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MAXIMIZING ORGANIZATIONAL PRODUCTIVITY



**IS YOUR
BUDGET
PROCESS
CRIPPLING
YOUR
AGILITY?**

IMPLEMENTING AN AGILE OPERATING SYSTEM



EDITOR'S LETTER

REMOVING AGILE RESISTANCE



As more organizations are embracing agile methodology as an operating system, very few are able to implement it throughout the entire organization.

But it probably doesn't have to. Agile is not necessary for every function, including those that are straight forward and task-driven functions of the business. However, for teams that must continuously tackle complex problems where solutions aren't readily available, or project requirements shift rapidly, agile methodology is highly superior to command-and-control. It's not that the vertical hierarchy needs to go away, but rather the fact that it needs to support the horizontal process of the business—because the other way around is what's hindering progress in the first place.

So before embarking on an agile journey, it's important to understand what went right and what went wrong when companies tried to implement Total Quality Management (TQM) as a management approach operating system in the 80s and 90s.

Having lived through the implementation of TQM, Paula Martin, CEO and Chief Creative Officer of the Matrix Management Institute recalls that it was a technique originally imported from Japan, mainly

from the Japanese automobile companies such as Toyota.

"It was actually introduced to Japan by a couple of Americans and Japan put it to use in streamlining and optimizing their manufacturing processes," she said. "They wanted to make their manufacturing processes more streamlined or efficient, but also more effective - and that's where the quality ideas came into play. They were focused on providing quality outputs to customers, in order to compete."

Martin opines that American companies weren't focused yet on integrated processes across the organization. "They had processes all chopped up by functions and each function was trying to be efficient. There was very little focus on quality or effectiveness. And so, the result was no one was really focused on the customer, except sales."

Efficiency was measured within the function and not across the whole process. Workers were blamed for defects (and there were lots of them). "In comes TQM, which focused on the value chain and listening to the voice of the customer and getting waste and defects out of the process. This was the beginning of recognizing that a horizontal dimension existed."

Martin further notes that the Japanese also used teams to run their manufacturing processes, but primarily because they were a team-based culture in the first place where the individual doesn't really exist --it's all about the collective.

"This culture difference made importing the team-based elements of the system difficult in the US," she said "although a number of companies tried creating self-directed work teams and it caught on slowly. But because most work was still done by

individuals, directed by supervisors and not as a part of teams."

And this is the big shift that modern companies need to make as well when it comes to implementing agile, a new management approach. It works differently than the vertical management because agile teams are largely self-governing where leadership is telling people where to innovate, but not how.

In this issue, we've provided several articles that help with that transition, the first being "A Three-Stage Process Toward Agile Transformation" where Cathy Cassidy speaks directly to the differences between agile methodology and organizational agility.

The second is "Maximizing Organizational Productivity Requires Prioritization" which talks about the importance of training that focuses on organizational and team prioritization, versus maximizing individual productivity, where most training programs still reside.

In the article "The Demise of Nokia—A Cautionary Tale of Restructuring Gone Wrong," Managing Editor Mistina Picciano tells the all too often story about how companies try to fix problems by restructuring because they can only see the solution through the lens of vertical management as opposed to operationalizing their horizontal.

And lastly, be sure to check out "How Game-Based Learning Support Change Management" where Paula Martin talks about the emergence of gamification in recruiting and training to dramatically enhance the learning process.

Jason Myers
Editor-in-Chief

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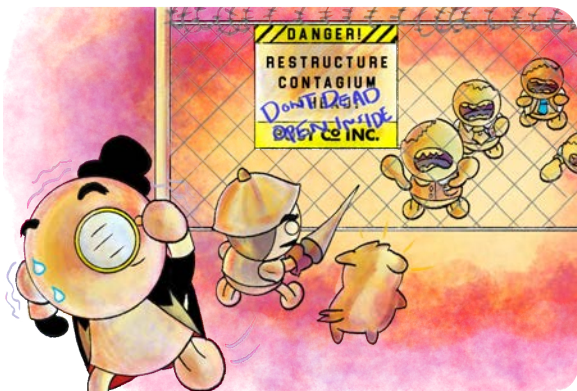
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A THREE-STAGE PROCESS TOWARD AGILE TRANSFORMATION

Cathy Cassidy, Managing Director, Matrix Management Institute

Nearly two decades after “The Agile Manifesto” disrupted the traditional, dysfunctional “waterfall” method of software development, organizations across a wide range of industries are adopting agile methodologies. The underlying driver remains the same: Unpredictable, rapid market changes require greater flexibility than outdated management systems can support. Excessive bureaucracy stymies employee engagement and creativity, and inefficient operations render deliverables obsolete by launch time. The complexity and speed of the Digital Age call for nimble processes that can adapt to dynamic market conditions.

