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# **How To Build A Better Business:**

**A practical guide to organisation design**

Michael Clargo

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Tesseract

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A practical guide to organisation design**

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**A practical guide to organisation design**

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Dedicated to Yahweh, my dearest friend and mentor, without whose help and guidance this book would never have been written.

And with grateful thanks to Zoë, his business partner, who provided both the impetus and the central metaphor. (Relating business design to building a house.)

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## Preface

What does 'better' mean? More powerful? More efficient?  
More environmentally friendly? More spiritual? More agile?

**All** of these things?

What we mean by 'better' is 'more in conformance to requirements'; your requirements; the specification you as the designer place upon your design. 'Better' means anything you determine it to be. As the designer, you can specify anything you want for the output of your business. For instance:

In 2000, Emerson drove up the performance of their world-wide supply chain three fold; a year earlier, Smith and Nephew improved the overall performance of its Research Laboratories

by 50%; and since then their successes have been carried over to other organisations, including Microsoft who improved the performance of a key partnership by 80%, and Siemens who has doubled the performance of its Shared Services business. No tricks, no magic, just plain well-structured design.

You too could specify such performance improvements for your own organisation. You could, quite literally, plan to double your profits over the next year, should you wish. However, whether it will be realised, or whether it will remain wishful thinking, will be determined almost entirely by the quality with which you plan and implement your design.

And that is what this book is all about. It is a practical step-by-step guide to business design. It is a simple walk through the design process used by Emerson, Microsoft, Siemens and Smith & Nephew to generate their performance improvements.

But before we continue any further, let us just take a reality check. Are you thinking: "But it can't be that easy!"? You would not be alone if you are. In business, this is the most common response to such a story. We see too much flim-flam from the vendors of 'miraculous cures' to be any other way.

But there is a dilemma here. On the one hand, you know there is no magic to driving up business performance: you know that the essence of every successful fad over the last twenty years has been good well-thought-out common sense. But on the other hand, you know that in your business, as in most others, good well-thought-out common sense is not actually that common. And you are right!

You appreciate that it is *technically* possible to transform your performance, but the complexity and uncertainty inherent in

your business make it extremely difficult to 'well think-out' anything of this magnitude. To be contentious and blunt for a moment: You know there is no miracle formula, but you are waiting for one to appear, because anything else is just too difficult at the present!

But was it any easier for Emerson, Microsoft, Siemens or Smith & Nephew? Are they any less complex, their people any less 'human', their customers and markets any less demanding, their technology less cutting edge, their partnerships less crucial? And yet they took it on themselves to redesign their organisations to achieve radical levels of performance improvement. And they succeeded. Can you really say that their situations were *that* much different from yours? Can you really cite one thing, one edge, that made it easier for them than it would be for you?

Well, there was perhaps one!

Faced with the realisation that what they were undertaking was in reality a design task, they turned to the world of design to seek disciplines and methodologies that would help their thinking. The discipline that they adopted was one that is called Quality Function Deployment (QFD), the key tool of which is known as 'The House of Quality', or 'house' for short, owing to its appearance.

There was no magic, no flim-flam. In every case, the organisation took it upon itself to invest the management time necessary to properly think through the design of their organisation. The management teams made weeks available to properly consider what they were trying to achieve and how best to deliver it. They took performance improvement seriously, and their dramatic improvements were simply an outcome of that investment; they

were a natural consequence of a capable team making the time to calmly and comprehensively consider what was to be done. All the QFD did was to ensure that their investment of time was efficiently structured.

Their experiences have been written about in 'Managing by Design: Using QFD to transform management performance' published by Tesseract, ISBN 0954302109. It contains everything you need to know to apply QFD based approaches in a wide variety of situations. It has examples, colour diagrams, case studies, options, cross-references, and even a novel to help the reader to understand how they might adopt and adapt QFD to best suit their organisation.

But therein lies a problem. Even with its story based style, 528 pages and 1.25Kg is more than a little daunting to the average reader who just wants to gain a full understanding before committing him or herself. It is not easily completed on a train journey, or flight, and it easily gets forgotten on the bookshelf amongst a plethora of other books.

But you are not reading 'Managing by Design'; you are reading this book. And you are reading this book because you want some clear and simple messages which you can assimilate quickly, which you can evaluate easily, and which you can confidently put into practice when the time arises.

And that is what this book is all about:

- Brief introductions to the essentials
- Straightforward analogies
- Directly related to your business

- With immediately applicable benefits

And then, once you have achieved some practical benefits, and you want to build further on what you have achieved, well, you can always delve into 'Managing by Design' at that point.

While on the subject of making things a little easier, we also appreciate that the official name the design community uses for the methodology, Quality Function Deployment, can itself be off-putting. The alternative name for the core tool, 'house', is far more friendly, and provides an analogy which we use extensively in this book to demystify the key steps of QFD.

We have related each of the steps to stages in building a large house:



**Laying the Foundations:** Looks at the fundamental values your business is based upon and provides a way of ensuring that those values will underpin the whole of your design.



**Platforms of Virtue:** Relates the floors of your house to your key business objectives. It asks how your values impact in the real world, and provides simple steps to translating your values into compelling business objectives which have the collective ownership of your team.



**Pillars of Success:** Helps you to think through how your organisational structure supports your business objectives, and it suggests ways of adapting the structure to develop greater clarity and strength.



**Rooms with a View:** Like windows, the intersections between each part of the structure and each of the objectives create unique perspectives on how the business works. This chapter shows how these perspectives can be used to identify and harness hidden potential.



**Appointing Tenants:** Explains how responsibility for implementing and progressing each part of the business design can be delegated, and provides clear guidelines for effective and systematic 'tenancy' of that responsibility.



**Furnishing with Style:** Looks at how tenancy provides real opportunities to engage the commitment and creativity of all of your staff in ensuring each part of your business is designed to realise its full potential, and provides practical steps to make this happen.



**Under one Roof:** Explains how the 'roof' of the 'house' provides an excellent mechanism for ensuring that all the separate parts of the business communicate and work together to achieve the business objectives, despite changes in the external climate.



**Building Maintenance:** Provides guidance on the tools that are necessary to keep your design finely tuned and your business at peak performance on an ongoing basis. It provides a practical answer to business agility.

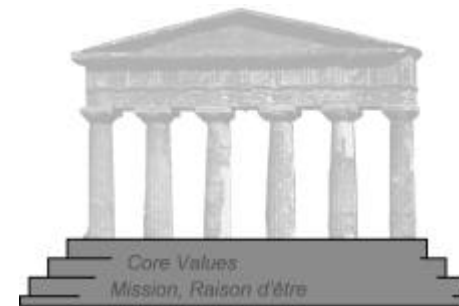


**Semi-Detached Buildings:** Looks at how the 'house' can be used between organisations to build strong partnerships and thereby further hone core competences and extend the competitive reach of your business.



**Moving On:** Considers how, having mastered the basics of business design, you can build on these capabilities and further extend your, and your organisation's, thinking in these areas.

We would wish you luck in putting the thinking in this book into practice in your own organisation, but we know it is not luck. It is careful thought and commitment. This book simply provides the most effective mechanism to guide that careful thought and commitment and to ensure it is applied efficiently.



# 1

## Laying the Foundations: Have you ever asked why?

You may recall from the preface that what we mean by 'better' doesn't matter, it is what you mean by 'better' that counts.

So what **do** you mean by 'better'?

Let us start from the basics. What is your business? Do you work in a factory or an office? Do you make things, or provide a service? Perhaps you work in a charitable organisation or in church work? Whatever you do, I guess you regularly turn up



day-after-day, week-after-week, to do it. Not always in the same place, or even the same country, but you are always there, somewhere.

And if someone asks you why your organisation needs you to do what you do, you can probably tell them quickly and confidently. You say, "Because X!"

And if they then ask: "Why do you want X?" (whatever 'X' happened to be) well then maybe you pause for a little while. Why actually do you, or your organisation, want X? You may already know, or if you think about it for a little while you will certainly come up with an answer. You say, "Because Y!"

They smile, and nod sagely as they assimilate this information, and then they ask: "Why do you want Y?" (whatever 'Y' happened to be). Perhaps you think it is obvious. Perhaps you have taken it for granted for years. Perhaps you have never had to explain it before. Why do you want Y? If you think about it a while longer, you might find doubts beginning to creep in. Perhaps it isn't so clear after all. Perhaps you begin to see that you might not be able to quickly articulate a complete answer. And if you do, can you be confident it would be the same answer that your colleagues would give? "Z", you say!

"Why do you want Z?" they retort quickly.

"For crying out loud! DOES IT MATTER?" you yell back.

Does it matter?

No, probably not, if you are happy to do things simply because someone else told you to: Grow profit; sustain market share; increase shareholder value. Not if you are happy to do what you have always done, simply because you did it before.

But yes, YES, if you are beginning to think that your life ought to mean something; if you want to see your values manifest in what you do. Yes, if you are concerned that you really want to make a difference, and you want to work with your colleagues to make it happen. Yes, if you are anything other than a machine that is bound by the bidding of others. "For crying out loud, YES!"

Because Z, or whatever comes a few 'whys' further down the track, is where the organisation's values lie; the foundations of its reason for being. The difference it fundamentally makes in the world – for good or ill!

And it is vitally important that these foundations are properly anchored, because business values (especially those that are inherently benevolent or honourable) have a horrible tendency to drift if they are not properly anchored, particularly in times of storm or drought. They drift because they are often implicit, unspoken and assumed, not clarified or documented.

And if they drift, you could find yourself working for entirely the wrong reasons. Because for you, Z is also the connection to wherever your personal values lie. And it is important for your own personal well-being and fulfilment that they are compatible. If they are not, then work can only ever be 'just a job' for you. Imagine that, half your life, 90,000 hours, in thrall to something you don't believe in. Your identity and existence invested in ... what?

So how do you anchor the foundations? How do you ensure that your organisation is premised on appropriate values?

