STS For The IDS

Organization Planning & Design - *1994* - By Paul Gustavson

I want to talk about a framework and a set of lenses through which you can look at the project that you have going on here. And to do so, and on a personal note, I'd like to tell you a couple things that have been pretty influential on me in thinking about organizations. I see the role that o play in helping organizations is around thinking about organization design and thinking about those things that help organizations think about what they want to be in the future.

There are a couple of experiences that have had a profound impact on my life in thinking about organizations and organization design. In thinking about what you want to be in the future.

My father worked for AT&T for 38 years and I can remember as a kid growing up that when my father came home from work how that interaction went on- those times when my father was really excited about what he was doing and times when he wasn't that excited about what he was doing. Those times when he wasn't very excited about what he was doing things were said like, "Paul, how come the grass hasn't been cut? How come the weeds haven't been cleaned, How come this, how come that?" There were other times when he was excited about his work, he said things like, "let's go shoot a bucket of balls" - he liked golf. " Let's go throw the ball around," "Let's go do this," "Let's go do that." And as a kid there were a couple of things that triggered for me.

Number one was that I had this picture of my same father and that there was something that went on at work that also came home with him and that what came home influenced the life of the family and so I got inquisitive about this notion of, "What is it that happens at work?" If there are times when my father is excited about work and times that he isn't that excited about work, what is it that causes him to behave in the way that he does?

And so I can remember sitting down with him and chatting with him about those things that he really liked and hose things that he didn't. I can remember such things as that when he was excited about his work, he felt like he was involved in projects that had some sense of meaning, of purpose. I can remember such things as that when he was excited about his work, he felt like he was involved in projects that had some sense of meaning, of purpose. I can remember talking about the 60'S, that AT&T was buying land to put in communications systems so that in case of a national emergencies information could be passed throughout the U.S. and that that was a project he thought had a lot of meaning. There were other times that he wasn't that excited about what he was doing and he translated that in terms that he wasn't learning, that he was doing the same thing over and over and that he was working with people who weren't pulling their own weight, or he was viewing that he supervision over the top of him was looking over his shoulder all the time. As a naïve kid, I was kind of asking these questions, Why, Why do organizations do that?" It was clear to me that impact of it had on my father because it was clear what the impact of that was on me. "Why do organizations do what they do?"

So with that as an experience, I began to think more about organizations. The second major impact in my own personal life was in the field of athletics. I had the opportunity to go to Brigham Young University on a football scholarship and I played center for the team in the early 70's. Between my sophomore and junior years, they provided the coach fro that team - after a succession of 2 and 8 seasons- an opportunity to seek employment else where; and they promoted the defensive line coach to head football coach. Sort of a shock, the notion that we don't like this but we want to give somebody another opportunity. And some of the first things that Lavell Edwards, who was my football coach there today, did during spring practice in 1972, was to take the team out to the center of the football stadium and he said, "I want you to spend a few minutes looking around." So you know, we'd seen the place before, it was a

stadium that at times sat 30,000 people and if we were lucky we were getting 22,000 people to come to games. Of course, when you're 2 and 8, you don't draw a whole lot of people - Provo, Utah isn't that big of place to draw people from. He had us stand there and then he said some interesting things. He said, " one day, men, this stadiums' going to be an enclosed stadium and it's going to seat 65,000 people and we're going to be known as a national powerhouse."

Now for the team who had never won a league championship, never been to a bowl game, and at a school where when you joined you have to sign a code of conduct that you won't take drugs, ect., there were those in the team who wondered if the coaches had to sign the same thing. I mean, what's this guy talking about, a national powerhouse? You know coming out 2 and 8, never been to a bowl game, what in the world is this guy talking about?

Well, I began to learn something about the sense of vision from that particular experience. I also learned something about the sense of doing thing very differently. One of the things that he did - and this guy was a center when he played at Utah State and that was the position that I played in - - he said, " You know, the thing I've been looking at is that we've been trying to run a football here and we haven't been very successful. Maybe there's another way to play this game. Maybe if we learn how to throw it better than anybody else - maybe we could become successful." So he went out and hired a passing couch from Tennessee named Brad Warren. Then we began spending 80 % of the time throwing the football at practice.

And another couple of things he did that were very different that I had experienced in previous teams and also heave over the last 20 years in terms of thinking about teams, he said, " For each one of the team's offensive line, defensive line, linebackers and all that , what I want you to do is choose one representative, one of your fellow team members to go with the coach to a meeting once a week where we'll review the game plan for that week."

Today, we would call that involvement. A few months ago, I visited with Lavell. I had an opportunity to go back to school and talk to the faculty and students about organization design and I went back to the field and talked with him and he said in talking about this, " I didn't know what I was doing, I just felt that mead sense, that if I wanted team members to feel a part of the game plan, that they ought to have some participation in it."

