members are allocated to the plant being integrated (the "local" plant); these are "coordinators" and "hands-on specialists" (mainly from the mother plant). Coordinators are essentially there to coach local staff in the Toyota Way, whereas the hands-on specialists focus on narrow technical aspects. Thus the coordinators, in essence, become part of the local plant's management structure; the hands-on specialists' tenure is more project based. The roles are broadly summarized in Table 1.



Coordinators as Mentors in South Africa

PETER HANDLINGER

It is easy to imagine the coordinators as being infallible – these are, after all, the so-called disciples who go to propagate and nurture the Toyota Way in foreign lands. And so it was in one of the local Toyota plants. When the coordinators arrived, people's first impression of them was that they were human, and like any humans, they had different personalities. Both positive and negative relationships developed between the local partners and the coordinators.

Nevertheless, little by little, all documentation started taking on a similar appearance – Toyota's ubiquitous A3 Report – the plants started looking better, safety improved through the "5 Whys," more communication between the plants took place, the new automobile model introductions became less chaotic, and above all the defects per unit (DPUs) dropped significantly over a period of 4 or 5 years. Of course, the local plant previously produced high-quality items, but only on days when all the cogs of the process magically meshed.

The realization that people – and not machines – built cars was one of the profound insights that arose from the mentoring influence of the coordinators. They achieved this insight through a strong emphasis on process – problem solving, attention to detail, "go and see" practices – and inculcating a sense of urgency in their local partners. The local partners were then expected to drive this new way of thinking and behaving within their local structures.

Where the relationships were good, the transfer of the Toyota Way from coordinator to local manager to local staff proceeded smoothly and quickly. On the other hand, where the relationships were bad, this transfer was inefficient and behavior changed rather slowly, but it did change in the long run. What struck all the local managers though was the need to grow the people – not an easy task. However, the techniques of the Toyota Way gave structure to developing staff. Local managers, too, had to walk the talk, probably the biggest mindset change of all.

In terms of organizing themselves, the coordinators generally focus on

- problem solving based on the Toyota Way,
- teaching the management values and attitudes of the Toyota Way, and
- helping the local staff achieve self-reliance in autonomously performing to Japan's standards.

Coordinators rigorously "teach by doing" by working with local staff to jointly identify problems and then set targets. Debates are often heated, but the important issue is that the team determines the countermeasure together. This process, in turn, reinforces the cycle of learning by doing, since the questions asked are primarily process and not content driven. People have little chance of jumping to solutions and thereby missing the root cause. In this process-driven environment, the local staff is dragged along until, through repetition, the approach becomes almost second nature. It can be said that a coordinator's real role is to turn every employee in a thinking machine capable of constant learning.

For instance, Peter's direct experience of working with coordinators in one of the plants outside of Japan showed that they repeatedly focused on the following concerns:

- Little cross-departmental communication
- Poor vertical and horizontal business cooperation
- Not enough Yokoten (share, copy, and kaizen) practice
- Lack of visualizing skills (current problems, standardized operating procedures, progress/problem-solving reporting)
- Insufficient confirmation: local members tend to be too optimistic and don't confirm the work results
- Too many workarounds: taking the easy way to solve problems (not enough thorough "go and see" practices)
- Underdeveloped sense of urgency

Anybody with some corporate experience will recognize these symptoms; they are not unique. What is unique, however, is the manner in which

the coordinators train the local staff in these aspects, which is how they develop the associated technical skills – *not the other way round!* The repeated “doing” of the above items (the “kata” described by researcher Mike Rother), especially the final four, leads to the acquisition of more in-depth technical expertise, greater teaching skills, and more effective and quicker problem solving.

Lean principles such as just-in-time and built-in quality are not answers in themselves, but serve to guide the company as it improves.

Development of the Kaizen Mindset

“But what if I train my people and then they up and leave,” a CEO once blurted out to a lean sensei. “What if you don’t and they stay,” answered the sensei. Having visited many Toyota plants across several continents, we keep being surprised by the fact that Toyota employees rarely, if ever, mention either TPS or lean. Much like John Bouthillon’s experience, all levels of employees readily expressed the constant challenge of being required to solve problems and think deeply. Lean principles such as just-in-time and built-in quality are not answers in themselves, but serve to guide the company as it improves.

As Toyota veterans have claimed from the start, CEOs are wasting company funds in trying to copy and implement Toyota-like processes. The sensei’s consistent message is that they should instead develop the kaizen mindset in every employee. Sustained financial results are not the outcome of repeated cost cutting, but of a steady focus on process performance. Process performance, in turn, results not from smarter process design, but from constantly teaching employees how to better react to adverse and unexpected events – which requires organizing to support day-to-day learning. More competent people working together invent better processes and find

“Why Are They Always Asking Me Questions?”

TRACEY RICHARDSON



I consider my time with my Japanese trainers and coordinators to be a priceless opportunity. At the time, I was young and didn’t realize the importance of the thinking process they were conveying to me and others daily. If you were to ask me at the time, I would say the coordinators

could be rather annoying in asking so many questions about how we analyzed a problem, why we viewed it as a problem, and whether it was measurable, all the while demanding that we follow a good process. I often asked myself, “Why are they always asking me questions?” and “Why are they never satisfied with the current situation?” It took me several years to understand the answers to those questions, and by the time I realized their importance, I was a leader in the organization. I often wish I had those opportunities that I somewhat dismissed 22 years ago played over for me again today.

What I took away from my experience with the coordinators was that they were living the Toyota Way through their daily actions and the questioning. Their efforts were all about trying to enable us to eventually become mentors utilizing the same process. I have labeled the rituals that they practiced as “tangible actions” to “bring to life” the principles.

By asking us the right questions, they were able to persistently align our thoughts with the goals of standardization (Define-Achieve-Maintain-Improve). Through these actions, we put together the highest-quality vehicle in the market in 1991. This achievement meant so much to us as workers, who all started with minimal or no experience in this culture, methodology, or field. To me, it is a positive reflection on the thought processes that they were able to lead us to excellence. The experience wasn’t always pleasant, yet we learned to look to our coordinators for guidance no matter how frustrating the language barrier may have been. Those first years shaped my thoughts and reactions for the future as a leader in the organization as well as my consulting role today.