Probably the best tool is simply asking "Why?", as illustrated in the opening part of this chapter. In seeking, with your team, to

answer the question “Why?”, different assumptions are unearthed and reconciled, fundamental issues are worked through and addressed, confusing behaviours are explained, new possibilities and links begin to emerge, and the team is usually pulled closer together behind a common purpose.

This is a vitally important step in building a better business. A shared picture of the purpose is the foundation on which everything else is built. With a common understanding of what we are working toward, almost any issue can be resolved, but without such a foundation, the cracks soon begin to show in the rest of the organisation. A shared picture of the complete purpose of the organisation, and the logic by which it is deployed, is the bedrock on which you and your team will base all of the rest of your endeavours.

A structured method of exploring your purpose, of asking “Why?”, is the Why-How chart. This simple tool can be used to map the underlying logic of the organisation, and to provide a living record of it for subsequent consultation and refinement.

The steps to produce a Why-How chart are:

1. Start by listing out the currently agreed objectives of the organisation. Transfer each objective on to a separate sticky-note, writing clearly in a flipchart pen so that the objective can be seen and understood by those who may be stood a little distance away from it. (This requirement will be true of all

sticky-notes that are written for this exercise.)

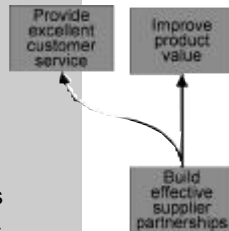
2. Place the first of these sticky-notes in the centre of a section of wall covered with brown paper or flipchart paper (at least three sheets wide by two high). Ask the question of the group: “Why are we doing this?” and reach agreement on the answers (there may well be more than one valid reason). Write each of the reasons on separate post-it notes, ensuring they are phrased in a form that can be understood as an objective (e.g. 'Increase sales of our product' rather than 'Sell')
3. Stick these new sticky notes in a horizontal line just above (c. 5cm) the original sticky-note, and a short distance away from each other. Link the top of the original sticky-note to the bottom of each of the new sticky-notes by arrows drawn with a flipchart pen. One for each of the new sticky-notes, with the arrow head pointing to the new sticky-note. The arrow now repre-

*If your organisation does not actually have objectives, you will need to start with what you think they should be - but don't worry if your thinking is incomplete, since the following steps of the exercise will help to fill in the blanks.*

*Agreeing how objectives relate to each other helps your management team to develop common clarity on how the business works.*

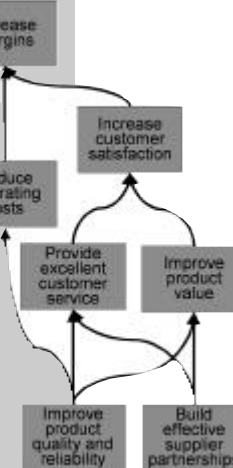
sents the why-how relationship between the sticky-notes, the head of the arrow pointing to 'why', and the foot of the arrow pointing to 'how'.

4. Take the second of your objectives generated in step 1, and stick it beside the original sticky-note, but a little distance away from it. Ask the question "Why are we doing this?" of this new sticky-note, and once again reach agreement on the answers. Some of the answers may well be the same as for the original sticky-note, and will therefore already be stuck up on the chart, in which case they can simply be linked by an arrow to this new sticky-note (arrow-head pointing to the 'why' part of the relationship). New answers will need new sticky-notes creating, and arrows drawn.
5. Continue with each of the sticky-notes generated in step 1. As the chart develops it will be difficult to keep it in tidy rows, but endeavour to ensure that the 'whys' are always higher than the 'hows'. Be aware that some of the sticky-notes generated in step 1 may also be



'reasons why' for other sticky-notes generated in step 1 - in this case stick them above or below as appropriate, and link them with an arrow as explained in step 3.

6. Continue the exercise by looking at the new sticky-notes you have created, and asking the question "Why?" for each of these. Continue to develop the map by creating new sticky-notes and arrows for each new reason, or simply linking by an arrow to each reason that has already been identified.
7. Be mindful that it is the debate and reconciliation that is most important in the Why-How chart, and it is important that you do not lose sight of this by becoming too focused on completing the diagram. Regularly check that everybody is fully engaged in the debate, and that the chart is facilitating useful debate on the organisation's values and how they relate to each other. Resolve any disagreements through encouraging everybody to understand each other's perspectives and explanations. Endeavour



to narrow the chart in on to some fundamental 'Whys' but don't force it. When the group has finished exploring 'up the chart' with 'why' questions it may then get additional value by exploring down the chart with 'how' questions.

*Resolving why-how disagreements encourages new insights and perspectives that help the team to better understand each other and agree on priorities.*

8. Once the underlying logic of the why-how chart has been mapped out, it is useful to consider the map from a more creative perspective. This can be achieved by considering alternative 'hows' to various 'whys'. Sometimes these unearth new 'whys', and sometimes novel ways forward. Accepting or rejecting new 'hows' also helps to reconcile the teams view on the organisation and its values.
9. As the diagram develops, it is usual that at some point it will need to be redrawn (sometimes more than once). Identify which section of the chart is becoming confusing, and decide how you want to re-lay it out. Move the sticky notes to a clean sheet of paper in this new layout, and then redraw the arrows. (If you are concerned about losing

relationships, number each of the sticky notes, and transfer that number to the spaces you have taken them from on the old chart. You can then use this to audit the new chart to ensure it is complete.)

*While redrawing at first seems an onerous task, it is actually a way of reinforcing the key messages and internalising the relationships.*

When the Why-How chart is complete, ask the team whether it really reflects the logic of the organisation. Make corrections until your team confirms that it does. Then ask them what they personally learned from the exercise. This is an important step because it helps people to assimilate and confirm in their own minds any new understanding that has arisen for them. New understanding will be inevitable unless the 'Why-How' chart simply fell out first time without debate (highly unlikely unless people were not properly engaged in the exercise) or unless the debate was not properly resolved. In either of these cases you may need to address other issues in how your team works together before you reattempt this exercise.

But if your debates have been open and productive, you will now have achieved two very important things. You will have made the values of your organisation explicit and documented, and you will have aligned your team behind them.

This is a vitally important step to the longevity Of your business. In his study of sustainable business, Jim Collins determined that two key factors in those that withstood the test of time were a clear purpose and core values.

Together these two features helped to generate a cultural

integrity within the organisation that encouraged its people see past short term compromises and build something of lasting value.

The why-how chart provides an excellent means of beginning to draw out and understand the building blocks of your own organisation integrity.



## 2

### Platforms of Virtue: What does your business stand for?

How are your values made manifest?

St. Francis of Assisi had a simple perspective on this. He said, "Preach the Gospel at all times. If necessary, use words". To St. Francis, a person's actions were far more eloquent of their values and beliefs than words could ever be. Values were not there to be marketed abroad in slogans and phrases, they were

there to direct and guide every action, and to be plainly evident through those actions. Words were simply there to provide an explanation of those actions 'if necessary'.

Organisations, whether secular or spiritual, commercial or charitable, should be the same. A business should 'work' out its values through its objectives and achievements. The values should inform and infuse the objectives; and the objectives should reflect the values, and be a practical time-bound manifestation of them. That isn't to say that each objective in isolation will demonstrate the values (some of them may be several levels removed, or exist to finance or sustain other objectives) but collectively they should illustrate the values and practically deliver in support of them.

To continue with our building analogy, if your values are the foundations, then your objectives are the floors of the building that rise out of them. They are an extension of your values that engage with and do work in the physical world. They are the platforms on which your people will understand and execute their responsibilities. They are the stages on which you will push your case for your identity to be recognised in the markets you serve.

So, how do you determine such awesome objectives?

We suggest you start with the results of the exercise you undertook in the last chapter, and identify your objectives from among those sticky-notes on your Why-How chart. You might choose to take those objectives that you originally started out with, but it is likely that the Why-How exercise will have illustrated some 'valuable' alternatives, at least for some of your objectives if not for all. The following steps might help you (individually or with

your team) to select the basis for a practical set of objectives for your business:

1. Identify a sticky-note that seems a likely candidate for an objective (it may be one of your current objectives, or it may be a new one).
2. Ask yourself whether the sticky-note unduly restricts your options; whether implicitly or explicitly it confines you to one of a number of options for achieving what you want to do. If it does, ask yourself whether such a restriction is useful for you at this time (e.g. in terms of guidance or limiting scope). If the restriction is not helpful, consider moving up an arrow to a suitable 'why' sticky-note which serves the same aims but is free of inappropriate restrictions.
3. Ask yourself whether the sticky-note provides sufficient

*Example: "Sell more books" could seem like a very useful objective to a bookshop. But it might then always be constrained to be a bookshop. An alternative objective 'up the arrow' may be "to broaden peoples appreciation of literature" which, while it can still be fulfilled by book sales, may also encourage the development of other activities such as e-literature and books on tape. On the other hand "broaden..." may be just too abstract for an organisation whose core business is simply and effectively shifting books – they may want to move down the arrow to "Sell more books".*

guidance; whether it is at a level which is sufficiently tailored to your specific business. If you feel that the sticky-note is too general and abstract, consider moving down an arrow to an appropriate 'how' sticky note which defines what you want to achieve more uniquely and explicitly.

*Simply debating this exercise can encourage creativity, or help a management team achieve a real collective focus and avoid distraction.*

4. Replicate the sticky note that you have selected and add it to a flipchart headed 'objectives'.
5. Consider the 'objectives' that you have selected, in terms of how well they cover the breadth of the chart. Identify themes in the chart that are missing from your selected 'objectives' and seek a sticky-note (at roughly the same level of the chart from which you have drawn the objectives so far) which exemplifies that theme. When you have found a suitable sticky note, return to step 2.
6. When you have selected sufficient 'objectives' sticky-notes to reflect

*Covering the breadth of your Why-How chart effectively ensures no escape for your **primary target: the fundamental 'why' at the top**.*

the key themes in your Why-How chart, review them as a complete set, and ask yourself:

- a. Do these really reflect a complete practical expression of our values?
- b. Will achieving these objectives ensure our business is successful?
- c. Are these objectives worthy of our full commitment over the coming year(s)?