The third thing that he did that was interesting to me was, he said, "This thing about discipline…". Discipline was not always a fun thing on a football team. It was about breaking rules; you had to do a certain thing or you got suspended or you had to run laps. And as a player I never remember - when someone who had to run laps because they had done something, broken a rule - I never remember once anybody coming back into the locker room saying, "Boy, I'm going to be a better person because of this. I'm really grateful for this opportunity." It was never " I did something wrong", it was "I got caught." Every single person could identify another person who had done something equally bad and didn't get the same punishment. So there was always this energy around, How come there's favoritism?

So Lavell did a crazy thing back then. He said, " You know guys, when people break rules, you either have bad rules or we don't understand the purpose of the rules. And in terms of the purpose of the rules, when you break those rues you aren't hurting the coaches, you're hurting you fellow teammates. So therefore on most of the disciplinary actions, I think that's the responsibility of the team to decide. So the team decided what happens with that person." The coach said, "That's not our issue, that's you issue."

What I would say to you is that that created a different set of behaviors, a different set of feelings than had ever been with that other way of managing an organization.

Another thing he did was - the coach we had before had this tower and he would go to the top of this tower and he could bark out things: "Do this! Do this!" And he had this team of people rolling down the

field and if somebody got hurt, all he did was just keep moving down. It wasn't, "Let's help this person;" it was just, " We gotta keep moving."

Edward's style was to say " What I'm going to do is hire the very best coaches. I'm going to push the decision-making down, I'm going to view my job as really dealing out and making sure that the pieces fit together sand that the team is a whole organization. It's not acceptable to have the defense fighting the offense and this kind of stuff - the team is a whole entity."

I learned something about a set of values - or a set of principle - that guided him. So I began to learn from these two early experiences that choices that organizations make somehow influence how people behave in those organizations, whether it's my father or whether it was me or whether it's the other set of people that I played with. And that this had a direct influence on the kind of outcomes that the organization was able to achieve.

As I thought about that and with my own personal work experience, I can remember working for several companies and one experience that had probably the most profound effect on me was when I worked for a company names Hercules. They make solid-state rocket fuel - it was a summer job, you move around, doing summer jobs all throughout the organization; it had plant locations that were spread across a large geographic area. I worked there and saw teams that worked really well together and teams that didn't work that well together. The question in my mind was: What was it that was causing it? What were the choices?

The most fascinating experience I had was when I worked with one group during graveyard shift. This group - before SCC or any of that took place - this group said, a as team, "We know that foreman are creature of habit." So they plotted on a graph the frequency and timing of when the foreman would come to the work setting. They had it plotted out; they were so far ahead of us in thinking of statistical probability and all of that. The other thing they did was to build silhouettes of people looking like they were working - it was in a two-story kind of building- and it looked like somebody was bent over doing work. And they put enormous energy into figuring out how to get out of work. In fact, they were probably the most creative group that I had ever seen - but it was all directed towards getting out of work. They wanted to do nothing, produce no results, but look like they had done enormous things to the outside - which raises the questions about information systems and all of that… But the issue was, for me - it was a powerful learning - that people bring energy into work and that energy either goes in a positive or negative direction; and the question, what is it that causes energy to move into a positive direction as opposed to a negative direction?

So, with this notion, I went to graduate school and worked with some of the top consultants in the country and they began to talk about that.

They had one fellow by the name of Bill Fielder who was involved in the early days of sensitivity training. He was one of the early people, in fact did a workshop for Abraham Mazlow- "Heirarchy of Needs." He did several workshops for him and he became my mentor. I was his teaching and research assistant; and he is known as the father of team building.

What they found in sensitivity training was that when people went back to work after the training - because people came from various organizations, came together, shared their reactions with one another, how they came across - then when they went back to their own work settings and said, "I want to be open and honest with you," people said, "What happened to you? We kind of liked you the way you were before. You were predictable and you told us what to do."

The notion from those people that were involved in this - and he was one of the leaders - was, he said, "A powerful impact on organizations will be in the area of team-building, getting people who work together to come together to talk about how they can work better together." That was his notion and he became known as the father of team building, he wrote a couple of books that are sort of the Bibles on team-

building. He said to me in 1974, "Paul, one thing that I have learned, although I have spent many years at this" - he later went in to be the dean of business school - "I have learned that you can take people off for a great team-building session and people will walk away and say, 'Boy we feel terrific together, we've had an incredible experience's and they'll come back to work setting and within weeks that experience will dissipate because of the organizational systems. There are systems within the organization that can cause people to behave the way they do which in turn influences the outcomes of the organizations. So he said, "If you're going to think ahead, you need to learn all that you can about that." So for the last 16 or 17 years, I've tried to learn as much as I can about that and I'm still learning a lot about how organizational systems influence how people behave and feel.