Process performance results not from smarter process design, but from constantly teaching employees how to better react to adverse and unexpected events – which requires organizing to support day-to-day learning.

unexpected solutions to problems that competitors consider intractable. The practice of daily improvement is the key to increasing every person's competence, both in terms of thoughtful reactions as well as deeper understanding of their job. To a large extent, Toyota has reinvented work by changing:

JOB = WORK
to
JOB = WORK + KAIZEN

Practicing this approach every day also opens new areas for development. Whereas John

Bouthillon first envisaged using the lean toolbox as a method to improve his company's dismal margins, he ultimately found that by coaching his people every day, he tapped into a bottomless well of creativity. He realized that liberating people to improve their processes also affects the end product. And, indeed, in a time of dire recession in the construction industry, John's order book is in danger of overflowing: customers have responded to quality much faster than he had thought. As Henry Ford once said, two of the most important things don't appear in a company's books – its people and its reputation. Unlike machines or systems, people add value and can learn how to add more. ■



ENDNOTES

- 1 From Taiichi Ohno's preface to the first Toyota Production System booklet. He also explicitly stated that TPS should reflect the Scientific Mindset: on the shop floor, it's important to start with the actual phenomenon and search for the root cause in order to solve the problem.
- 2 Spear, S. (2009). *The High-Velocity Edge: How Market Leaders Leverage Operational Excellence to Beat the Competition*. McGraw-Hill.
- 3 Personal communication
- 4 Liker, J., & Hoseus, M. (2008). *Toyota Culture: The Heart and Soul of the Toyota Way*. McGraw-Hill.
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- 6 *Toyota's Top Engineer on How to Develop Thinking People*

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ADDITIONAL RESOURCES

Blogs

- Gemba Coach Column – <http://www.lean.org/balle>
- How to Implement “Lean Thinking” in a Business Blog – <http://thetoyotagal.blogspot.com>
- The Lean Edge Blog – <http://www.Theleanedge.org>

Videos

- Lean Thinking – Respect for People – <http://www.youtube.com/watch?v=XaRdCO6qHuY>
- Definition of Kata – http://www.youtube.com/watch?v=14ckS_vd4PU&feature=related

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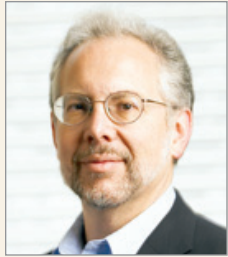
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COMMENTARY 12.1

Commentary

JEFFREY LIKER



Jeffrey Liker

The excellent article by Michael Ballé and Peter Handlinger reveals deep insights into the nature of the Toyota Production System (TPS) and the Toyota Way that the vast majority of the organizations with lean programs unfortunately miss. Coincidentally, my first book for the general public was called *Becoming Lean*.¹ In it were stories of companies that implemented the TPS by focusing on the process of learning. Ballé and Handlinger, though, have a deeper vision of what it means to “become lean.” It goes beyond the organization as it makes progress in learning lean and penetrates to the individual process of self-discovery, as people redefine themselves and their relationship to the organization.

I more recently came to similar conclusions when writing a book about lean leadership with Gary Convis, a Toyota veteran.² The first stage of our model is “self-development.” Leaders must change their mindset, shifting from the view that the organization is like a machine with parts to be manipulated through programs, to that of the organization as a collection of living beings who must be taught and developed to continually improve and adapt to a rapidly changing environment.

Those who have worked for Toyota plants outside of Japan have always seemed puzzled by the common Western interpretation of TPS as a toolkit.

Convergence of Lean with Organization Development

As the paradigm of lean shifts from that of a toolkit to fix processes to that of a process of developing people to build a learning organization, a natural convergence with the field

of organization development occurs. Shared concepts include systems thinking, personal development, organizational learning, shared purpose, shared vision for the preferred future, experiential learning, leaders as developers of learning organizations, and groups of people taking responsibility and control of their processes to continuously improve them.

On the other hand, differences exist. Most commonly, OD consultants use small- or large-group interventions to move individuals and the organization to new ways of thinking and working together. Lean sensei, on the other hand, go right to the gemba (where the work is being done) to teach gradually through a process of challenging and questioning to get people to learn by doing and thinking differently about their work processes.

Concepts such as standardized work are central to lean, but not as central to OD. In lean, standardized work is seen as a clear and visible aspiration for all to do the job the best way we know how and then incorporate our creative ideas to improve how to do it – as a group learning together. In this context, standards are considered shared understandings that are central to organizational as opposed to individual learning.

Small Changes Can Lead to Breakthrough Changes

At Toyota, the method of teaching through a master-apprentice relationship can be traced back to its founder, Sakiichi Toyoda, who learned carpentry from his father. He later used that skill to build revolutionary automatic looms to simplify the labor involved in making cloth. Toyoda always preached that the purpose of his labors and company was to benefit society through disciplined, hard work, a strong vision of success, and daily kaizen, with small changes adding up to breakthrough changes.

As the loom company eventually spun off an automotive company, the organization built on the original core values and principles. The central importance of creativity and innovation that comes from developing exceptional people was always the centerpiece. For this reason, those who have worked for Toyota plants outside of Japan have always seemed puzzled by the common Western interpretation of TPS as a toolkit.

I particularly loved one sentence in this article: “The ‘system’ in TPS serves as a cognitive scaffolding to help employees go up the learning curve by creating space for them to ‘go and see’ problems where they occur, supporting them with standard problem visualization techniques, and spurring them to learn through the

challenges driven by their sensei.” Toyota did in fact create a unique system in TPS that constantly challenges people to grow and develop. For example, as you reduce inventory, you lower the safety net, and even small problems can shut down production. This minuscule margin of error creates a sense of urgency to find and solve problems, which develops people so they think more deeply.

The reason quality circles failed in many companies was that they were not led well, people in circles were not taught deeply, and companies generally misunderstood their purpose.

True Quality Circles

The authors also refer to “quality circles,” a concept that represents one of the most egregious ways in which Westerners missed the entire essence of the Toyota Way. In the 1980s, in response to the “Japanese challenge” of higher-quality products at lower costs, numerous companies tried to learn Toyota’s methods. Quality circle programs became a centerpiece for many, who later found that the programs failed and shut them down. The reason they failed was that they were not led well, people in circles were not taught deeply, and companies generally misunderstood their purpose. *The misunderstood purpose was to engage employees in dramatically improving quality, with the assumption that you could get them a little problem-solving training, put them in teams, and start counting the money.*

In contrast, to this day at Toyota, quality circles are still alive and well and considered one of the best training grounds for kaizen. Team members who work in production are regularly taught kaizen by their group leaders, who have in turn been mentored by their seniors. Toyota quality circles are one additional mechanism for learning, but they take place outside of normal work and provide production team members with an opportunity to work on bigger projects that go beyond their own jobs. They do in fact lead to better quality, safety, and cost reduction but these are almost incidental. The real purpose is developing people.