Make any adjustments that are necessary to ensure the answer to each question is 'yes'.

7. Depending on how many sticky-notes you have, and how well expressed they are, you may consider grouping some of them or rewording them to ensure that their intent is clear and unambiguous. Ideally you should aim, by grouping and rewording, to have five to seven objectives, and definitely no more than ten. When you have grouped and reworded them into a set of clear

*Organisations with more than ten objectives find themselves, in practical terms, with several different sets of less than ten objectives. It is the nature of our limitations as human beings.*

objectives, ensure they still get a positive response to the questions in step 6.

*This exercise provides a means to embrace everything that is important into a manageable and memorable set of points.*

You have now defined the floors of your building, the platforms of virtue on which you will engage with the world. However, to make them really clear and unambiguous, they each need two things: a measure by which you can evaluate progress against the objective; and a target for that measure by which you can objectively determine that you have achieved your objective.

Identifying suitable measures can prove a real stumbling block to many teams. Ideally, measures should be a simple set of indicators that require little overhead, and can efficiently highlight areas for investigation.

Sadly, they are more often a source of interminable debate. This is largely because of their potential misuse. People are often concerned to ensure that the measure will fairly reflect their efforts, and are loath to accept any indicators for which they are not totally in control - mainly because they feel their efforts, and often their remuneration, will be judged on that measure. As such, measures cease to be a useful indicator and source of information, and become instead a political issue and a basis for negotiation and justification.

This use, or abuse, needs to be addressed before you and your team can have any real hope of defining a set of measures that will serve to illuminate and guide your path to your objectives.

To help with this, we propose the following steps:

1. Select measures that already exist within the organisation, and which already have acceptance and agreed mechanisms, wherever possible. Where new measures are necessary, agree their purpose with the team, and explain that they are solely for the team's use in guiding and managing their collective performance. Address any concerns at this point, emphasising the self-help bias that you are trying to achieve.
2. Where objectives are not supported by current measures, consider each in turn and think through the evidence that would be available if you were to visit two organisations: one that performed really well on this objective, and one that performed really badly. Use the contrast to identify the basis for any new measures if you need them.
3. Keep the total number of

*A good source of positive measure can be found in the book "Measure Up" by Lynch & Cross.*

*Alternative tools can be found in 'A basic guide to measurement' available free of charge from the Tesseract website, [www.tesseract.com](http://www.tesseract.com), should you need them*



measures for your objectives to an absolute minimum (ideally only one per objective). More detailed measures can be used by teams looking after different parts of your organisation once you have delegated responsibility for the objectives to them. At present you are only considering a top level 'dashboard' for the business.

4. Ensure each measure is clearly described and unambiguous, for instance: '% customers who declare themselves satisfied or very satisfied' is far clearer than a vague notion of 'customer satisfaction'. Try to identify 'output' measures (i.e. what results) rather than 'input' measures (e.g. 'hours of training undertaken'), and seek to avoid any measures that are binary (yes/no) such as 'ISO certification obtained'. Finally, ensure that the frequency and methods of measurement are also clear.

*Effective measures provide a practical basis for maintaining focus on the objectives.*

*A good test to apply is to ask whether putting a number in front of the measure makes sense. For instance 5% customers declaring themselves satisfied is far clearer than 5 customer satisfaction.*

Having determined an appropriate set of measures, the next task is to use them as a basis to reach common agreement

amongst the team on the definition of 'success' for the organisation; a quantified assessment of what you are to achieve over the coming year, a target value for each of the measures.

In agreeing the targets it is vitally important that your team have the opportunity to debate the conclusions and share their perspectives and experience. The targets will only be achieved if the team is committed to achieving them. That commitment is built through encouraging understanding and contribution, and it is destroyed by making unilateral decisions.

The most productive mechanism we have found for undertaking this debate is called 'the clothesline'. It involves people using their physical position along a number line to indicate their perspective, walking up and down the line as they are swayed by the points being made by their colleagues. The steps to setting targets by means of the clothesline are as follows:

1. Set up a length of rope, slightly above head height, across the room. Ensure there is space underneath the rope to walk along its length, and for the whole team to congregate at any one point.
2. Take one measure at a time, and ensure that everybody understands the definition of the measure. Clarify and resolve any areas of confusion. If possible, share any data on current performance and any bench-

*Current performance data and benchmarks help to ground the discussions in practicality and facts.*

marks.

3. Agree by brief discussion what the range of opinions on the proposed target is likely to be. From this, work out how to best divide up the rope so that its length forms a linear scale from the lowest proposed target (or current performance) and highest proposed target (or benchmark). Peg up cards (4-6 of them) along the length of the rope to reflect that scale, and peg up the current performance and the benchmark at the appropriate positions
4. Encourage the team to stand along the line at positions which represent where they individually think the target ought to be set.
5. Ask the person stood at the highest value to explain why he/she thinks the target should be set that high, and then ask the person stood at the lowest value why the target should be set that low. Seek to ensure that people communicate their perspectives clearly, concisely and without appear-

*Determining targets is an extremely effective tool for sweeping away remaining misunderstandings and false assumptions.*

ing aggressive or argumentative.

6. Encourage people to move along the rope as they feel swayed by the perspectives, and seek further perspectives from those who occupy different positions on the rope. Try to ensure that no perspective is repeated (ask for 'new' perspectives) but that all the perspectives are heard. Ensure your own perspectives have been included.
7. When all the perspectives have been presented, check that people have said all they needed to say and are happy that their perspectives have been listened to by their colleagues (address any issues). Ask people to weigh up all that they have heard, to reach a final conclusion as to the target based solely on that information, and to move to the appropriate point on the line.

*If the discussion becomes adversarial, the feel of the discussion can become competitive and this can generate a reluctance to accept points and reach consensus.*

*If the discussion does tend toward argument, get the group to imagine a big bucket that contains all of the points, and that their job is simply to ensure it contains one copy of each of the important points.*



8. Decide on what the target should be based on where people are congregating, what you have heard (and said), and the expectations placed upon you from elsewhere. The target you set does not have to be an average position, or even in the range where people are standing (you are the boss and it is your neck) but if you do go against 'popular opinion' you will need to explain why if you are to minimise any loss of commitment that may result.

*It is very healthy to 'go higher than the group' on a limited number of targets, providing you explain your reasoning. It stimulates new thinking, disrupts patterns of complacency, and reinforces the role of 'leadership'.*

One reason that you might choose to set a more ambitious target for the team is to create some headroom for creativity and innovation. Often the team will tend toward targets that they can foresee as being achievable, albeit with some stretch, from the perspective of current methods and structure. Setting a target higher than this will force the team to consider new and creative solutions to achieving it, and this can lead to new strengths and opportunities. However, such tactics need to be used sparingly, not simply because of the way that they can undermine team commitment, but also because of the workload and potential risk that innovation introduces; risks that are compounded as the level of innovation rises.

The timescale used for the clothesline is normally one year.

This is a traditional timescale for most budgeting cycles, and in the case of organisations that are actually part of larger organisations, it enables the team to synchronise their planning cycle with that of the parent business.

However, sometimes strategically important initiatives have overall timescales that are longer than a year, and they can be disadvantaged by a focus on short term targets. For this reason it is often a good idea to use the clothesline to consider 3-5 year targets for the organisation in addition to the 1 year targets. This development of a tangible 'vision' for the future performance of the organisation creates a greater sense of aspiration, and helps to ensure that the organisation develops a balanced approach to its long-term and short-term improvement strategies.

If you have worked through the exercises above, you will now have a concise set of objectives, clearly defined in terms of measures and targets, which represent all that you are seeking to achieve, and which have the shared commitment and enthusiasm of the team.

However, not all of your objectives will be of equal importance. If, part way through the year, compromises do need to be made, then you are more likely to accept that hit in certain objectives than in others. But we have not, to this point, done anything to reflect this.

The 'house' provides a means for capturing the relative importance of your objectives, and for using this knowledge to prioritise the strategies that you will use to pursue them. The technique is called 'weighting' and consists of assigning a number between one and five (five being the highest importance) to each of your objectives.

There are a number of mechanisms for weighting the objectives, but the simplest is to:

- agree, by discussion, which objective is the most important, and give that a weighting of five, and then
- work through the remaining objectives, scoring them in relation to the most important objective. Please note: it is allowable (necessary if you have more than five objectives), to have more than one objective at any one level of one to five.

Completing the exercises outlined in this chapter will help your team to build a new focus and commitment around a compelling set of goals. This is the engine for everything that follows - design only really makes sense when your objectives (your dreams) are bigger than your current means of delivering them.



### 3

## Pillars of Success: How are your business ambitions supported?

Having looked at the foundations and the floors of the building, we now need to turn our attention to the pillars that will hold the floors in place. These 'pillars' are the organisational structures, processes and systems. They are the sole means of supporting your objectives and of ensuring they will be delivered, and they need to be properly designed for the job.

Have you ever wondered how your current organisational structure arose?

Do you know its advantages over alternative methods of organising your business?

Does your structure have its roots in traditions, or was it originally designed by someone who derived the structure from logical taxonomies and relationships? And has the structure adapted as objectives and relationships have evolved, or has it remained largely static, with individual roles accommodating (or perhaps avoiding) change?

Are there other combinations of activities that would better support your objectives; particularly in the current climate of change? Could changing the way activities are grouped together provide new insights and opportunities for creative challenge?

Is it worth having a look to see?

And how might you take that look?

In this chapter we will explore how you might reconsider your organisational structure to better attune it to the needs of your objectives. The approach we will outline on the next few pages will enable you to develop and evaluate alternative models for how your organisation can work; it will enable you to play with alternative concepts and ideas, and then choose to:

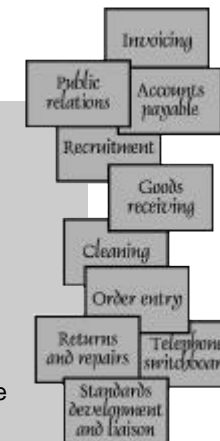
- adopt a radically different approach, or
- keep things exactly as they are, but in the confident knowledge that it is your preferred option, or

- augment your current structure with some new ideas that provide obvious benefits.