What we're going to talk about today and what I have to offer to you is not a set of solutions but a framework to think about organizations and a set of areas in which to look for data to help you in thinking about what kind of choices will drive or influence the behaviors that you need to have to be successful and based on what's going on in your words. That's what I wanted to spend a few minutes on - setting a framework.

For lack of anything else, where this came about, I was studying organizations and went to work out of school at Amoco down in Chicago and they were interested in thing about new ways of managing - at least a couple of people within Amoco wanted me to do this kind of work. They said, we want to learn from you, we want you to go out and study what other organizations are doing. I went out and started meeting with some organizations that were more on the cutting edge of innovative work design such as Proctor and Gamble, Cummings Engines. I went out with an idea that there were some solutions that all we had to do was take those solutions and implement them into Amoco and we'd be even more successful than we were. What I found from some very wise people, they said to me in essence, "It's not solutions, its framework and a process. You need to design what makes sense for you. Don't borrow or copy." They said that there are three or four types of organization design: the first type of organization is to stay the same. The nice thing about staying the same is that if you always do what you've always done, the potential is that you'll always get what you always got. So there is some comfort to staying the same, because you know your history. The second type of organization design, they said, is to copy. And Tom Peters made that famous in the early 80's when he talked about In Search Of Excellence and he had the seven things that companies went out and said, Let's just do the seven things - like management by wandering around, for example - and we'll be successful.

In Silicon Valley, where I lived, I was curious if they taught them the strides to take when they "wandered around" or what questions to ask. But of course you remember what Business Week said several years later: Whatever happened to those excellent companies? The notion is that there is a choice and that is to copy what other people have done.

A third choice of organization design is what I call a problem-oriented or fix approach. We've got a problem - turnover or something like that - we've got to fix that. Let's put a band-aid over that - and then something else will pop up.

The fourth kind of organization design is what Steve and Doug talked about in terms of experience with Larry Wilson and that's a purpose- driven organization. Let's be clear about the purpose of organization, what its distinctive competency is and let's make sure that everything we do aligns with that and drives the kind of behaviors that will produce results that are consistent with our purpose in organizations.

So in essence I learned as I went around to different companies and was on sort of learning process - I learned a simple framework that helped me organize things that I knew about organizations and that other people knew about organizations.

So this framework here is only a framework to hang data, to categorize stuff that you already know about organizations and what it does simply is say that if we were to study any organization, if we were to study State Farm as an organization, that there are certain outcome that State farm achieve in terms of

customer satisfaction, in terms of profitability, in terms of turnover of people and how they are perceived by regulatory agencies and that sort of thing. And we could detail what that is. Then we would ask, what are the behaviors, feelings and attributes of people in that organization?

Behaviors are: What is it that we see people doing? Feelings are: How do they feel about what they're doing? Feelings are: How do they feel about what they're doing? Attributes are: What 's the competency, skill level, the flexibility, initiatives? What are the attributes that we see in that particular organization? Then what we would do is say that organizations make hundreds of choices; there were hundreds of choices when this facility was created, the kinds of chairs you have the coloring of the wall, where the eating would be, where people would sleep. There are hundreds of choices. What one fellow did, Jay Galbreth from UFC in the mid 70's, he said the hundreds of choices that organizations make could be put into buckets or categories and he described eight at the time and has since increased that to ten; ten categories of choices that the said influence how people behave and feel. So the notion here is that the behaviors that organizations get and the feelings of the people have s direct impact on the outcome and that these choices influence how people behave and feel, just like my experience at BYU. The categories are, how clear is the organization's mission? That sense of, what's the primary reason for being? What's its distinctive competency? What is that organization's purpose?

One of the most impressive experiences I ever had was with a work group, with a design team. A portion of them had gone out and studied Nordstrom's and came back with the most incredible story I have ever heard. One of them had overheard a conversation between two salespeople talking about a customer walking off with a pair of shoes and one of the salespersons said to the other, "Where'd he get that pair of shoes?" The other salesperson said, "Well, this customer of mine comes regularly, and he saw a pair of shoes in a window display at another store, came in here and said, 'Do you have them?' I checked in the back, we didn't have them, called distribution, they didn't have them, told the man we could get them for him next week. Between that day and the next week, I went down to the other store, bought the pair of shoes, put them in a Nordstrom box; the man came in tried them on, said this is wonderful, and bought them." Well, the impressive thing about that story is that Nordstrom's mission is to provide personalized service to ensure that people only shop at Nordstrom's. So somehow that mission was so compelling to that salesperson - to that particular individual - and so clear and so aligned with his own personal mission that it caused that person to go out and behave in a certain way to satisfy the customer.