A Process of Daily Discovery

Throughout the article, Ballé and Handler highlight Toyota's focus on daily kaizen – the practice of making small, quick changes. While this may seem contradictory to systems thinking, in reality, it reflects a deep part of the Toyota's systems paradigm. The company holds the genuinely humble view that we can never know exactly what the future holds, even tomorrow. Any long-term vision is a broad view of what we hope to achieve, but getting there is a process of daily discovery. We must take small steps, reflect on them, learn from them, identify a next step, and gradually work our way in the general direction of the vision.

Any long-term vision is a broad view of what we hope to achieve, but getting there is a process of daily discovery.

It is a process of learning by experimentation. Small, incremental changes lead to large systemic change tied together by a vision, shared purpose, and measurable targets aligned toward accomplishing a single goal. This is the true essence of "becoming lean."

ENDNOTES

- 1 Liker, J. (editor). (1997). *Becoming Lean: Inside Stories of U.S. Manufacturers*. Productivity Press.
- 2 Liker, J., & Convis, G. (2011). *The Toyota Way to Lean Leadership*, McGraw Hill.

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FEATURE 12.1

Leadership for Our Times: The Leadership System Model

DAVID KANTOR

In the face of a performance crisis, organizations meet with an essential decision: delve deep into their own workings to uncover the complex web of forces driving their decline or place their hopes and fears in the hands of a heroic savior. As the rash of CEO turnovers in the last five years powerfully demonstrates, the white knight approach is the prevailing panacea. Perhaps the hangover of those childhood fairytales compels us to so stubbornly cling to the myth of the hero who charges in to save the day. Yet, as experience has demonstrated time and again, savior CEOs rarely live up to expectations. In this article, David Kantor offers an original argument for replacing the CEO-as-savior model of leadership with one that comprises a system of interconnected leaders with equivalent but widely varying sets of capabilities.



David Kantor

the centrality of a heroic individual.

Many advances have been made in recent years toward a more inclusive understanding of what constitutes “leadership.” Despite much publicity and widespread propagation of the insights developed by theorists such as Collins, Gardner, Goleman, and Heifetz, a particular kind of leader continues to dominate the attention of corporate boards and the American press – the “charismatic” leader or the “savior.” Even as the demands and complexities of leadership have widened, requiring both the analytic and the intuitive, the scientific and the spiritual, one element has remained constant:

In contrast to the traditional approach, I believe that effective leadership for our time is a collective phenomenon rather than an individual one.

What this model cannot satisfactorily address is how rapidly and dramatically situations can change, suddenly rendering yesterday’s perfect leader obsolete. Under the current model, organizations in this situation are faced with two options: (1) work through the crisis with the current leader, although the outcomes may be less than optimal; or (2) “cast out the old and bring in the new.” Neither is truly a good option. The former choice places a tremendous burden on leaders to step up and meet the new challenges, however equipped their leadership is to handle them. As we have seen, this is often a recipe for disaster, plunging both the leader and the organization into despair. The latter choice, a path more often taken, is costly, time consuming, and sacrifices wisdom for momentary fit.

In contrast to this traditional approach, I believe that effective leadership for our time is a collective phenomenon rather than an individual one. It is therefore to an organization’s advantage to nurture a range of leadership and to structure authority in a way that encourages the right kinds of leaders to



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The new model changes the focus from a powerful individual, usually placed on an unrealistic pedestal, to a team of leaders who constitute a Leadership System.

step forward just as they are needed and to cede their power just as fluidly when the moment has passed. I call this new model of leadership a *Leadership System*. A Leadership System is an alternative or adjunct to lines of authority and responsibility based in hierarchy. In its pure form, it would have at least five leaders who represent unique forms of leadership, what I refer to as *Performance, Vision, Wisdom, Citizen, and Exit Leaders*.

The new model changes the focus from a powerful individual, usually placed on an unrealistic pedestal, to a team of leaders who constitute a Leadership System. I argue that only a system can have the acute sensitivity necessary to anticipate those dreaded external forces and internal realities that, in the old model, continually catch organizations and their leaders off guard.

The Leadership System

While the Leadership System, as I envision it, values laterality and collective authority, it does not ignore the need for hierarchy. Indeed, every one of the leaders in the system is periodically expected to step forward as principal leader when circumstances require. Members of the Leadership System work collaboratively, share power, anticipate and manage organizational crises, and bring their individual and collective strengths to bear upon organizational issues.

A Leadership System is very different from the heroic model of leadership in at least four powerful respects.

1. How members see themselves and their roles

A Leadership System is not a traditional leadership team, with each member taking responsibility for managing a portion of the organization. It is a team of leaders who *collectively* take responsibility for the whole organization. Team members are committed to this concept and see themselves playing this systemic leadership role.

2. Its range of capabilities

The Leadership System is a team of leaders that, by training and by design, possesses capabilities needed for almost every conceivable organizational eventuality. The leaders exhibit a range of intelligences – rational, emotional, moral, social, and structural. They have been trained to keep conversations on difficult issues productive and on course. They have learned to think systemically and become masters of systemic awareness of their company.

As their organizations evolve, Leadership System team members know how all the major parts – processes, key teams, various divisions, and the rank and file – are functioning within the system to both good and ill effect. They can focus on the whole system, see how it is working or not working, and design corrective interventions. Leadership System members must have a broad and deep repertoire of actions, operating styles, approaches to problems, uses of language, and ways of being with their colleagues.

3. Its place in the organizational design

In its purest form, the Leadership System occupies a different place in the organization's architecture than does a traditional leadership team. While a traditional leadership team reports to the CEO, the Leadership System is designated to collectively and systemically lead the organization.

4. Its collective intelligence

Through all of the above – a different identity, a broader range of capabilities, a new architectural designation – coupled with intensive training in how to work effectively in a Leadership System, team members develop an amalgam that enables them to function at a high level. They develop a collective intelligence – a state in which the whole is truly greater than the sum of its parts. Clearly, a traditional executive team is one thing; a Leadership System is something quite different.