The following steps can be undertaken by an individual, but they work a lot better when undertaken by the management team of an organisation. This ensures that a greater wealth of experience and ideas are available in the design and its evaluation, and it builds ownership of any eventual conclusions and a commitment to make them work.

The steps are:

1. Generate a list of all of the separate activities that your organisation undertakes. Try to get sufficient resolution so that it will be easy to reconsider how the activities may be grouped together, but not so detailed that the list becomes overwhelming. As a rule of thumb, aim for about 50-100 activities in total. Ensure each activity is given a name which clearly defines it and differentiates it from other activities that it might otherwise be confused with.
2. Consider any additional activities which you do not currently undertake, but may be necessary to



*If your struggle with this, try keeping a log of your activities over a period of a week or so.*

support any new objectives, or to enable your organisation to develop and better fulfil its current or future role. These activities should be broken down to the same level of detail as the activities in step 1, and should be added to the list.

*This step helps to ensure that your model is not bound by current practise.*

3. Transfer the list onto sticky-notes, one activity per sticky-note. Create four complete sets of sticky notes (or more if you want to develop additional models - and adjust the number of groups correspondingly in step 4). Ensure that the writing on each sticky note is clear and unambiguous, and can be read easily at a distance of 3m.
4. Split your team into three groups, and give each a complete set of sticky-notes. Ask each group to propose how the activities may best be organised to facilitate better performance (against the new objectives), more efficient operation and clearer management focus. Provide each team with an area of wall covered with brown



paper or flipchart paper, and encourage them to lay out the sticky notes and move them around to create a new model. (Sometimes it is good to start this part of the exercise in silence, so that you get more movement and less debate during the initial stages. Allow debate to return as the picture begins to settle down.)

5. While the groups are developing their models, take the fourth set of sticky-notes, and a separate section of paper covered wall, and lay out the activities in the way that they are currently organised.
6. When all of the groups have developed their models, and refined them to something they believe will work, draw everybody back together, and go round the models as a team. Encourage the whole team to understand each model by asking questions of clarification, but to avoid debate at this stage.
7. After each model has been understood, go back round the models

*Including the current model ensures that you retain the option of making slight modifications to current practise if that transpires to be the most sustainable way forward.*

again. This time put up a sheet of flipchart paper at each model, and split it into two columns: one headed 'strengths' and the other headed 'concerns'. Start with the strengths, encouraging everybody to contribute a positive perspective until the column is filled. Then ask people to state their concerns and fill these into the second column. Do this for each model, including the model of the current organisational structure. Ensure the 'strengths' and 'concerns' are in the context of both the new objectives for the organisation, and the agreed values (Chapter 1).

8. Select the model that you want to use as a basis for further development. This need not be the best model, or even the model with most potential. It is either your current model (because you believe that the ideal solution is the current model with a few of the ideas incorporated from the other models) or it is the model that will prove easiest to adapt with the

Strengths	Concerns
Links customer service to delivery	Big change over what we do today
All end to end processes	Some activities seem to be duplicated
Provides clarity over who is accountable	Delivery process is too big
...	...

*This step enables you to bias the organisation change either toward a radical rethink or toward stepwise improvements - depending on what is most practised.*

strengths of the other models to become the best model.

9. Work through the 'concerns' on the selected model, one-by-one. For each concern, consider how the other models have addressed this issue, and 'borrow' ideas from them to adapt sections of the selected model so that the concern is removed. Continue until all concerns have been addressed, and the team is satisfied that the result now represents the optimum balance of all the possible options.
10. Check whether you actually want to proceed with this model, or whether you want to retain the status quo. If you decide to proceed with the new model, assign responsibility to members of the team for different areas of the model, and have them develop a clear definition for the scope/boundaries, responsibilities and links (inputs/outputs) for each area. Give each area a meaningful name.

*Refining the weaknesses of one model with the strengths of others, both ensure the best design, and builds commitment to make that design work.*

In our experience, the best models in practice prove to be those that are based around the concept of business processes, where each area of the model is responsible for the end-to-end delivery of some aspect of service or support.

It is quite common for process-based models to emerge naturally out of this exercise, but if you are concerned to ensure that it does, you can always make the focus on processes part of the instruction in step 4.

The exercise of remodelling the structures of your business provides an effective mechanism for breaking down any silos (a term commonly used for areas of the business that have developed a parochial focus) that may exist in your organisation; both physically in terms of the resulting structure, and culturally in terms of the discussions that will have taken place.



## 4

### Rooms with a View: Aligning your business behind the vision

We have now defined the objectives of our organisation, and in general terms we have defined an organisational structure to support those objectives.

So what is next? Allocate the objectives to the various parts of the organisation?

This is quite often the solution that is taken. In many business-



es, responsibilities are clearly defined in that way. Desired business results are broken up and allocated to the departments that seem most appropriate to observe them: Sales becomes responsible for customer satisfaction; Finance for credit control; Manufacturing for volume; Inspection for quality etcetera. And the department personnel are then driven (by bonuses, appraisals, monthly meetings and the like) to 'make their numbers'. Fairly obvious really!

That is, until customers become dissatisfied about aggressive credit control, orders are lost due to long production lead times, output falls as large amounts of product are rejected at final inspection, and quality criteria can't be met on increasing levels of special orders.

Many readers will be very familiar with these issues. Others may be less so, primarily because of the quality of relationships within their business - but it is very likely that the people within your business will at least feel the undercurrents of these tensions; usually when there is potential conflict between their official objectives and their responsibilities to their colleagues in other parts of the business.

The problem is that in the vast majority of organisations there is a far higher degree of interdependence between the various parts of the business than is recognised by the traditional apportioning of objectives to departments and individuals. It is rare for any department to be able to deliver any objective single-handedly, and if they were to try to do so they would almost certainly compromise the ability of other departments to deliver their objectives.

To compensate for this, organisations sometimes overlay their objectives with corporate initiatives such as 'Customer First',

cost saving programmes, 'Investors in People', etcetera. While these are good at ensuring a shared responsibility for customer satisfaction, cost reduction or people development, they are often seen as secondary, and therefore lack the full commitment of management. Furthermore, because they are seen as additional, only one or two can be effectively emphasised at any point in time, and as this emphasis shifts around it creates a perception of 'flavour of the month' and 'pinball management' amongst staff.

What is needed is a more integrated set of responsibilities.

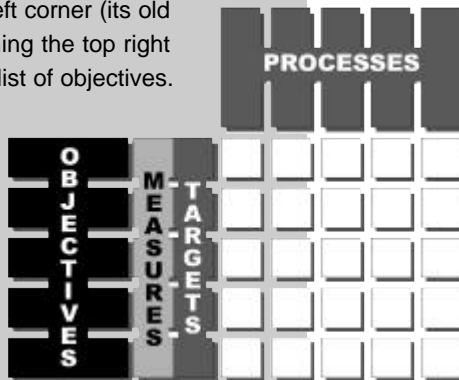
In product design, unless the interaction of the various subsystems is fully understood, and each system is designed to maximise its impact on each of the user needs, the product tends to prove more cumbersome and inefficient than its competitors. The design tool QFD (the 'house') overcomes this by looking at the interaction of each of the subsystems with each of the user needs, thereby ensuring that the design of each subsystem takes full account of its potential to influence all the objectives. The end result is a more powerful and efficient solution.

This same principle that has revolutionised product design, also holds true for business design. To explore this within our building analogy, we have the floors (objectives) and the pillars that support them (processes), we now need to examine the interaction between each pillar and each floor to ensure that the potential for support is fully realised. Each room of our building will provide us with a unique perspective on how our design holds together, it will enable us to see the as-yet unrealised potential to make the structure even stronger. These perspectives can then be used to better align each pillar to ensure that the whole structure is fully efficient and effective.

The process to achieve this is as follows:

1. List out on a sheet of flipchart paper your objectives, together with their associated measures, targets and priorities. Draw horizontal lines on the sheet to clearly distinguish each objective from the others. Do the same for your organisational structure, separating each process (or department) name with a horizontal line. Stick the list of objectives on a wall, and then hold up the list of processes, turn it through 90 degrees anti-clockwise, and stick it up with its new bottom left corner (its old top left) touching the top right corner of the list of objectives.

2. The space to the right of the objectives list and below the processes list should be covered in further sheets of flipchart paper, and the 'horizontal' lines from both the objectives and the process sheet extended over these new



sheets of paper to form a grid. The grid should have a separate cell for each combination of objective and process.

3. Seat your team in a semi-circle around the flipchart grid. Ensure each member of your team has access to all the background information on the objectives and processes, and equip each of them with a pack of four symbols drawn on sticky-note sized cards:



- a. A bullseye symbol, to represent a critical contribution where the process is fundamental to progressing the objective; where problems in the process could not only thwart progress against the objective, but could even send it in reverse.
- b. A circle symbol, to represent a major contribution where the process is vital to achieving the target (both on a 1 year, and on a 3-5 year timescale); in other words, progress could be made against the objective (by means of the other processes) even if there were serious problems in this par-



ticular process, but it would be unlikely that targets would be met over both the short and long term.

- c. A triangle symbol, to represent a situation where other processes will ensure that the objective will be delivered and the targets achieved, but where this process could make things significantly easier if it was working well.



- d. A blank card, to represent a relationship that is insufficiently strong to fall in any of the three preceding categories.



Ensure each team member has a complete understanding of what the symbols mean.

- 4. Have somebody available to make notes on the key points that will arise in the discussions that are about to take place.

- 5. Start with the cell in the top left hand corner of the chart, and ask for an initial show of cards (without debate) to reflect each individual team members view of the importance of the

*Remembering the extremes of perspective while asking people to 'lower' their cards enables you to draw out the range of perceptions while freeing people to easily change their stance, as they learn*

process to the objective. Remember who indicated the strongest relationships, and who indicated the weakest, and ask everybody to lower their cards.