What was also impressive was that in the back room there was this hand waving that happened to be the corporate controller of a large paper company and the guy said, "Wait a second. I gotta understand something, how is that accounted for? Was that an employee expense? Was that a company expense? Did that person go to a supervisor? Did purchasing put out a requisition - to a number of companies who all then sent in - we could never do that."

Well, somehow the other systems in the organization were in alignment to support this person in providing a level of personalized service that got the customer what he needed. Now the reason that the individual sis that, he said, was that " I didn't want my customer ever to feel like he had to go anywhere else to get what he needs." Of course, that's a feeling you would want if your mission was to provide a level of personalized service so that people only shopped there.

The second category that we look at in terms of choices is a set of guiding principles. These are the principles that drive behaviors, feelings, and attributes necessary to achieve the organization's outcome. They also guide an organization in its decisions and choices. I know that you have six values at IDS that are real important. I heard you today saying that there are other principles. One of the principles you said was that you we need to have people from the field involved in designing what the world is going to look like in the future if we expect them to own it. I would say that's a principle that guides you, not only in how you treat people but guides you in some other choices. One choice was to reconstitute that structure of the steering committee. So there are choices in terms of principles that are behind how you treat people and also guide us in terms of the other choices that we make. So that's a second category that we look at in terms of choices that organizations make.

The third category is the strategies to influence the external environment; influencers, stakeholders, customers. How do we represent ourselves to the customers? So that's what we're talking about when we talk about strategy. A frequent flyer program is a strategy that some companies have in terms of influencing advertising; another is the whole notion that you're talking about the relationship with Amex to get new customers and lead generation. That's a strategy to influence. How are we going to go about getting new customers and how do we deal with those customers? There's a whole category of strategies to influence.

Goals and objectives. What is it that we tend to measure in this organization and how does that influence people? One of the greatest learning experiences that I had is listening to organizations tell me what they believe is important and then asking them what they measure. I was with a large part of AT&T several years ago and they talked a lot about customer service, customer satisfaction; they had a large piece of that organization, 400 people, who were on phones just handling inbound calls relating to their stock; transferring stock, change of address, dividends and all that kind of stuff. I talked to the people in this department, and that was a department everybody wanted to get out of. I was interested, why would you want to get out that department because here you've got the customer satisfaction? Well, people told me, "Here's why you want to get out of this department. One is that we're measured on contact: how long we're on the phone, so when a customer calls in. we're expected to handle that call in 185 seconds." So you supervisor comes over and says, "I've noticed on the statistics that I've been getting that you've been averaging 192 seconds. Could you work on that?" So what do you think is on that person's mind the next call that comes in? Get 'em off the phone, get 'em off the phone. And that was the primary measure for the people doing work. In fact, they had it so sophisticated that at some of the operator's stations they had the digits right out there in front of them and they were out to the thousandths of the second - that things was flashing while the person's on the phone.

So what I'm saying here is, what do you think is going on in that person's mind when the caller's words start going, " Well… I… was… wondering…?" Is it, How can I provide the kind of service that has this person coming back tome after time? No, it was, how do I get this person of the phone? In fact, in terms of some of the behaviors that we saw, the more experienced people, the people who new the ropes said, it's easy to identify those kind of calls that are going to take more time than others; so what do you do, knowing that there are 400 people and that you have an on-off switch that you control on your desk and that you can click off and nobody will know what happened? We've all been cut off on the phone conversations, right? They don't know - nobody knows, except you, that you did that. The supervisor just says, "Good job, you handled that in 60 seconds, you know that's better than the 3 minutes we allow!"

The point I want to make is that what you choose to measure in terms of goals and objectives heavily influences how people behave and feel which in turn influences the outcome and that it is possible in organizations for there to be a misalignment between what you measure in terms of activities verses results. What I found is that people tend to do the things they're measured on.

So, you all know a lot about goals and objectives, but I want you to realize how that fits in, to consider: How do they influence the way people behave and feel?

The next category is the technical systems, which essentially says, how do we do our work? How do we generate leads? How do we present ourselves to that person? How do we do the financial plan? How does that work get done? How do we come back to the client and say, this is what's best for you? How do we get them to sign up for life insurance and disability insurance? How do we process that work? How do we communicate that work? How's the billing process?