Case studies abound of non-IT firms that have embraced agile methodologies, including John Deere and NPR, and multiple surveys identify agility as a top strategic priority for many organizations. Despite the well-documented benefits enjoyed by agile units, these paragons of nimble efficiency remain a minority. Corporate executives are learning the lingo but often make little headway toward agile transformation.

MANAGING UNCERTAINTY WITH AGILITY

Whether working in the traditional “scrums” and “sprints” from agile software development or organizing by “tribes” and “chapters” like global financial institution ING, agile management follows the OODA (Observe-Orient-Decide-Act) Loop, used by U.S. fighter pilots since the 1950s. This decision-making system has been dubbed “the disrupter’s handbook” and hailed as a model for managing uncertainty and chaos, defining features of the modern business world. In the corporate setting, OODA consists of the following:

Observe. Collect information on what’s happening in an organization and its industry.

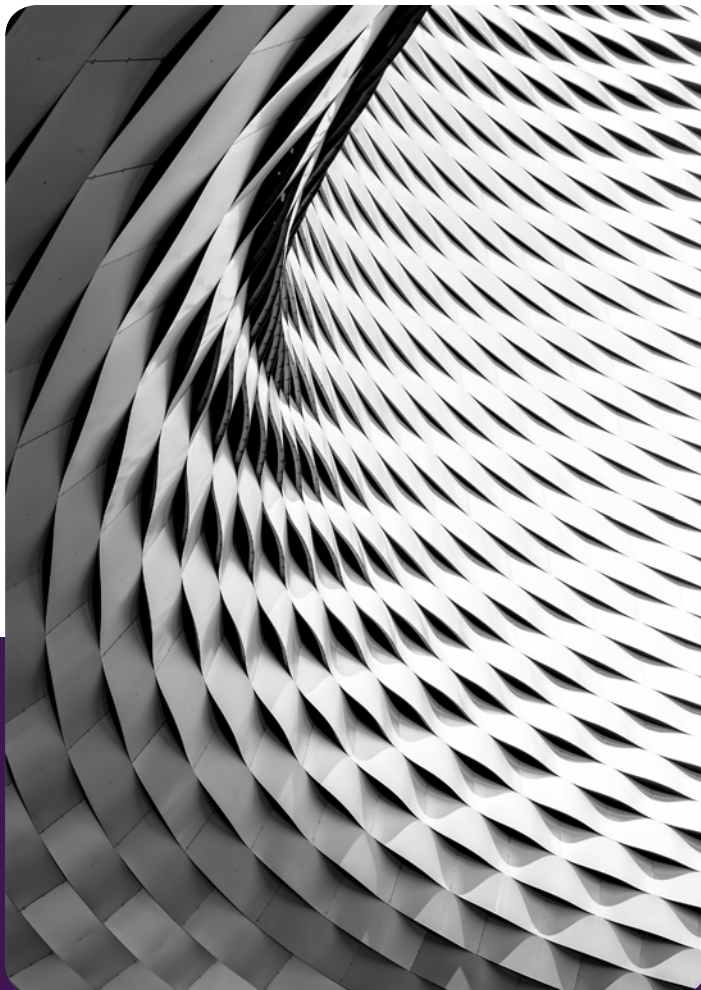
Orient. Assess the organization’s relative market position by reviewing key performance indicators in the context of gathered data.

Decide. Use orientation insights and create a course of action to overcome obstacles or to capitalize on opportunities.

Act. Implement the plan through outward-facing projects or inward-facing initiatives. Speed of execution encourages innovation through fast failure on a small scale; build on successes and learn from misses.

Unfortunately, most organizations are not set up to support this mode of decision-making. The hierarchical management systems created during the Industrial Age continue to dominate the corporate world—despite their failings in the modern environment. Research by McKinsey & Company reveals that such organizations are rethinking both their strategy and their structure more than ever. Eighty-two percent of respondents had gone through a restructure in the previous three years, with only 23% of those efforts successful.

“TO CREATE A MORE FLEXIBLE ORGANIZATION, LEADERS MUST NOT ONLY ACKNOWLEDGE THE HORIZONTAL DIMENSION, BUT ALSO SHIFT TO RUNNING THE BUSINESS FROM THIS DIMENSION USING TEAMS.”





AGILE METHODOLOGY VS. ORGANIZATIONAL AGILITY

Since its inception in the IT world, “agile methodology” has described a specific approach to designing and developing software and systems. Because technology has become so ingrained in every aspect of modern life, agile methodology applies to many organizations across industries as they migrate traditional services to digital platforms. At the end of the day, however, agile methodology remains a specific project-management tool and should not be confused with organizational agility—the ability to adapt strategy and operations in response to a rapidly changing environment.