- 6. Ask one of the people who indicated the strongest relationship to explain how they see the process contribution, and then ask one who indicated the weakest to respond. Ensure that points are made calmly and objectively, without a sense of 'argument' - this is vital to encouraging the listening and open-mindedness required for consensus.

*This debate provides new insights and understandings to many of the team - insight that will open new creative possibilities for them and also build a greater sense of shared responsibility.*

Ask for other perspectives, not yet represented, but ensure no point is repeated.

*Ensure also that the perspectives represented properly justify the symbol that was displayed; if they do not, push the contributor for further explanation.*

- 7. When all perspectives have been listened to and fully understood, ask the team if they are confident that all the important knowledge regarding that relationship has been shared. If the answer is yes, ask if we can now trust the majority viewpoint on this relation-

ship. Address any concerns if they arise; this is normally a matter of confirming that 'resident experts' have fully laid out their understanding. When such debate has subsided, check that the team is now willing to abide by a majority vote on this cell, and ask for a final show of cards. Mark the symbol in the grid.

*The symbol is a means to an end. It is the pivot that drives the debate and unearths different perspectives. It is also a useful summary of the debate. But it is the debate that is important, not the symbol.*

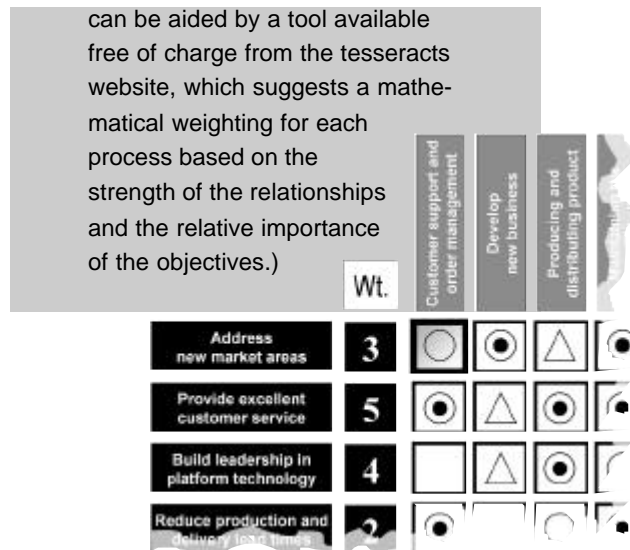
8. Move onto the next cell in the row (same objective, next process) and repeat steps 5 to 7. Continue until the row has been completed. Ensure that the debate remains focused and efficient all through the row. Try to contain the debate to between five and ten minutes per cell, and take a ten minute break at the end of each row.
9. Repeat step 8 for each row of the grid until the grid is completed.
10. On completion of the grid, check for any rows where the objective appears insufficiently supported, or any columns where the process appears insufficiently utilised.

Where these situations do occur, discuss their practical implications (the objective won't be met; the process is redundant) and resolve with the group what needs to be done to address this. Adjust the objectives, processes and grid accordingly.

*Insufficiently supported rows are ones without sufficient good strong relationships to ensure their delivery of the objective. Insufficiently utilised columns are ones without sufficient good strong relationships to justify their development.*

11. Ask the team how they feel about the exercise, and for key learning points that have stuck with them. Draw the discussion round to establish their confidence that the objectives can be met, and to emphasise a collective responsibility to achieve the potential that has emerged in the discussions. Ensure that the notes of the discussions will be typed up and circulated.
12. If appropriate, discuss the priorities that have emerged for each process, and the implications for where it is best to focus resources. (This

*The QFD will have provided many learning points for each open minded person in the room, but individually. A discussion at the end provides an opportunity to see that learning as a common experience for the team as a whole, and that will help unify the team and further build their collective commitment.*



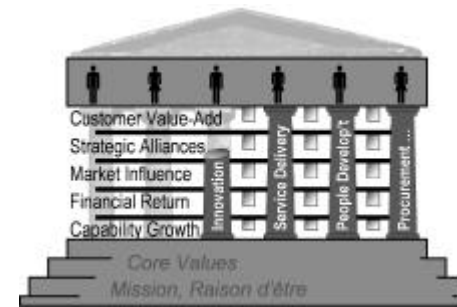
The grid in the ‘house’ provides us with the ability to optimise our entire design to best address the needs that are placed upon it. But furthermore, and perhaps more importantly in these times of change, because these relationships are explicit, the ‘house’ also provides us with a mechanism to rapidly assimilate changing circumstances or expectations, to accommodate these within the structures of the organisation, and to rapidly adjust focus and direction to make best use of the changing wind.

Organisations which use traditional methods of planning and management, can only guess at the real impact of change, and they depend on inspiration for the best stance to take on it. Organisations which use the house of quality can postulate, simulate, orchestrate, innovate and evaluate, quickly and with confidence that the result is the optimum solution to the situa-

tion.

This is a very important point, and it flies in the face of traditional ideas on change management, even to the extent of challenging the concept implied by the phrase itself – the idea that the management of change is in any way a separate and specialised subset of normal management.

When we see managers as the designers of the organisation: change **is** management and management **is** change.



## 5

### Appointing Tenants: Sharing responsibility for the outcomes

Now we have the rooms of our house, we need to appoint tenants who will live in them, realise their potential, and creatively transform them.

We need people who will take full ownership of the responsibilities of each room (generated in the grid discussions in the last chapter) and commit themselves to systematically inspire, guide

and encourage their teams to utilise every gram of potential in ensuring those responsibilities are fulfilled.

We need managers!

Sadly, the currency of the label 'manager' has been much undervalued in recent years. Large sections of the business press have tended to view it with disdain, and associated it with an image of plodding bureaucracy. They have opted instead for the concept of 'leader' - and painted pictures of inspiring and charismatic visionaries. This is an unfortunate contrast; it implies a mutually exclusive choice between system and passion; it suggests that managers do not need leadership skills, and that leaders can function without method.

Partly as a result of this, we have begun to lose sight of the full range of skills and attributes that an effective manager really needs, and we have left vital sections of our business with custodians who exhibit flair, but lack the wherewithal to guarantee their results are sustained or their successors successful.

To deliver the full potential of your business, you will need individuals who can demonstrate and develop both skill sets. You need people who can effectively communicate the responsibilities conferred by the top-level house, and can inspire their teams to a new vision of what they can do to contribute. You need people who can design, implement and operate systems to evaluate progress, analyse issues, and develop effective and efficient corrective actions. You need people who can do the former methodically, the latter inspirationally, and who have sufficient mastery over both of these skill sets that they can equip their people to do the same.

In short, we believe we need to regain the label 'manager' for

what it is required to be in this modern world, rather than what it has been allowed to become.

In the context of tenancy of your house, what we believe is required is somebody who:

- ensures a clear understanding of Customer needs and issues, and inspires a desire to find new ways to serve them better
- establishes clear targets for improvement of performance, at all levels, and develops a value culture which ensures they are actively pursued
- develops people's abilities and attitudes in a planned and productive manner, through a programme of challenges, experiences, team involvement, and training
- develops and designs the processes which effect performance, using methods which aid collective involvement and disciplined thinking
- measures process performance objectively, and uses trends and gap analysis to drive a disciplined approach to solving current or potential performance issues
- plans to continuously improve their approach to all of the above, through a strategy of actively learning from themselves and others
- and delivers clear business benefits as a result of the above.

A positive thing that has been achieved by the business press in supplanting the concept of manager with that of leader is to

highlight that too often management takes place at the wrong level. Our experience of management is that it is all too often conducted in the day-to-day, looking at specifics, resolving immediate problems, focusing on an event-by-event basis. The emphasis on leadership has at least highlighted the existence of a meta-level of management; a level where thinking determines whole sequences of events; a level where the whole picture can be seen and used to guide an overall gameplan. The problem we are facing though is that leadership is only one aspect of that meta-level management process, and while it reflects the need for vision and direction well, it takes little account of the meta-level activities for ensuring progress against that vision or for building the competence to pursue even greater visions.

We believe we need to adopt the lesson of 'leadership' but extend it back to cover the whole of the management concept, and the role description outlined above is our attempt to do that.

In our experience, there are two big issues that face the typical organisation in appointing suitable tenants.

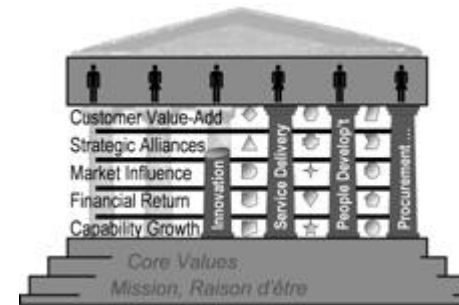
1. They default to their current management team, who interpret the new role as simply a continuation, with slight variations, of their old role and thereby fail to transform their approach and performance.
2. They appoint a new management team who attempt to work in parallel with old management structure until frustration and disillusionment undermines the new approach.

To avoid these issues, we propose the following steps to appointing tenants:

1. Wherever possible appoint staff from your existing management team, at least initially. Do not provide any sense of two separate management structures/processes, and avoid all possible confusion of authority.
2. Ensure those appointed understand that they have been appointed to a new role, with different expectations, accountability processes, meeting and reporting structures.
3. Introduce new processes for management and dismantle/discontinue the old processes. Leave no possibility of confusion over responsibility.
4. Update job description to better reflect the new responsibilities of tenancy.
5. Ensure people fully understand and are competent in their new role.
6. Appraise and evaluate people against their new roles

*The following chapters will provide further insight into steps 2, 3 and 4*





## 6

### **Furnishing with Style: Harnessing the potential of your people and inspiring their creativity**

We have looked briefly at the expectations we have of the 'ideal tenant' in regard to their abilities, their approach and how they work with the team. But we have not as yet said much about the task of tenancy: what we expect our tenants and their teams to do in practice.