That's the whole work of the organization. How does the work of the organization get done? That's what your technical systems say. What is the work of the organization and how do we choose to do it? What are the steps? What are the technologies? What's all associated with it? That's a big bucket - there are lots of choices - the physical arrangements, the furniture, where you sit. What we've found in organizations is that often tomes, most times, where you are located in a building influences the degree of power that you have with other people. If you're a long ways away, you just don't get up and go talk with

those people you direct. The next category that we look at in terms of organizations is structure. How are the people organized in the organization? And so we spend time thinking about, what's the core process of the organization? WE have a different framework in terms of thinking about organizations. The framework used to be, as Larry was telling me, a notion that goes clear back to Fredrick Taylor. Fredrick Taylor essentially said that in terms of work design, there are two classes of people: There are people who do and there are other people who think. And so far the people who do, you need to break their work down to simple components and have people do it repetitively over and over again. The other group of people, those who think you need to organize them so that they control those doers. For every seven doers, you need to have one thinker and that person's job is to monitor and to make sure that work gets done - in essence, to control. Then you need to work with people who deal with exceptions. So that was one methodology at work.

The second methodology at work came out of the same period of time and it was the comfort methodology of work. The person who formed their new business said, this is what I like to do - and what they don't like to do they pass down to the next level and finally somebody gets the work nobody likes to do. That's the comfort methodology work design.

What we're saying today about organizations is that essentially there are three purposes in organizations. There are three systems in every organization. There's the operating systems that converts the needs that clients have all the way through to satisfying those needs - and the people associated with it. So it's the planner making the call all the way to a team member in TAS or in life or in the bank or whatever who processes that work. It's all of those people who are associated with converting a client's need into the finished product.

There's another piece of the organization that needs to spend its time looking you into the external environment and saying, "How is the world changing around me?" A guy named Russell Akof who is famous for doing strategic planning. He studied 3,000 companies that failed and found that the number one reason that they failed was that they failed to adapt to changes in their external environment. In other words, the world around them changed but they weren't out scanning the environment, understanding what was happening and relating that to the business in setting business direction. So there needs to be a piece of the organization that is continuing to scan that environment and say, "What's happening out there? What are the changes?" So here you've got a piece of the organization dealing with stability. It's the operating group, that says, "Boy, don't change the plan" and the strategic system, "Holy cow, the world's changing out there, we need to do this, we need to do that."

So you've got this piece of organization dealing with change and this other piece dealing with stability and what it says is that there needs to be a third piece of the organization whose focus is to blend the need for change with the need for stability. So there needs to be a piece of organization in terms of thinking about how you're design that blends the need for change which comes from the strategic system with the need for stability which is what the operating systems does. So when you think about the work of the organization, those are the three purposes that organizations have. So therefore, how do you organize people to do this, to take requests from customers and go all the way through the process? How do you organize it so that there's a piece of the organization that pays attention to what 's going on in the environment? And what's the role of the coordinating system, the managers that blend this need for change with the need for stability? So how do you choose to organize yourself?

The next category to think about is, what are the decisions that need to be made, where do they need to be made? - in other words, in which one of these systems? How are they going to be made, what information do you need to have to make decisions, how are you going to capture that information? So it looks at your whole decision-making and information system and how that fits with how you're organized and where you are going.

Then the next category of choices an organization looks at is the people system and it says, OK, based on the data that we've just talked about, all of the choices that we've made and the kind of behaviors, feelings and attributes we need to have to produce these outcomes, what kind of competencies do people

need to have in the organization? How are we going to track them? How are we going to select them? How are we going to orient them, assimilate them, train them, certify that they know what they're going to do? Performance contracting, career development, what are all those systems? Reward system: How are we going to reward people intrinsically and extrinsically? The recognition system, the pay system and then, how do we go about renewal? One of the things that we've learned is that if you don't design renewal, it doesn't happen.

So that's the key to what we look at in terms of design choices for an organization.

The key is that all organizations make choices. What we need is a framework where we can all talk the same language about the kind of choices.

So when I hear about "Best Place to Work," when I hear of these different projects, to me there's common framework that comes up, and says tome, OK, if we're talking about quality, what kind of behaviors do we believe will cause those outcomes to happen? And then, what choices will cause that behavior to get those outcomes?

If we talk about "Best Place to Work," we're saying, OK, what are the behaviors you're describing in "Best Place to Work," What outcomes would that produce and what choices would cause it to be the best place to work?

And then after you looked at "Best Practices," you're generally saying, OK, what are the choices that are made, what behaviors are those causes, what kind of outcomes? And so what I'm saying is that there is a framework to try to hang all this kind of information together and the task is congruence. The worst thing that you can so is to say, "Total Quality" is a program, "best Place to Work" is another program, "Best Practices" is another program. What you need to do is integrate those together and say, OK, what does that data tell us? - and let's ensure that it is all congruent, that it's all sending the same message, that we're clear on what the outcomes are, what the behaviors are and what the design choices are, because the most dangerous thing in terms of organization and the greatest challenge for any organization is congruency in design choice or alignment. Making sure that al of the design choices are aligned to send the same message. Because if you have design choices about quality that says that these are the behaviors you need to have and they are very different than what your practices are, or that they're different from the best place to work, you're going to confuse people and those people who only bring so much energy to the organization are going to say, Today's my quality hat day, today's best practices hat day. And so what I would say is that as you think about the future, make sue that the data you're collecting from those programs - and I think it's terrific that you're doing them - has a format that you can place that on and test for congruency: Are we sending the same message? Is it all congruent? The question that ought to be going on in your mind is, is it congruent, is it aligned? And d o you have a framework so that the people across the organization can talk about that?