Some companies have embraced agile development principles and applied them across the board, assuming their relevance for all business operations. The methodology supports projects—those endeavors that produce a unique customer output—but the larger organization requires an underlying operating system that can sustain day-to-day operations and drive innovation in the most effective, efficient way possible.

Creating this organizational flexibility depends upon understanding and implementing three core principles:

The organization operates in two dimensions, and both have a role.

The team is the primary unit for producing work.

Accountability does not require authority.

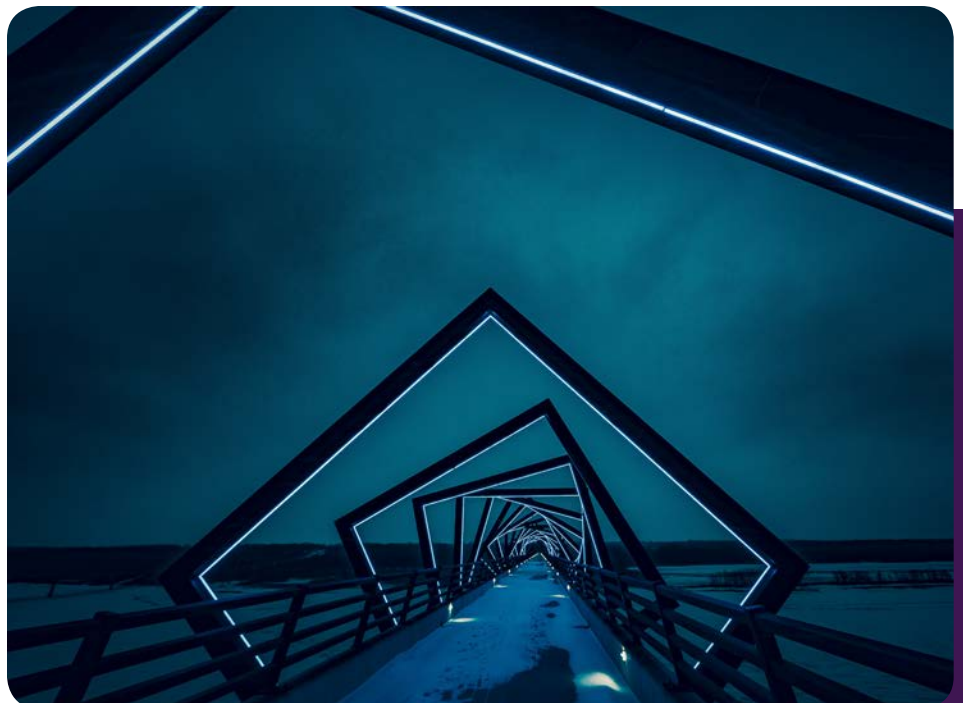
MANAGING TWO DIMENSIONS

First and foremost, complex organizations—generally those with 50 or more employees—must recognize the need to manage two dimensions:

1. The vertical dimension is the dimension of functions and reporting relationships. This dimension, depicted by the organizational chart, is what typically comes to mind when people consider the structure of an organization.

2. The horizontal dimension is the dimension of work. This dimension is where teams use processes to transform inputs such as raw materials into outputs that serve the customer, as well as where they create new and/or improved outputs through projects.

In every organization, the horizontal dimension must be the primary focus. The goal is to align the whole organization around a common strategy that will deliver products and services to customers or clients, while fulfilling the overall mission. The vertical dimension, on the other hand, exists to support the horizontal, ensuring that the organization has the capacity and capability to implement the strategy. This dual focus on





both external and internal strategy is a hallmark of organizational agility, allowing companies to keep an eye on the market and on client needs for threats and opportunities and to respond rapidly and appropriately.

Too many corporations, however, prioritize from within the vertical dimension, at the expense of horizontal operations. This insular, navel-gazing approach to management fosters unproductive internal competition and inefficiency, while distracting leadership from shifting market changes until a crisis grabs their attention. At that point, the typical knee-jerk reaction is to throw resources at the problem, get past the hurdle, and then reorganize

the vertical dimension—often the source of the original issue—which perpetuates a cycle of failure.

To create a more flexible organization, leaders must not only acknowledge the horizontal dimension, but also shift to running the business from this dimension using teams. Historically, the prevailing management model has given leaders sole decision-making authority over their part of the organization. The cross-functional nature of modern workflows requires bringing stakeholders together to make the decisions needed to run the business—another trait shared by agile organizations.