Actually, that is not entirely true. The tenant and their team, together with the responsibilities that have been conferred by the top-level house, are in reality an organisation in their own right, and therefore it might be appropriate to reapply chapters 1 to 5 (or at least 2½ to 5 if the objectives are now already clear) at their level.

But at some point, the rubber needs to hit the road, the responsibilities conferred in the cells of the house (top-level or process level) need to translate into physical improvements and activity. In this chapter we assume that the responsibilities have been broken down enough, and that the tenant and the team are now eager to translate the theory into practical answers; they want to sense the blue smoke billowing and feel the traction build; they want to see results!

So how do they set about it?

Well, inspired by new understandings of what is possible and what is required, they could just launch in and do what they think is necessary. In the first year of undertaking this sort of planning, that sort of approach is amazingly successful. It seems that the clarity and commitment that are generated through the planning exercise unearth so much that is 'obvious' and such enthusiasm to do something about it, that it is hard to fail to make a difference, particularly if you regularly measure and report what that difference is.

But in the second and subsequent years, such dramatic progress requires a more methodical and analytical approach, and it is good to begin to establish that approach in the first year so that your people are familiar with it, and competent to use it effectively, as it becomes more and more essential to progress.

In simple terms, the approach we propose you take consists of the following steps:

1. Provide an overview to your team of the planning process to this point, and how this has culminated in a series of responsibilities for your particular process. Use the relevant column of the house to explain these responsibilities, and encourage them to contribute their own ideas on the possibilities and potential.
2. Work with your team to develop a vision of how effective the process could be in fulfilling its potential. Build an enthusiasm in the team for doing something extraordinary; something that will make full use of their talents and creativity; something that they will see as a fitting expression of their own potential.
3. Translate the vision into clear time-based measures and targets for performance (using the tools in

*Encouraging contributions from the team, albeit within a defined framework can help generate commitment at all levels of the business. The 'house' helps to ensure that the contributions are at the most constructive level.*

*Exercises to help with this are fairly common, and some can be found on the tesseract website [www.tesseract.com](http://www.tesseract.com)*

Chapter 2), and check that these will fulfil the expectations of the wider organisation reflected in the house relationships. This latter point can be best achieved by collecting the targets for all of the processes in the house, and working together at the management team level to ensure that they all add up to the fulfilment of the objectives reflected on the left hand side of the house.

4. Implement measurement systems within your process, and use these to evaluate baseline performance; the performance that exists before you set about doing any improvements.
5. Compare baseline performance against target performance, and develop strategies to improve the performance within the necessary timescales. The strategies may be developed by sub-sets of your team, but these should be reconciled with each other to ensure that the total set of strategies is practicable and not in conflict with each other.

*Strategies should only be developed in response to a clear deficiency between desired and actual performance. This simple discipline will ensure that all improvement effort is both focused and effective.*

If resources are an issue, and they probably will be, the order of implementing the strategies will need to be prioritised. In some cases the necessary improvement strategy may be obvious, particularly in the first year, but if there is any doubt we suggest you use the approach proposed in step 8 (see below).

6. Fully plan and schedule the implementation of the finally agreed strategies, including deadlines and responsibilities. Use this information to forecast how performance for each measure will improve toward target over the coming months as the implementation plan proceeds and improvements come on-line. Plot these forecast lines on separate graphs for each measure.
7. Proceed with the implementation plan as scheduled. Monitor performance on a monthly basis, and plot actual performance against forecast performance on the graphs for each

*The development of a forecast serves two very important purposes. The first is that it ensure the benefits and implications of the plan have been fully evaluated against what is required (that it is not simply wishful thinking). The second is that the execution of the plan can then be monitored in terms of its quality as well as its timeliness.*

measure (see step 6). Meet monthly to review the graphs and discuss any progress or performance issues.

8. Where actual performance is below forecast performance, the reasons for this need to be understood, and a corrective plan put in place. For simple issues, this is relatively easy and straightforward, however, for more complex issues the following steps will enable members of your team to ensure that the issue is addressed methodically:

- a. Understand the true extent of the deficiency: what is the nature of the shortfall; when does it occur, where and how frequently; what are its implications; who is affected?
- b. Analyse the reasons for the deficiency: what are the underlying root causes; what is the evidence?
- c. Develop possible solutions: what are the available options for addressing the root causes;

*Steps a to f represent a problem solving methodology. Such methodologies need not be bureaucratic, but they have tremendous potential to ensure effective and sustainable solutions. The alternative can be imagined simply by considering that consequences that might arise from doing a step badly.*

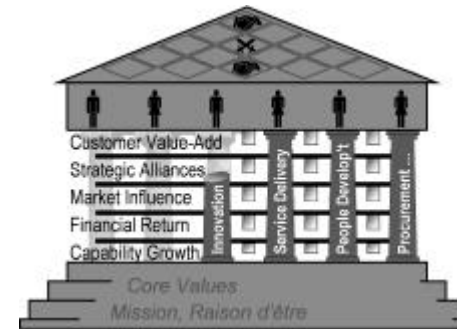
what are their merits and weaknesses; what are their timescales?

- d. Select the optimum solution(s): balance short term and long term needs; ensure the deficiency will be resolved in time to fulfil the target performance.
  - e. Plan and project manage the solution: integrate the tasks into the existing improvement plan; schedule resources, manage progress.
  - f. Evaluate the effectiveness of the solution: integrate the monitoring activity within the monthly management process (best achieved by redrawing the forecast line for the measure to reflect the current situation and the new plan - see step 6)
9. Celebrate your success.

*(If required, a more detailed version of this approach to problem solving is available at no extra charge from the Tesseracts website [www.tesseracts.com](http://www.tesseracts.com).)*

The approach outlined above will do much to ensure that your teams creativity is inspired and focused where it is most needed. The essence of the approach is a flow of information, regularly reviewed, that stimulates and invokes responsibility, and empowers your team to rapidly implement what is needed.

Once the approach is established, it will enable your organisation to respond quickly to changes in circumstance both internally and externally generated; and manifest either through fluctuations in your performance or in increased expectations on your targets. In conjunction with the house, which can rapidly deploy the implications of any strategic change down into process responsibilities, the approach outlined in this chapter will ensure an automatic and effective response by appropriately directing the focus of each process team and by empowering them to develop and implement the optimum solution.



## 7

### Under One Roof: Holding it all together

The picture that we have painted in the last chapter is of a business awash with change. Positive change; directed change; empowered change, change that will transform your business performance. But change nevertheless.

And high levels of change create a new problem. How do you coordinate the change and ensure that efforts are not duplicated and implementations do not run into conflict with each other?

Normal practice for such a situation is to establish a steering committee to run in parallel with the normal management activity and to focus on the progress and issues of the overall change programme. They are often the custodians of the 'master plan', an amalgam of all the detailed plans, which they use to assess progress, evaluate implications, and pronounce judgements on conflicts that arise. Often times they do a sterling but thankless task, working in the background to ensure things run smoothly.

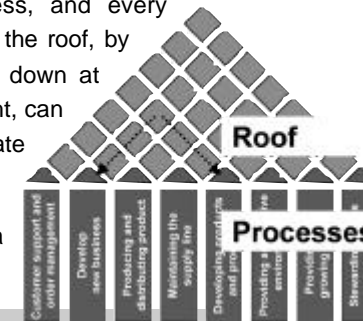
The problem with such steering committees is twofold: firstly, they introduce a new level of bureaucracy which detracts from the local ownership of improvement initiatives; and secondly, steering group meetings can be very inefficient, with many of the conversations only concerning a fraction of the participants. As a result, the key people for ensuring issues are resolved are often absent – and involved in 'more important' things.

The 'house' offers us an alternative.

The roof of the house allows us to explore the interactions between each of the processes, and thereby understand what communication (if any) should be set up between individual processes. This dispersed approach helps to ensure that process owners work together to identify and address any conflicts that arise between them, or develop joint improvement projects where otherwise there might be a duplication of effort, without involving those who are not affected. The end result is much shorter, more focused meetings, with many fewer participants. To be true, there will be more of them, but because they are short and focused (oftentimes just a few minutes on the telephone once a month) the overall time commitment is greatly reduced.

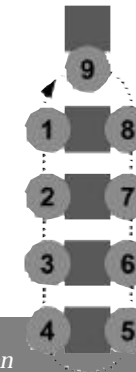
The roof is essentially a half matrix, sat on top of the house

(hence its name) which maps out the interactions between each process, and every other process. Each cell in the roof, by following two lines pointing down at 45 degrees both left and right, can be traced back to two separate processes.



To generate the roof can be a surprisingly quick activity:

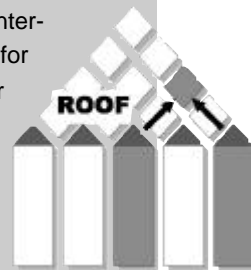
1. Create a schedule so that every process tenant meets every other process tenant once, for anything between five and ten minutes. Have multiple meetings going on at once to save time. Properly planned this can be achieved in as many cycles as you have processes.
2. Process tenants meet each other according to the schedule, and share with each other (remind each other of) their objectives for their processes.
3. Between them, the tenants decide whether their stated objectives are likely to place them in conflict with each other, or



*The diagram on the right shows a pattern which will ensure each process meets with each other (for nine processes) other models can be developed for this, or by looking at the [tesseract's website](#).*

whether they are likely to provide opportunities for some joint projects, or whether it is a bit of both, or whether it is neither. This can be best determined by imagining each process driving flat-out for their objectives with no regard to the implications for the other process.

4. The conclusion of this decision is marked at the appropriate intersection in the roof. A cross for potential conflict, a circle for synergy (identified by potential duplication between the processes), a cross and a circle for both, and a blank for neither.