Now, you said, what is an example? The simplest example I would give you is that 10 or 11 year ago, I was asked to do some work for EXXON. EXXON at the time had this value, a value that they called teamwork and in the people system, they spent millions of dollars to send al of their management group off for what they called team-building sessions at the Woodlands outside of Houston, they went to different places all across the country to do this. They called me in and they said, you know, the behavior that we're getting in this organization, Paul, is not teamwork. People talk it but they don't behave it. What's wrong?

Well, I went and I talked with some people and found that it was hard to get a hold of people, it was in an April timeframe and I wondered why and they said, "They're off at these conference centers and what they're doing is that they're going through their Seriatum." I said, "Seriatim, that's a funny name, what's that?" They said, "Oh, that's where everybody takes a list of the people who work for them and what they do is get together and rank order everybody in that particular department or unit, putting them in rank order." Well, if there were 100 people, somebody is number 1 and somebody is number 1000 and

somebody's 57 and somebody's 45 and then what they do is they go back and in some cases they tell people where they fit. Tell me, what do you think that did for their teamwork? Was that what people had on their minds? Here they said teamwork's the value, team training, but yet they rank order. You think that drove teamwork? The rank ordering affected directly their compensation in terms of what quartile they were within; what number they were influenced what they got. So the behavior that people got was still individual. So I'm not going to say what's right or wrong, I'm going to say, if you really want teamwork, this doesn't drive it; if you want individuality, it's great! Don't borrow stuff - be clear about what it is that's going. So I asked Lee Raymond, who is the president of EXXON, I asked him about it and he said: " Well, we've been doing that practice ever since John D. was around and John D. was an accountant, that was his trade, and he wanted everything measurable; and the second thing is, how do you think that I got to where I am? You know, it must be a good system, it identifies the top guy and I'm it! - so how do you knock a system that works?!"

The issue for me is that EXXON needed the system to identify the top people - but why put 99 people through it? Even though it was secretive, people knew about it and where they stood. The notion here is congruency; the greatest challenge you have as you look forward to Project 1994 is congruency. All so the design choices you put in place drive the same behaviors that you believe are necessary to get the outcomes.

The last area in the framework - and probably the most powerful learning that I had - was this box over here: external influencing factors. All organizations are living systems, and as living systems they're dependent on their environment for survival. So therefore, the choices that you make in an organization need to be consistent with what's going on in your external environment because your external environment influences the choices, influences your sense of purpose as an organization, influences what kind of outcomes you could have as an organization, influences the kind of behaviors, feelings and attributes you believe you need to have to achieve these outcomes, and influences these choices. And so what you need to do is have a really good understanding of what's happening in your environment and then relate what's going on in the external environment to the business and the sense of business distraction. What's our purpose and distinctive competency? What kind of behaviors and feelings, what principles will get us there, what are the design choices? In other words, for the design process, we do what's called an outside-in approach. We understand what's outside and what we need to do to be successful. The notion of quality, Doug, that you talk about, "quality is nothing until it's divine" is what the customer requirements are so it's understanding what's going on in your external environment and designing an organization that is successful in that area.

Now, let's talk about an example. Yesterday I was with Amoco in Chicago with their sales organization, with a team kind of like this. Actually it was with the design team, we'd done work already with the steering committee. With a piece of the organization, we were staying at an Embassy Suite.

Nine years age, a major hotel chain said, we need to understand what's going in the external environment and have a better understanding, the dynamics.

So I said, what you ought to do is go out and do what's called an environmental scan. Go out and talk to some people and find out where the marketplace is going.

And they targeted a couple groups of people. One was in the case of business women who were traveling. They said, we see in the future that more business women will travel that have ever traveled before. So maybe we ought to talk to them and find out if they have different needs than other people.

And they said, we think that business people will be staying longer at locations, so we need to spend some time with them. And we'd like to gat a sense from people of what's going on.

So an outside-in approach, let's go outside and find out what's going on rather than inside looking at what we think we ought to do.

So they went out and talked to women. What women said was, we want a room that is separate from where we sleep so that we can to work with business colleagues. We feel very uncomfortable inviting a business colleague up to our room to do work late at night. We don't like it. They also said, we want to have a place where we can hang things that we want to hang, where you don't see into the bedroom and bathroom. We don't like the way the current hotels are set up. They don't meet out needs. They said, one of the things we don't like is walking into a bar, where it's dark and there's one entrance and feeling like there are scorecards going up when we are walking in. We don't like that. We want something that is easy, where there's lot's of avenues, that's an easy place to get in and out. We don't like what we have currently.