In short, a Leadership System will be much more effective, affective, pliable, and graceful in dealing with the myriad of complexities presented by the current and future organizational environment.

Five Unique Leadership Pathways

In this vision of a Leadership System, five leader types constitute the most whole and effective system; I call these the *Five Leadership Pathways*. Each of the five leader types capitalizes on a leader's natural propensities and orientations. Each of the pathways makes important contributions to organizational health and success. And, in this model, for a well-functioning leadership system to exist, all leadership types are required.

Performance Leaders

These leaders are the guardians of the company's profit statements. They are ever mindful of, but not obsessed with, the short term. They lead the struggle to sustain the organization's economic viability, yet value the creative tension between short- and long-term thinking and acting.

Performance Leaders succeed not only because of charisma and drive, but because of superior results in the pursuit of competitive success. Because they deliver extraordinary performance in their chosen arenas, Performance Leaders (Jack Welch of GE is an outstanding contemporary example) often command a passionate following. They are seen as cultural heroes who have earned the rights of followership.

Performance Leaders succeed not only because of charisma and drive, but because of superior results in the pursuit of competitive success.

On the positive side of the ledger, Performance Leaders:

- Carry the company with their high energy
- Demonstrate comfort in power realms and high-stakes situations
- Can act decisively, even under pressure
- Do what they say they will do and are highly accountable
- Are willing to take risks, stand behind difficult decisions, and take full responsibility for their consequences
- Welcome having to make tough decisions and do so with ruthless honesty

At the same time, they possess certain liabilities. Performance Leaders

- Are highly competitive, particularly when it comes to resource allocation
- Can become centered on greed and personal gain
- May develop a "crisis mentality" – getting hooked on going from crisis to crisis, some of which they create so they can fix them



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- Run a high risk of burnout
- Tend to rely on symptomatic or quick-fix solutions rather than intervening in the larger system
- Can become authoritarian when they don't mean to be ("Just get it done!") or lack compassion ("Don't be a baby") when critical work must get done

For Citizen Leaders, the company itself is a product; they dedicate themselves to developing the organization and its culture.

Almost all leaders begin their careers as Performance Leaders; it is in effect a rite of passage in the leadership arena. Some leaders, however, will choose, because of their natural inclinations, to ultimately pursue one of the other four paths for their leadership identities.

Vision Leaders

Vision Leaders are the organization's futurists. They couple their deep faith in reason with as deep a faith in intuition. With this "double vision," they are able to challenge their own and their organization's basic premises, envisioning directions for change – economic, industrial, financial, organizational – that few others could imagine.

- Of all leaders, Vision Leaders are the ones most capable of shifting paradigms – their own and their organization's – by perceiving that what *is* could be different. They have the ability to think about thinking and a hunger for ideas.
- In forming and re-forming their vision of what the organization can become, these leaders invite contributions from all quarters, within and outside the organization, and are careful to make themselves easily accessible.
- In a strong voice, these leaders say, "I see very clearly what direction we have to go in. This is the road I say/believe we must take." They then have the guts to go with their convictions.

- These leaders see possibilities for the future that others do not see, aided by their ability to move back and forth between past and present as a means for guiding their intuitions about the future.

The Achilles' heel of Vision Leaders is their attraction to the future. In focusing eyes-forward, they can sometimes neglect inconvenient realities. Vision Leaders, therefore, rely heavily on other leaders to build and sustain an organization capable of achieving the future they so clearly see.

Wisdom Leaders

Wisdom Leaders are the guardians of the organization's spiritual essence, its reason for being. They can articulate "what this place is all about" and inspire others with their commitment and values.

- As the leadership resource most committed to spirit-led and values-driven sensibilities, they courageously hold their ground when faced with cynicism about the "soft issues" in personal and institutional life. Far from shying away, they invite questions like: What is work about? Has life any meaning? Do we really add value or is this merely a charade?
- Wisdom Leaders have a passive and an active side, and can balance both stances. On the passive side, they can withhold taking action when others act on reflex. On the active side, they can lead others through a wilderness of ambiguity and uncertainty. Both stances depend on their comfort with and acceptance of paradox.
- Wisdom Leaders have a "both/and" perspective. They can hold the values of inner, subjective experience and those of analytic scientism without compromising the contributions of either approach. They believe that each perspective is anchored in inner wisdom, authority, and resources.
- Affirming the benign beauty and power of human intention, they are able to tease out the exceptional abilities that often reside unnoticed in most individuals.

Citizen Leaders

For Citizen Leaders, the company itself is a product; they dedicate themselves to developing the organization and its culture. They view the organization's profit goals and people goals as inextricably linked. Focusing on structures that do and do not work, they take it upon themselves to alert the leadership team to their observations and to design appropriate structural corrections.

Exit Leaders recognize and call out aspects of the organization and its performance that others lack the courage to challenge.

- Citizen Leaders design structures and seek to maintain, shape, and re-form the organization such that the creative energies of all employees are fully utilized.
- These leaders feel it is their duty to cultivate and maintain employees' esprit de corps. Being "in touch" with them, they are sensitive to the trials of those who feel vulnerable in organizational life, but they avoid being coopted into conspiracies of victimhood.
- Through their strong relational skills, they can foster productive communication and collaborative inquiry between managers and employees. In their leadership role, Citizen Leaders try to help each employee belong to the whole community, not to any segregated part, and to look passionately at his or her life in the company.
- Knowing the meaning of the organization's purpose in the world, Citizen Leaders see that as many people as possible tangibly experience that purpose. They encourage the articulation of personal choice among all employees in order to assure genuine commitment to organizational purpose.

Exit Leaders

Exit Leaders are the organization's "sanctioned iconoclasts." The unique contribution of these

leaders rests in their ability to recognize and call out aspects of the organization and its performance that others lack the courage to challenge. Their focus is not to critique but to improve by constantly seeking higher and higher levels of performance and by candid self and organizational reflection.

Organizations have the opportunity to take the reins of their future rather than react to market performance and replace their leaders in times of trouble.