5. Having determined the inherent nature of their relationship, the tenants then decide what level of communication would be appropriate to avoid conflict or make best use of the potential synergy. Ideally they will use existing forums that exist between them wherever possible (except where the forum is shared with others). Failing this, they should decide on fre-

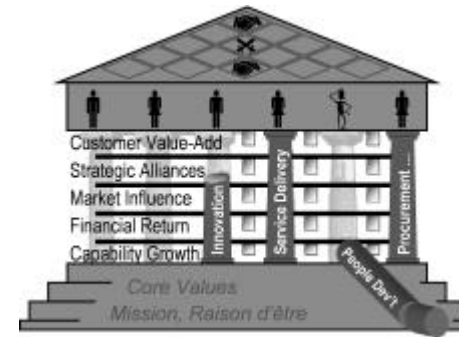
*Options of methods of meeting: email; telephone call; conference call; face-to-face meeting*

quency, method, and membership (themselves; a member from each team; or subsets of each team).

6. The first such communication is scheduled in their diaries. A review date is also scheduled; this is to enable them to evaluate how effectively and efficiently the communication is working, and to make any necessary adjustments.

*The roof provides a means for processes to continue to review their interactions and update their relationships as their situation and objectives change.*

Even in isolation from the rest of this book, this is a surprisingly profitable exercise. Regularly we discover that this is the first time that individual members of management teams have sat down and discussed what they needed from each other. The result builds teamwork at an individual relationship level, and it helps pull team members together on an ongoing basis. Through the mechanism of the roof, the strategies can be woven together, enabling them to flex and respond to each other, and providing a basis for reconciling and adapting change quickly.



## 8

### **Building Maintenance: Keeping your business at peak performance**

In the preceding seven chapters we have looked in some detail at how you can build a better business. We have looked at how your business objectives should be a logical extension of your values, and how you need to support them through your business processes. We have considered how your processes and systems can nurture and harness the commitment and creativity of your people. And we have developed a communication



system to weave through the business and ensure that it remains harmonised and attuned to what is needed.

But the world doesn't stand still, and today's wonder-product can easily become tomorrow's curiosity, unless of course it adapts with the times.

So how can your house enable you to keep your business in tune with the possibilities of its environment?

At a micro-level, tuning is an intrinsic part of the design we have laid out. As the environment changes, it will have an impact on your progress against your goals. This will be picked up by your management system (Chapter 6) and will initiate corrective actions (including new innovations if the scale of the problem warrants it) within your existing process structure. Your processes will adapt to ensure your strategic objectives are met.

But sometimes the potential for change will be too great to accommodate within your current objectives or within your current process structure. These circumstances can arise for two main reasons. The first is relatively obvious; an external threat or opportunity which demands: higher performance; a different tack; or new approaches. The second is less obvious and is actually internally created; outgrowing the potential of your current business model. This second reason is a natural consequence of the creative effort that is applied through the 'house'; eventually you run out of room in your model: all major competitive challenges have been addressed; all sources of process inefficiency have been resolved; all the best ideas that fit within your current model have been adopted. As with the first case, the only way forward is to develop new objectives, develop a new model to optimise their delivery, and re-establish your management system to ensure it is delivered.

In most cases however, apart from the targets which need to extend each year to create the headroom necessary to encourage growth, the change often only affects one or two objectives and a limited number of processes. But it doesn't hurt to explore whether everything needs to change; at the worst it can provide the confidence of confirming that you are still on the right track.

Such 'building maintenance' should take place annually, unless there is good cause to do it more frequently (such as major changes in the business environment).

The following is a comprehensive picture of a full maintenance programme, but it is likely to be fairly rare that you will need to complete all of the steps in full:

1. Undertake a review of your progress over the preceding year: clarify your progress against your targets at both organisation and process level; audit the management approach that has been utilised; evaluate the extent to which your values have been manifest in your culture and practice; understand the changes that have taken place in the external environment.
2. Decide on the basis of the results of step 1 which other steps you

*Reviews can be achieved through interviews, questionnaires, audits of current practice, SWOT analysis, walk-throughs etc. Ideas and resources to help with some of these can be found on the Tesseracts website.*

need to undertake in this years maintenance process, and create a schedule for them.

3. Reconsider your Why-How chart to ensure that it still reflects your values at the higher levels of the chart, and adapt it if that is no longer the case. Follow the arrows down from the values and consider the impact of any recent changes in the external business environment; make appropriate adjustments to suit. Use the results of your audit to consider the relevance and appropriateness of other objectives in the chart, and adjust them accordingly. Review the whole chart to ensure that its logic is restored; adjust arrows and supporting sticky-notes until you are confident that it once-again represents a holistic and firm foundation for your business going forward.
4. Reconsider your objectives in the light of any changes to your Why-How chart. Remove any redun-

*Reviewing the Why-How chart ensures that changes in the external environment are not taken out of context and that strategies to address them are integral to a holistic strategy for the business. Updating the Why-How chart both provides a basis for integrating new learning into the logic of the business, and for ensuring old learning is not lost.*

dant objectives, and use the techniques outlined in Chapter 2 to identify any new objectives that you need to pursue. Review their relative priority to the business.

5. Review the measures you use to assess success in each of your objectives, and change them where they are failing to provide sufficient indication of progress or issues.
6. Review the 3-5 year targets for each of your measures.
7. Set new 1 year targets for each of your measures using the clothesline method (Chapter 2).
8. Reconsider the appropriateness of your processes for your new objectives and targets. Either repeat the model development approach from Chapter 3, or lay out the existing model in sticky-notes and consider any appropriate movement or re-grouping of activities to provide better focus on: deliver-

*Targets should always be reset for the following year (since last year's targets will already have been achieved). But two times out of three it is important to maintain consistency in the top level objectives and measures. The consistency helps the organisation plan and deliver longer lead time improvements and to really understand the opportunities of the model before they are forced, once again, to think of the organisation from new and different perspectives.*

ing the objectives; removing causes of inefficiency; or providing new scope for innovation. Ensure any new activities required to deliver the objectives are included.

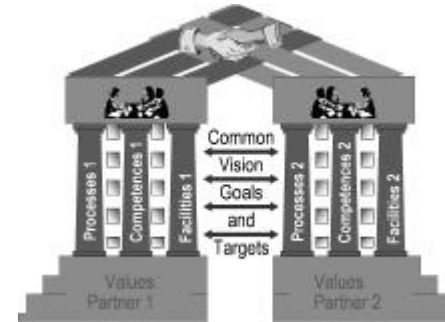
9. Review the grid of the house; the relationships between the processes and the objectives. Consider any new relationships where the processes or objectives have changed using the approach explained in Chapter 4. Decide on which other areas of the grid need to be reconsidered and work through each of the cells in these areas, row-by-row.
10. Recalculate process priorities if appropriate, and agree on the implications of these.
11. Reconsider the tenancy arrangements, particularly in regard to providing new opportunities to develop skills and abilities, and to build a wider understanding and collective ownership in your team.
12. Cascade the responsibilities identified in the house down to the tenant teams for each process, who

*Even where the objectives and the processes regain largely unchanged, people will have grown to see new potential in the relationships between them, and this needs to be discussed and incorporated.*

then rethink their own visions, measures and targets in response.

13. Consider new strategies for developing and reinforcing the management process and culture.

*www.tesseract.com has a number of instruments to assist in evaluating the current management culture and in planning further improvement*



## 9

### Semi-Detached Buildings: Planning in partnership

As the world of business becomes ever more volatile, and change becomes a constant feature for us all, it is no longer enough to have the 'best business'; market domination, lean manufacturing, best practice, massive profits are all transient features. They are trophies won from yesterday's battles fought on yesterday's terms. Tomorrow will bring new terms and new battlegrounds, and the strategies and battle plans that you use today may find themselves outmanoeuvred, outflanked and out of the running if they fail to adapt quickly to the new threats and

opportunities that are presented.

Successful businesses of the future will not only need to be good, they will need to be agile; that is they will need to be good on an ever-evolving basis. People sometimes confuse agility with flexibility, responsiveness or the ability to absorb change, but agility is more than that. Imagine, if you will, a cat. A cat is not only fast and responsive, it is 'ready' at the end of every movement. Agility is the ability to move from one state of 'readiness' to another, quickly and effortlessly. It is about presenting a continuous sequence of 'being the best' without ever appearing to have transitioned through anything else.

The approach we have covered in this book provides a firm basis for agility. Its use of meta-level logic, the explicit mapping of relationships and deployment of objectives, a management system that is rooted in 'improvement' all combine to configure your business to its optimum, regardless of circumstances. In the preceding chapters, change hasn't been something to contend with; it has been the very lifeblood of your business. It has been the basis for your objectives, your structure and for realising the creative potential of your people.

But for real agility, there is still something missing. We are still talking about one cat! But what about a cat that can call on the services of a giant eagle? Or a shark?

Okay, the metaphor has now been overstretched - but the point is: a business that is able to reconfigure its approach with a changing set of partners, adding on capabilities and competences at will, has a huge advantage in ensuring it remains agile. As the world becomes more complex, increasing numbers of businesses are finding that alliances provide them away of leveraging their areas of expertise with the technologies and

strengths of other organisations. They are also finding that this approach enables them to focus on constantly honing their core competences, and divest ancillary activities to their partners. As a result, they can become ever-more world-class in a narrow field, and use an ever-evolving pattern of alliances to engage competitively with an ever-changing world.

However, while partnerships can provide you with options and solutions far more extensively and far quicker than you could possibly achieve organically, they do introduce another layer of problems and risks that need to be managed effectively. Chief among these are the difficulties of ensuring that the efforts of both organisations are efficiently aligned on a common set of goals.

This issue of aligning the efforts organisations on a common set of goals has, of course, been the whole subject of this book. But to this point, we have been focusing on one organisation.

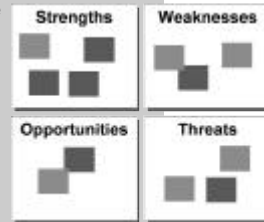
Does it work for two organisations in an alliance?