And the men that they talked to, business men said, hotels are a pain in the morning for breakfast. You wait in line to get seated, you wait to order, you wait for our check, you wait to pay. We want to get in and out. Moe then anything else, they said, hotels are just plain not easy to do business with. You stand in line to check in, you stand in line to check out, they just eat up your time. They are not easy to do business with. They are a pain to so business with. And they also said that if you're going to stay for several nights, one of the things you want is a place that is more like home.

So this was all the data that they found from their external environment.

So this major hotel chain looked at this and said, Holy cow. Our current structure, our current set of hotels- that were the nations innkeepers, Holiday Inn - said, if we went to change all of the Holiday Inns to meet this, we don't know hoe we'd do it. So they said, maybe there's another product that we need to offer. We want to learn more about this pain that customers are talking about, this issue that hotels aren't easy to do business with. So they began to say, if this notion, of being easy to do business with is our mission, we need to view ourselves as not selling room night but having repeated customers. That's our business, that's are purpose - repeat customers, not selling room nights. Holiday Inn sold room nights. The big question was, how many rooms did you fill? It' wasn't how many repeat customers did you have, how much money did they spend? That sort of thing. So they said, "easy to do business with," what does that describe? What are the kinds of behaviors, feelings and attributes that would exist in an organization where people are easy to do business with?

So they went to a Holiday Inn in San Antonio, Texas and they interviewed a women gal behind the front desk and asked, "Tell me, what is it that gets in the way of doing the work?" She said, "It's very simple. It's the doggone customers! They're always pestering me. They're asking me where the pool is, where the bathrooms are and all that stuff is well posted. They just pester me and you got paperwork you got to get out, you got nine auditors coming in and they're going to look at what we've got, you've got all this paperwork."

They talked to the bellman and asked, "What is it that gets in the way of doing the work around here?" He told a story about a group of customers that came in, they wanted to check in, they said they were in early, they'd made reservations and requested that everybody be on the same floor. The person behind the front desk said that's not possible. The customers said, but we talked to the reservation department. The person behind the front desk said this is the reservation department. We can give you the rooms that are available. The bellman, overhearing this, remembered that the people in a particular part of the hotel had all checked out - he said, wait a second; he ran upstairs, talked to the housekeepers on each of the floors, went down and said, could you help clean these rooms so we can gat these people in there? The housekeepers said sure, we'll help out. He went back to the front desk, told the people it was taken care of, the people checked in and they were happy - happy customers. Right? Later that day, the housekeepers called in the bellman to talk with him. The bellman thought senior management, reward, recognition, VIP, but what happened in the meeting was that the heads housekeeper said who the hell do you think you are, telling my housekeepers what work to do? You keep to your department or you're gone. The bellman said, from that point on, it was clear what my business was: taking bags from room to room; from room to room to out.

So the notion here was that they began to say, if "easy to do business with" is the mission, what are the behaviors that exhibit " easy to do business with?" They also said, if we want repeat customers, one way to get repeat customers is that the people who work there know the people who are staying and can call them by their first names. "Hey, Steve, Claire, great to see you!" And so they said, at Holiday Inn, we had a turnover of 165% a year; you better hope that the repeat customers are quick, because it's not going to be long that you get a chance. So they said, if turnover in the hotel industry is so great, we've got to have much less turnover if we're going to exude that kind of customer satisfaction, so we're going to do these kinds of things. So they measured and they said that in terms of understanding that their business was repeat customers, the distinctive competence needed to be "easy to do business with," these outcomes needs to have customers who return. They need to have high customer satisfaction, they need to have low turn over, they need high profitability to pay for new hotels in order to be in compliance. So they said, what kind of behaviors, feelings, and attributes do people need to have? And they said that they need to have employees who are focused, that the employed need to be able to handle the customer's problems rather than saying, "That's not my job, you need to go to such and such a department, call the housekeeping, call this, call that."

They said, maybe employees need to be multi-skilled. They said, if we want to compete by cost in terms of product and we have people who just clean rooms and people who just work in restaurants and people who just work behind the front desk, they're always bored. And one of the reasons for turnover is the boredom. People are bores just doing the same thing. And when the place is filled, they let them go home early. They think they're doing them a favor but most people need an income. So they said, what if people were multi-skilled? People could clean rooms, they could work in the restaurant, they could work behind the front desk, they could do all these things. And let's pay them. What if people could do that? Maybe that would deal with some of the boredom, some of the lack of learning, some of the things that happen in other hotels and retention would be better.