Through perfecting the practice of positive opposition, these leaders ask the organization to:

- Look at itself
- Strive for balance in its logic, procedures, and actions
- Recognize the tyranny of success
- Forsake arrogance
- Relax its mental grip on truth
- Keep its boundaries fluid
- Recognize the undersides of its best mental models
- Remain ever open to what it cannot possibly know on its own
- Encourage the free expression of unpopular sides of every issue

Deliberately, Exit Leaders remain at the periphery, for to be drawn too closely into the organization is to forfeit the objectivity that sets them apart from other leaders.

Exit Leaders represent a critical but too often absent role in a well-functioning Leadership System.

All models need to be examined in order to develop. Exit Leaders are given permission and encouraged to provide this assessment. Too often, organizations expel these leaders or force them to go underground, masking their true talents. In contrast, an organization that is of a mind to attract, harness, cultivate, and protect constructively iconoclastic individuals can reach heights of performance unattainable by those without this key leadership role.

Steps Toward the Future

No matter how attractive a Leadership System may appear on paper, it is of no value if organizations and the leaders within them cannot actualize this vision. What does it take, then, to cultivate a Leadership System and put it into action?

Building a system of interconnected leaders with equivalent but widely varying sets of capabilities is no small feat. It requires an incredible commitment: a commitment to the long-term development of leaders from within; to the essential value of the differences between individuals; to honest and frank dialogue about individual leader's real strengths and weaknesses; and to a lateral rather than a hierarchical leadership structure. The scope of these requirements adds up to no less than a total reframe of how most organizations think about leadership, power, and performance.

Given the resounding failure of current leadership models, however, the way forward seems evident. Organizations have the opportunity to take the reins of their future rather than react to market performance and replace their leaders in times of trouble. History has proven that those CEO saviors are a beautiful myth that too often proves to be just that – a fiction rather than a reality. ■

ABOUT THE AUTHOR

David Kantor, Ph.D., is the founder and director of the Kantor Institute, an affiliation of researchers, consultants, and practitioners dedicated to advancing the application of Model Building and Structural Intervention. His latest book, *Reading the Room: Group Dynamics for Coaches and Leaders*, will be published in May 2012 as part of the Jossey-Bass Business & Management Series.

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COMMENTARY 12.1

Commentary

LISA STEFANAC



Lisa Stefanac

represent a set of specific qualities and behavioral patterns that no one person, however charismatic, could possess on his or her own.

While I applaud this idea for its strong potential to create sustainable, agile, and high-integrity organizations, I believe we need to further explore *how* such a Leadership System could be created and sustained, and *why* such a leadership structure does not already exist.

The Roots of Post-Heroic Leadership

The concepts of shared responsibility and post-heroic leadership in an organization are not new. First coined by David Bradford and Allan Cohen in *Managing for Excellence* (1984), the post-heroic leader requires a strong, cohesive team, alignment around vision and values, and a high level of mutual influence. Fast forward roughly 10 years and Nirenburg speaks of post-heroic leaders who step up to lead as the need arises and supported by a community of mutual learning.

“The same qualities we have sought in one person can be found distributed among many people who learn, in community, to exercise their ‘leadership’ at appropriate moments.”

– John Nirenburg (*The Living Organization*, 1993)

shared responsibility team, or Leadership System. To complement this, David has also recently developed an assessment instrument, the Leadership Pathways Preference Scale, to identify individuals who represent each particular leadership type.¹ Certainly this instrument is a useful tool for recognizing leadership styles and ultimately determining whom to place on the shared responsibility team.

What Kantor now brings to this ongoing conversation is a description of the five types of leaders whom he thinks should be present on an optimal

But, what then? Where do we go, once we have found our dream Leadership System team? More important, how do we sustain this new leadership structure? More than 25 years after some of the best minds in our field have recommended a similar model, why haven’t more organizations adopted a shared responsibility team, such as the Leadership System that Kantor suggests? What will cause a company that is used to heroic leadership to rally

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A shared leadership model requires support by the community of people – the organization – looking to be led.

around and support a Leadership System in which no one person is the leader indefinitely and in which responsibility is shared?

Fertile Ground

To sustain this model, we first have to look to see if the ground is sufficiently fertile to plant such a framework. For an organization that is used to a top-down reporting structure and a system based on a heroic leader, shifting to this new approach is a huge challenge. A shared leadership model requires support by the commu-

nity of people – the organization – looking to be led. The problem is that not many organizational systems are able to integrate a new model systemically or thrive in a team leadership setting. For now, most are still firmly rooted in the heroic leadership approach.

From recent experiments, we have learned that planting an innovative leadership model in any organization takes time. Organizations that strive to apply the concepts that Bill Torbert articulated in *Action Inquiry* (2004) and “Seven Transformations of Leadership” (*Harvard Business Review*, April 2005) often still find themselves operating in the Diplomat, Expert, and Achiever action logics. That is, they continue to keep to a strict reporting structure and look to a leader to know all and direct all, maintaining the conventional mindset of a conventional organization. For an organization to adopt the Leadership System that Kantor proposes, which I would argue is a post-conventional idea, not only does that system need to operate from post-conventional action logics (what Torbert calls Individualist, Strategist, and Alchemist), but the organization itself needs to rise toward the post-conventional



mindset. Otherwise, people will not recognize, respect, or be empowered by this change in leadership style. This kind of developmental shift in mindset toward post-conventional practice requires an extended timetable.

Harmonious Skill Sets

In addition, the natural skill sets of the members of the Leadership System team are not likely to be immediately in harmony once the group sets the intention to work together in a shared leadership approach. Kantor suggests that the members of the Leadership System be “trained” and that they possess “capabilities needed for almost every conceivable organizational eventuality.” But, *how* does this happen? To work together as a high-performing team and to navigate system-wide change in the organization and beyond, this cadre of leader types requires supplementary skills and training.

The natural skill sets of the members of the Leadership System team are not likely to be immediately in harmony once the group sets the intention to work together in a shared leadership approach.

Leaders could achieve this additional learning through a year-long leadership development program that involves coaching and working on live case studies. At the very least, the training would need to include the applied concepts of Adaptive Leadership (Heifetz), Cross-Model Communication and Team Dynamics (Kantor), Action Inquiry (Torbert), Giving and Receiving Feedback (National Training Laboratories), and Decision Making Styles (Bradford and Cohen). A Leadership System would need to be adept in working with these concepts in order to thrive. Continued support through coaching and facilitation would also likely be a crucial investment in maintaining a healthy and well-functioning Leadership System. This kind of support could come either through internal or external consulting or from post-conventional leaders throughout all areas of the organization.