The answer is unreservedly 'Yes!', and for three or more if that is appropriate. In essence much of the approach remains the same, but for a virtual organisation. There are some subtleties over how the objectives are developed and over ensuring that the processes are appropriately allocated to each partner, but essentially the rest is very much as if you were designing one homogenous organisation.

To determine the objectives of the alliance or partnership between two separate organisations, we have found the following approach very effective:

1. If the alliance or partnership is one

that has been in existence for a little while, it is important to get some shared perspectives on what needs to be done. A collective SWOT exercise for the partnership can be very effective in this regard: each partner mapping out what they feel have been the strengths and weaknesses of the partnership, and what they see as the opportunities and threats now facing the partnership. If these are stuck up in different coloured sticky-notes for each partner, they provide a valuable basis for discussion and for stimulating thought on what the objectives for the partnership should be.

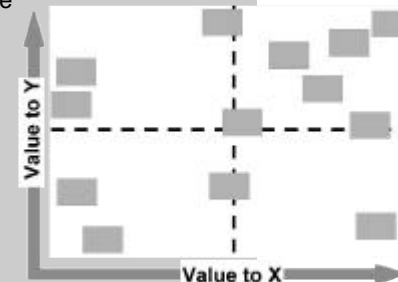


- Each of the partners (the team that represents one of the organisations in the partnership) should then work in isolation to develop a clear picture of what they want delivered from (achieved by) the partnership. These should be phrased as clear objectives (though without necessarily including quantification)

*For any organisation an alliance is a means to an end, and it is vitally important to get that 'end' clear in the mind of each allying organisation if they are to bond effectively.*

and written on separate sticky-notes in flipchart pen.

- Create a large four square (two by two) grid on four sheets of flipchart paper and stick it on the wall. On the left hand vertical axis, write 'Value to [name of your partner]' and draw an arrow head at the top of the axis. On the bottom horizontal axis, write 'Value to [name of your organisation]' and draw an arrow head on the right-most end of the axis.

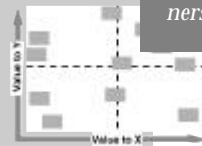


- Invite both teams to stick their sticky-note objectives on the grid. BUT your partner's team should only stick their notes along the edge of the left hand vertical axis, and your team should only stick their notes along the bottom horizontal axis.
- Explain that the position a sticky-note has vertically on the grid, indicates the value that it has to [your partner] and the position it has horizontally indicates the

value it has to [your organisation]. Any sticky-notes that are to the right of or above the half way lines are objectives that either partner would like to see included in the objectives of the partnership. Any sticky-notes that are in the top right quadrant are objectives that both partners would see as an objective for the partnership.

6. Explain that your partner's team can only move sticky-notes vertically, and that your team can only move sticky-notes horizontally, and that therefore for a sticky note to arrive in the top right hand quadrant it will need to have been valued and moved by both partners. Invite the teams to gather round the grid and move the sticky-notes in response to how they value them. Initially this is to be done with no conferring between the teams (only within each team).

7. When the grid settles down, explain the picture that has evolved. Objectives in the top right are ones that both partners want to share in the partnership, objectives in the top left



*For any objective to occupy this top-right quadrant means that it has been valued by both partners*

are ones that your partner would seek to derive from the partnership, objectives in the bottom right are ones that you would seek to derive from the partnership, and objectives in the bottom left can be disregarded in terms of the partnership. Then allow the two teams to discuss the picture together and negotiate things that are important to them. But the rule on which partner can move sticky-notes horizontally or vertically still remains.

8. Ensure the discussion remains fruitful and conciliatory, and reach consensus on those objectives that will form the explicit objectives of the partnership (those in the top right quadrant). There is nothing wrong with either partner then having additional objectives for how they will further exploit the benefits of the partnership (those in the bottom right and top left quadrants) but these do not form part of the shared objectives, which are taken to the next stage.

*Negotiation helps both parties to understand the value and implications of each others objectives and to reconcile them into one set with shared ownership.*

*The grid helps each organisation to understand what they can rely on their partner for, and what they need to take full responsibility for themselves if they are to get full value out of the partnership.*

Having agreed the shared objectives of the partnership in this way, the process of developing these objectives can follow the approach detailed in Chapter 2.

Care needs to be taken when considering the structure of the partnership. The house is very useful for allocating responsibility for the common objectives between the two partners, providing the process ownership is clear, i.e. which partner owns which process. In developing a suitable structural model it is important not to compromise this clarity. There are a number of options to help with this:

1. Ensure this is part of the brief given to each of the teams developing the possible models (see Chapter 3), and reflect the different ownership of the activities by using different coloured sticky notes (e.g. activities undertaken by partner A are yellow, while those undertaken by partner B are pink)
2. Each partner only develops models for the parts of the structure that are clearly their responsibility. The complete model is then the combination of the partner models.
3. Start with the existing structural model, and use debate to propose and agree any changes within the structure (e.g. allocation of activities to processes) – ensuring that clarity of responsibility is an element of the debate.
4. Keep the structure in each organisation exactly as it is currently, but use the house to identify the potential for better aligning the processes of

each partner to the objectives of the partnership.

5. Any combination of the above, applied to different parts of the structure as appropriate.

The grid of the house can then be developed as explained in Chapter 4. Collective discussion of the relationships by both partner teams together achieves a lot in the way of mutual understanding and helps to build teamwork and a sense of even greater shared responsibility for the objectives.

Teamwork can be helped further through the process of appointing tenants (Chapter 5). The senior tenant should always be part of the organisation who owns the process, but it builds closer working relationships and better understanding when a team member from the other partner organisation is seconded to the tenant team. This can introduce new perspectives and different ideas when the team comes to think through its response to the relationships in the house (Chapter 6).

The roof (Chapter 7) provides an excellent mechanism for pulling the two partners even closer together through process communication that helps to keep the overall strategy aligned, and to defuse potential issues as soon as they arise.

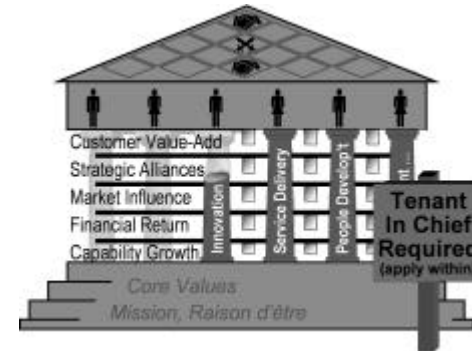
The house can provide further insight and focus both before and after any partnership discussions.

Before the discussions, the work done in the preceding eight chapters (in developing in our house) can help the organisation identify the core processes for their strategy and objectives, and to identify those that may be better or more efficiently provided through partnership.

And, after the discussions, each organisation can use its own



house to ensure that it fully exploits the opportunities that the partnership provides for leveraging their objectives.



## 10

### Moving On?: Taking your thinking to the next step

Implementing the ideas and methods outlines in the preceding nine chapters will enable you to define and deliver high performance for your organisation. But what do you do when you have done that? Move on? Take a new challenge? Develop a totally new house? It is certainly a tempting prospect, but before you do, you might consider whether you really have achieved your organisation's full potential. You might have delivered all

that has been asked of you and more, but have you really 'pushed the envelope'? Have you considered these options for taking what is now a good organisation onto something that is excellent:

1. Develop more ambitious objectives: Get your team to revisit their Why-How chart after an exercise in creative thinking, a motivational talk, and a couple of glasses of champagne. Impassion them and encourage them to think of the impossible. Then deploy it down into objectives will make a difference to them, to the world around them, and to the future of the organisation. But when you've done that, please don't forget to integrate it back into the reality of your existing chart.
2. Explore different organisational structures: use different structural models to develop new processes and competences, and to unearth the inefficiencies that accumulate round boundaries. Encourage your processes to develop their objectives in a way that is not bound by the physical

*A powerful and compelling vision of the future can provide a series of new targets and measures for your house. Divide your vision into three steps and feed them into the house on consecutive years.*

scope or authority of the process, but that reaches out real influence across boundaries to the point where it takes full responsibility for making a real difference.

3. Use the opportunities provided by the house to develop your management team in different and creative ways.
4. Apply the approaches contained in this book to your personal life.

*For example, the objective of a library could be 'Access information in 48 hours', or it could be: '95% accuracy on all decisions made in the organisation'*

However, at some point, there will come a time when you need to look toward your next house. It could be that you have already applied the thinking in this book within your organisation, and now it is time to move on to bigger and better things with a new organisation. It could be that after implementing these ideas, you are wondering what you might do differently to radically rethink your organisation. Or alternatively, it might be that you still haven't built your first house at all – you could be a first-time buyer: you have read the ideas in this book, but you want to understand a bit more before you put it into practice.

This book has been written with the express purpose of getting people started on their first house. It is deliberately short to encourage people to read it. It deliberately focuses on one path so as to provide clarity and avoid confusion.

The path it proposes is indeed the most trodden and proven, but there are other paths, there are other options, there are other detours available. There are other examples, case studies, links to other management techniques, guidelines, tools, stories, testimonials, explanations, and ideas. All of these have been omitted in the interests of simplicity and brevity.

But, as you consider your next house, you may now feel that you are ready to move on, to explore these other ideas and experiences, and you want to know how you can access them.

Probably the most comprehensive source is still 'Managing by Design: Using QFD to transform management performance', published by Tesseract, ISBN 0954302109. It is an interwoven textbook and novel covering much that has been expounded on these pages but more comprehensively. It includes guidance on how the house can be applied to larger and more complex organisations such as conglomerates. It also has an extensive set of appendices which includes seven detailed case studies, an extensive glossary, cross references to other management approaches, and links to relevant materials which can be accessed through the web.

And of course there is support freely available from the Tesseract website: [www.tesseract.com](http://www.tesseract.com), as you will probably discovered from the earlier chapters in this book.

These resources will help you to develop bigger, better and more powerful houses and through these to continue to transform your business performance.

As yet I write there is no online community for building these houses, but as you read this there might well be. You have started a journey, and there is much to explore – and we encour-

age you to do exactly that. May God bless your efforts, inspire your designs and guide your path.