So then they went down each one of the choices and said, of we want to be easy to do business with and we want people to be customer-focused, what so we believe will cause people to be customer focused? So they said: "Members of this organization will be customer-focused when they understand needs. How many housekeepers are involved in understanding customer need? How many bellman are involved in understanding customer needs? How many restaurant workers are involved in understanding customer needs? So they said, maybe what we ought to do, if we believe that customer satisfaction is so important, maybe we ought to measure customer satisfaction each day. Let's survey 20 customers; maybe if we believe that surveying customers is so important and that we want the members who work here, the housekeepers and all the others, to understand the customers, one way to do it is to have the managers tell them what the customer needs are; another choice is, maybe have them (the housekeepers, ect.) participate in the surveying of customers. So they began to build in some design choices that they thought would drive the kind of behaviors they wanted.

Some of them, as you saw, were the physical arrangements. You all know about Embassy Suites, right? The suite concept, the big atrium, wide open. Breakfast and hors d/oeuvres served buffet style so that you come and go and it's all built in the price. The stuff that's maybe not as apparent is the behaviors, feelings and attributes and that design choices that they'd made to make that organization customer focused, to retain people, to have people multi skilled; and the physical layout, the structure stiff- with multi skilled decisions-making; at this embassy Suites, they empowered that people to make decisions on customer satisfaction. If you need to pay money or reward somebody for outstanding customer service, that's what they do.

The whole selection process, assimilation, teaching them the values, the reward system - for a hotel, this is sort of unique. All the people in the hotel are on bonuses, which in most hotels is just flat whatever, $5-6 bucks an hour, whatever. They could make up to $1,000 a year, $250 a quarter which equates to 25% of their base salary, contingent on three things: How satisfied the customers are; the cleanliness of the rooms, which is done by an audit which the team members participate in; and the revenue that the organization brings in. So what they attempted to do eight years ago is produce a product that was revolutionary in the industry. There were some Granada Royales that were around, but they were really

the first on the block to do something revolutionary and the process that they went through was scanning their external environment to understand what the requirements were out there in that environment and then try to make sure as they had done over the years that all of the design choices that they put in place were geared to drive the behaviors, feelings, and attributes that they thought would achieve the outcomes to support their mission.

And so, in terms of the process that we're talking about here, as you look at 1994, what we have suggested as a first steps in terms of this is, in this room, let's spend some time as a group understanding, what is it that we know about the customers needs not only now, but projected into 994? What do we know the stakeholders' needs are in terms of the people who are investing money in this, the senior management here, the Amex people, what are their requirements? What do we need in terms of the retention of people to be successful? What do we need in regard to clients, not only now but in the future? Let's understand the external environment and let's ask ourselves the question which we're intending to do today, what is the data that we know about our external environment? Tell us about the business we're in. What business are we in and what is our distinctive competence? What is the mission? Is the mission financial planning? And to spend some time around it. And once we've that, to ask ourselves the question, what kind of outcomes do we need to have to be successful as an organization not only now but in 1994? What would that measurement look like? What do these things look like? And then to describe what behaviors, feelings, and attributes will get us there. What is it that we know will get us there? And them, what is it that we believe will cause people to behave in that way? That if you want people to be customer-focused or you want people to be truly interested in the success of their clients, members of our organization will be truly interested in the success of our clients when - what? What is it that you believe will cause that to occur? And then, to look at, what are the design choices that we believe will cause that to happen?

I recognize that there are other activities that you have going on - which is good, but the key is to ensure that everything's congruent, that it sends the same message. So this group is chartered, as I understand it, to provide the framework so that the groups - whether it's design teams or teams are working on other projects - are testing against the framework and that you're seeking congruency. That's the key in terms of this method. So, I think what I'm trying to do is share is that there's a framework, that there is a set of data.

I guess one of the last things I'll say is that in this approach, what we're saying is, all organizations make choices, and you need to make the choices necessary for where you want to go in the future, and there's a set of data that you need to look at from three areas: one is you need to understand what's going on in your environment and what's required there; you need to understand your work process, how to do your work, whether that's the best practices, how do we do that work that we're intending to do whether there's reengineering that need to go on there, how is the way we do it next?, and the social analysis, what are the needs of people in this organization? What are your needs? What are the needs for people in terms of interaction and personal needs? And how does data from these three areas come together to help you design the organization and put into place the design choices that you need to achieve the outcomes that you need and that's the charter for this group.

So, that's the framework to talk about. It's mainly a framework to think about choices, to think about relationships, and to use data from three different places to help you come up with the best choices. Because I think there's great work that's gone on already and what we want to do is ensure that there's a proper framework, which this group is chartered to do and then make sure that there's congruence with all the work that goes on.