Any person serving the Leadership System model must possess a post-conventional, post-heroic mentality. In fact, we would all do well to further develop ourselves in building self and group awareness, with the goal of becoming stewards-in-action of this leadership style throughout the organizations we serve. Under these conditions, shared responsibility organizations and the Leadership System that guides them could then very well have a chance at long-awaited growth and expanded acceptance. ■

END NOTE

- 1 Jonathan Day assisted David in the development of the scale. You can find more information about the scale and other instruments developed by Kantor at www.kantorinstitute.com.

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BOOK EXCERPT 12.1

Renewing Leaders: Beyond Servant Leadership

JOSEPH JAWORSKI

The notion of transformational, or servant, leadership has been around for thousands of years. It has been the standard against which we have judged our most revered leaders – until now. In his new book, *Source: The Inner Path of Knowledge Creation*, Joseph Jaworski suggests that servant leadership is no longer adequate to meet today's challenges. He calls for a more advanced generation of leaders, which he refers to as "Renewing Leaders" or "Stage IV Leaders." Jaworski explains that what sets these individuals apart is their unique capacity for combining their cognitive understanding of the world with their ability to connect with the "Source," an underlying intelligence that provides them with the power to create the kinds of organizations and society we desire. In this excerpt, Jaworski paints a compelling profile of one such leader whom he believes exemplifies and embodies this most advanced stage of leadership.



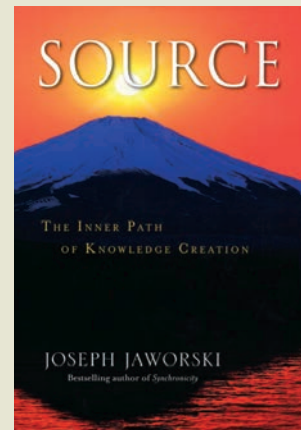
Joseph Jaworski

Since the publication of the first edition of *Synchronicity*, I've been searching for the principles that lie at the heart of what I described there – the capacity we have to sense and actualize emerging futures and to shape the future instead of simply responding to the

forces at large. What is the *source* of our capacity to access the knowledge for action we need in the moment? How can we learn to enable that capacity, individually and collectively? . . .

By its very nature, the Source cannot be defined. The physicist David Bohm told me that "the reality which is most immediate to us cannot be stated." And Robert Jahn and Brenda Dunne, two scientists whom I interviewed for this book, said:

. . . there exists a much deeper and more extensive source of reality, which is largely insulated from direct human experience, representation, or even comprehension. It is a domain that has long been posited and contemplated by metaphysicians and



Adapted from
Source: The Inner Path
of Knowledge Creation

Joseph Jaworski
Berrett-Koehler, 2012

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theologians, Jungian and Jamesian psychologists, philosophers of science, and a few contemporary progressive theoretical physicists, all struggling to grasp and to represent its essence and its function. A variety of provincial labels have been applied, such as "Tao," "Qi," "prana," "void," "Akashic record," "Unus Mundi," "unknowable substratum," "terra incognita," "archetypal field," "hidden order," "aboriginal sensible muchness," "implicate order," "zero-point vacuum," "ontic (or ontological) level," "undivided

timeless primordial reality," among many others, none of which fully captures the sublimely elusive nature of this domain. In earlier papers we called it the "subliminal seed regime," but for our present purposes we shall henceforth refer to it as the "Source."

While it cannot be defined, Source can be experienced. The first time I experienced it was during a tornado I describe in the prologue to this book. My quest since then has not been for a definition but for an understanding of how we can have a connection to it – how we can engage in a deep dialogue with it. Dialogue with the Source leads to the kind of creativity associated with the most successful entrepreneurial undertakings. Action based on such "primary knowing" can be "shockingly effective."

This 15-year journey [described in this book] covered a long and winding path during which a colleague and I were inspired to explore what we later developed as a "U-process" for accessing emerging futures. The exploration of the U-theory led to our writing *Presence: An Exploration of Profound Change in People, Organizations, and Society* [with Peter Senge, C. Otto Scharmer, and Betty Sue Flowers].

But the work with the U-process and our thinking about the U-theory left me dissatisfied. Real transformation, it seemed to me, occurred at what I began to call "the bottom of the U" and involved something beyond what we were doing – something we didn't really understand. I began calling it "the Source." A leader's ability to access this Source often made the difference between success and failure. . . .

At the time *Synchronicity* was published, the most admired institutions were led by what Robert Greenleaf described as "servant leaders." Scott Peck has referred to these as "Stage III" leaders. But I believe that a more advanced generation of institutions must be led by what I call "Stage IV" leaders. Stage IV leaders embody the char-

acteristics and values of servant leadership, but have matured to a more comprehensive and subtle level of development. They exhibit a capacity for extraordinary functioning and performance. At the heart of this performance is a capacity for accessing tacit knowing that can be used for breakthrough thinking, strategy formation, and innovation, including envisioning and creating the kind of institution or society we desire.

Stage IV leaders believe that there is an underlying intelligence within the universe, which is capable of guiding us and preparing us for the future we must create.

Stage IV leaders believe that there is an underlying intelligence within the universe, which is capable of guiding us and preparing us for the future we must create. They combine their cognitive understanding of the world around them with a strong personal sense of possibility – the possibility of actualizing hidden potentials lying dormant in the universe, a view that carries with it the power to change the world as we know it.

Institutions guided by this quality of leadership, from line leaders to the very top, will, in my view, flourish in the decades to come. Because of their success, these institutions will become living examples of what is possible in the face of accelerating complexity and high turbulence. Operating from this new worldview, these living examples can play a major role in shifting the prevailing belief system.

Four Stages of Organizational Leadership Development

Stage I: Self-centric Leaders

Characteristic of young people and perhaps 20 percent of adults, this is a stage of undeveloped spirituality.

Members of this group are generally incapable of loving others. They may appear to be loving (and think of themselves that way), but their relationships with their fellow human beings are all essentially manipulative and self-serving. They are unprincipled, governed by little but their own will. And since the will may shift from moment to moment, there is a lack of integrity in their being. Some may be quite disciplined in the service of expediency and their own ambition and so may rise to positions of considerable prestige and power. Some, occasionally, advance to Stage II.

Servant Leadership alone is no longer adequate to the high challenges prevailing today.

State II: Achieving Leaders

These are people who mature to the point of valuing others. Their self-identity may include family, peers, organizations, faith groups, or nations. Stability is a principal value for people in this stage. They seek to conform to the established rules of their faith or organization and may feel disconcerted or threatened if someone seems to be playing the game outside these rules. Their pursuit of excellence is characterized by fairness, decency, and respect for others. They routinely succeed in their organizational goals because they genuinely value others. Their achievements are a reflection of their self-discipline. As they rise in organizational power and influence in the later phases of their Stage II development, they develop and strengthen others as well. In these later phases, their achievements are accomplished with and through others.

Stage III: Servant Leaders

This stage of development is marked by an even greater expansion of self to embrace all people, regardless of race, gender, class, or creed. Stage III leaders routinely

use their power and influence to serve and develop others. In Robert Greenleaf's terms, those around them become healthier, wiser, more autonomous, and more independent – and more likely to become servant leaders. These leaders are routinely entrusted with leading teams with important institutional assets and with entire organizations. This is a stage of growth that questions rigid belief systems and transcends conventional rules and roles.

People at this stage of development exhibit a high need for achievement, yet not at the cost of others in their organization or in society at large. They have a high need for independence and a low need for conformity. They have a high propensity for mature risk taking, a strong sense of self-efficacy, and a tolerance of ambiguity. Accordingly, they thrive in times of turbulence and complexity. They have adopted a systems view of the world. In the more advanced phase of this stage, they gain stronger awareness of the interconnectedness of all life. In their organizations, they nurture understanding of and responsibility for the larger social systems within which the individual and organization operate.

Servant Leadership alone is no longer adequate to the high challenges prevailing today. Our institutions must be led by a more advanced generation of "Renewing Leaders" or "Stage IV" leaders.

Stage IV: Renewing Leaders

Stage IV leaders embody the characteristics and values of servant leaders but have matured to a more comprehensive and subtle level of development. They exhibit a capacity for extraordinary functioning and performance. At the heart of this kind of performance is a capacity for tacit knowing that can be used for breakthrough thinking, strategy formation, operational excellence, and innovation, including envisioning and creating the kind of organization or society we desire.

Stage IV leaders hold the conviction that there is an underlying intelligence within the universe that is capable of guiding us and preparing us for the futures we must create. They combine their cognitive understanding of the world around them with a strong interior knowledge of the hidden potentials lying dormant in the universe – a view that carries with it the power to change the world as we know it.

Developing Stage IV Leadership

“Knowledge is a function of being.” – Aldous Huxley

I’ve thought about how to describe the values and qualities of character that form the foundation of Stage IV Leadership and decided that the best way to do this was to tell about a man I had the privilege to work with who was a clear exemplar of that stage: Admiral James Bond Stockdale. Jim Stockdale’s story also reflects the vital

Stage IV leaders embody the characteristics and values of servant leadership, but have matured to a more comprehensive and subtle level of development.

nature of the quality of preparation that is necessary to make one adequate to live in and operate from the Source.

When I met Admiral Stockdale in 1980, he was recently retired from serving as president of the Naval War College and was teaching philosophy at Stanford University. I invited him to join the Board of Trustees of the American Leadership Forum, where he helped design the curriculum



and taught the pilot course, serving with us for almost nine years.

Learning from Stockdale during many intimate conversations was a great gift. His experiences as a prisoner of war are highly relevant to my search for an understanding of the Source, particularly in relation to the essential personal characteristics that allow one to experience self-realization through a traumatic experience.

Jim Stockdale's story reflects the vital nature of the quality of preparation that is necessary to make one adequate to live in and operate from the Source.

Developing this kind of character is a theme of the *perennial philosophy* – a phrase defined by the philosopher Aldous Huxley as referring to “the metaphysic that recognizes a divine Reality substantial in the world of things and lives and minds; the psychology that finds in the Soul something similar to, or even identical with, divine Reality; the ethic that places man’s final end in the knowledge of the immanent and transcendent Ground of all being – the thing immemorial and universal.” Huxley said that “Rudiments of the Perennial Philosophy may be found among the traditional lore of primitive peoples in every region of the world, and in its fully developed forms it has a place in every one of the higher religions. A version of this Highest Common Factor in all preceding and subsequent theologies was first committed to writing more than twenty-five centuries ago, and since that time the inexhaustible theme has been treated again and again, from the standpoint of every religious tradition and in all the principal languages of Asia and Europe.”

Referring to the essential prerequisites to gaining access to primary knowing, or as he put it, “immediate apprehension and intuitive power,” Huxley wrote:

Knowledge is a function of being. When there is a change in the being of the Knower, there is a corresponding change in the nature and amount of knowing . . . what we know depends on what, as moral beings, we choose to make ourselves. “Practice” in the words of William James, “may change our theoretical horizon, and this in a twofold way: it may lead into new worlds and secure new powers. Knowledge we could never attain, remaining what we are, may be attainable in consequence of higher powers and a higher life which we may morally achieve.” . . . (T)he nature of this one Reality is such that it cannot be directly and immediately apprehended except by those who have chosen to fulfill certain conditions, making themselves loving, pure in heart, and poor in Spirit.

. . . In the ordinary circumstances of average sensual life, those potentialities of the mind remain latent and un-manifested. If we would realize them, we must fulfill certain conditions and obey certain rules, which experience has shown empirically to be valid.

In September 1965, then Wing Commander Airborne Stockdale was shot down on a combat mission over North Vietnam, severely breaking his leg during ejection. Stockdale was captured and taken to prison in Central Hanoi. He spent the next seven-and-a-half years there, four of them in solitary confinement. As the senior officer among the prisoners, he was responsible for defining rules of conduct and maintaining morale. Because of his rank, he was considered to be a prime political asset.

Because his captors believed that sooner or later his will would be broken and that he could then be used for propaganda purposes, they subjected him to the

most brutal torture, intimidation, and isolation. But he responded with intelligence, courage, and exceptional creativity. Soon after his release in the spring of 1973, he was awarded the Congressional Medal of Honor, America's highest commendation for bravery, for risking his life to protect his fellow prisoners.

Stockdale told me, reluctantly, some of what he endured over those seven-and-a-half years. He was in solitary confinement in a tiny, dark, filthy, windowless "concrete box." Regularly, he was subjected to "being beat to a bloody pulp." He was placed in "torture cuffs" for

weeks at a time; locked in a stock for weeks on end; bound in ropes by "tourniquet-wielding torture specialists who could make you scream like a baby."

"They can make you tell them almost anything they know you know," he said. "The trick is, year in and year out, never to level with them, never let them really know what you know." His mother was a drama coach and had taught him acting as a young child. He used what he learned to keep his captors off balance. In the face of all of this, he devised a tap-code system and taught it to his fellow prisoners so they could communicate even while in solitary.



Further, over the course of the second year in prison, Stockdale corresponded with the Office of Naval Intelligence through letters to and from his wife, Sybil, using his urine and a special invisible carbon paper that was embedded between a photograph Sybil sent him and its backing. Incredibly, he transmitted to Naval Intelligence the names of the forty or so American prisoners he could positively identify through his tap-code system. He also sent descriptions and statistics about the torture that was taking place in his prison. Stockdale said his purpose while living in that prison was two-fold: "the practical problem of daily survival" and "to return home with honor."

I talked with Jim Stockdale for hours about his ordeal and how he was able not just to survive but to perform at such an exceptional level over a sustained period of time. His response: self-preparation –

he systematically prepared himself both before and during the ordeal.

Before his imprisonment, he had developed a structured set of values that supported a basic principle of self-reliance and self-respect. He said this was fundamental to his performance. He pointed to a gift a professor of philosophy had given to him during the last day of his postgraduate study at Stanford. It was a copy of *The Enchiridion* by Epictetus. Epictetus was the son of a Roman slave, and this particular book was what might be considered a manual for the combat officer of that time. Stockdale read this book that evening and was puzzled. "Why had the professor chosen this reading

"Glib, cerebral and detached people can get by in positions of authority until the pressure is on. But when the crunch develops, people cling to those they know they can trust."

as a parting gift? I was an organizer of men and a fighter pilot, concerned with the technology of the age. How could the foundations of the Aurelian Stoical School apply to my daily life? My questions were answered in Vietnam," he said. "When I ejected from that airplane in 1965, I left the world of technology and entered the world of Epictetus."

Stockdale reduced the elements of his self-preparation to these four:

1. Integrity – Dedication to the Truth

"Above all else, keep your conscience clean. If you don't lose your integrity, you can't be had and you can't be hurt Glib, cerebral and detached people can get by in positions of authority until the pressure is on. But when the crunch develops, people cling to those they know they can trust – those who are

not detached, but involved – and those who have consciences"

2. Assumption of Responsibility and Discharge of One's Obligation and Duty

"Duty can be understood without reference to external law or to compulsion, divine or human. We share this understanding whenever – having made a promise, taken an oath, contracted a debt of duty – we feel an obligation to discharge it, even if no superior commands the act. Duty in this perspective has absolute character. Duty is its own justification. It does not have to be propped up by anything outside itself, particularly in the line of reward or punishment. This was the teaching of Socrates who urged men should obey the law, pay their debts, discharge their obligations, not to avoid the pain of censure or punishment, but simply because they ought to."

3. Self-Discipline and the Delay of Gratification

A principle Stockdale lived by before, during, and after his prison ordeal was the following: "Self-discipline is vital to self-respect; self-indulgence is fatal." Stockdale said that undertaking daily practices is essential to mental and spiritual health. In prison, he and his fellow prisoners found they had to build a daily ritual into their lives "to avoid becoming an animal." For almost all of them, he said, their daily practices were built around prayer, meditation, exercise, and clandestine communication. "I would do four-hundred pushups a day, even when I had leg irons on, and I would feel guilty when I failed to do them." He said, "The prayers I said were prayers of quality with ideas of substance."

4. Love and Community

Stockdale was utterly clear about the power of love, comradeship, and community. When he was asked, "What kept you going? What was your highest value?" his answer always was, "The man next door." He had an abiding belief that there was enormous power in comradeship, bonds of mutual trust, and love for one another. "This love, this unity, this mutual trust and confidence is a source of power as old as man, one

we forget in times of freedom, of affluence, of fearful pessimism,” he said. “In prison, our world literally became our band of brothers; our personal pride and our reputation among our peers was our total life investment.”

Stockdale wrote that, for him, Principle One is that you are your brother’s keeper:

In an environment in which people are trying to manipulate others – be it prison, a rigid hierarchical organization, or a bloated bureaucracy – there is always the temptation to better your own position by thinking only about yourself. Yet, sooner or later, it becomes clear that the greater good for you and your fellow inmates, the key to happiness, self-respect and survival, lies in submerging your individual instincts for self-preservation to the greater common denominator of universal solidarity.

The opportunist may make significant short-term gains by walking over his fellow workers, by taking credit for their good work, or by selfish theatrics. But each time he loses faith with his peers, he forfeits some of this self-respect.

Stockdale was a supremely private man and seldom chose to talk of his faith or the Divine. However, he said that during his confinement, at the moment of maximum danger to his life, suddenly the face of Christ “popped out of nowhere” in front of him – the same face, he said,

Sooner or later, it becomes clear that the key to happiness, self-respect, and survival lies in submerging your individual instincts for self-preservation to the greater common denominator of universal solidarity.

he saw every Sunday on the big stained-glass window of the U.S. Naval Academy chapel just behind the altar. “He’s looking right into me, just like he used to when I was a plebe sitting before Him at mandatory chapel every Sunday, praying that I could make it at Annapolis.” At the very same moment of the vision, he was able to make split-second decisions that enabled him to avoid detection of his secret messages by two guards who had just entered his cell.

Connection with the Source comes in many different forms. It seems to me that Stockdale’s religious faith allowed him to “see” that connection at a moment of extreme crisis in the form of an image that he had initially observed behind the altar of the Naval Academy. In that way, his discipline, his sense of duty, and his faith merged in that instant of connection, allowing him the kind of “knowing” that led him to make a life-saving decision in an instant. ■

ABOUT THE AUTHOR

Joseph Jaworski is a founder and the chairman of both Generon International and the Global Leadership Initiative, as well as the founder of the American Leadership Forum. He is the author of the international bestseller *Synchronicity* and a coauthor of *Presence*.

Reflections

The SoL Journal

on Knowledge, Learning, and Change

Volume 12, Number 1

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ISSN 1524-1734
EISSN 1536-0148

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Design & Production: DG Communications (NonprofitDesign.com)