TEAM-BASED COLLABORATION

In an agile matrix organization, high-performing, cross-functional teams form the basic unit of operation. The team of stakeholders work together to achieve a common deliverable and goal, regardless of their reporting relationships in the vertical dimension. Teams may come together temporarily—anywhere from a few weeks to more than two years, depending on the deliverable—or they may be permanent, cross-functional teams that deliver a goal for a business segment (e.g., steering teams are permanent teams that bring together key stakeholders to manage a segment of the business horizontally).

For this reason, agile organizations have been described as a “team of teams.” Senior leadership provides direction to a network of dynamic, empowered teams that come together to achieve a specific goal through collaboration and commitment. These teams make decisions at every level of the organization:

Strategy. Set organizational goals and priorities

Operations. Determine management practices, decide on portfolio of work, and provide oversight of processes and portfolios

Projects. Create and negotiate a doable plan to produce a deliverable within the portfolio of work and then execute that plan

Each team consists of individuals who have a stake in a specific segment of the business, whether it’s a process like sales, marketing or engineering; a cross-functional project that serves the larger organization; a product or service line; or a geographic region. The segments vary from organization to organization, and the number of teams needed is scaled to provide maximum integration and flexibility.



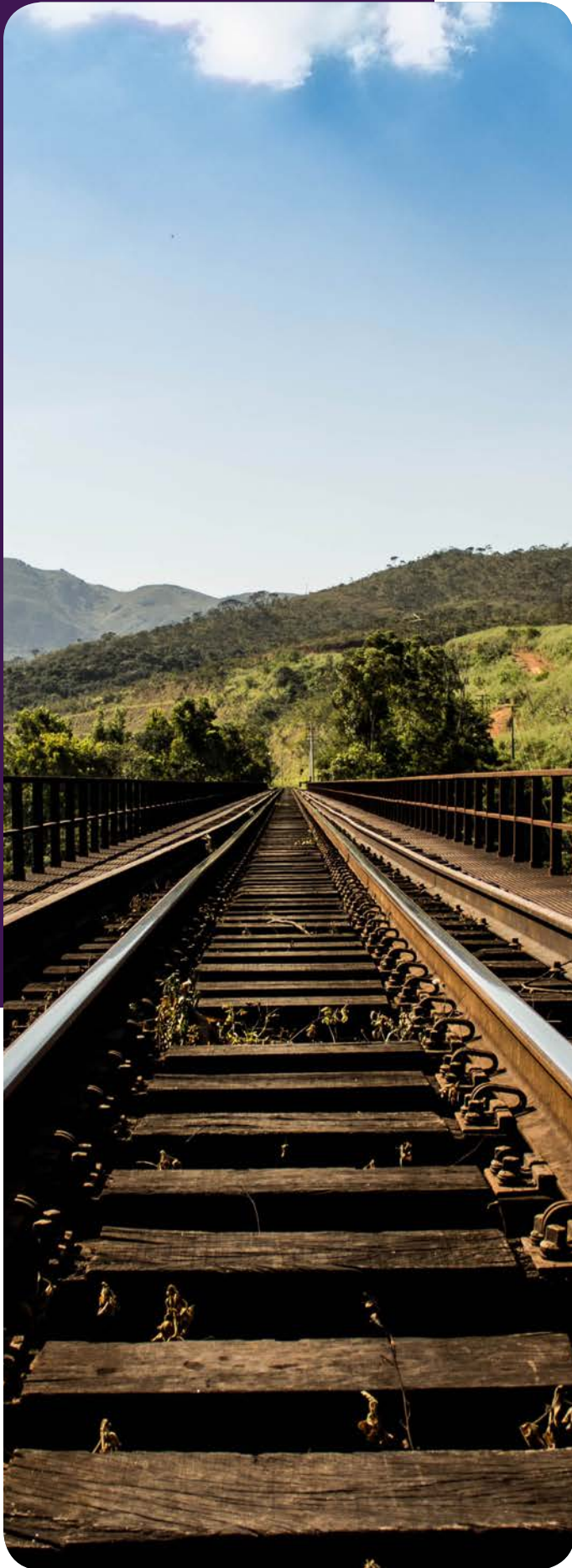
Another key to operating successfully is that every team uses the same collaborative tools and methodologies to make decisions, solve problems, plan projects, and create deliverables.

Many people believe they are collaborating when they solicit input before making the final decision. In a truly collaborative environment, the team leader serves as a facilitator, providing direction and encouraging member participation. Often, collaborative training at the team level

is an effective way to provide tools and techniques, as well as a common vocabulary, with widespread applicability. Collaborative methods and facilitation skills benefit employees as they move from team to team, project to project, whether acting as a team leader or as a team member. Such training often works best in a two-phase approach: initial training that introduces concepts, paired with a hands-on workshop that applies training principles to a real-world challenge.

Whether it’s a strategic or operational team accountable for executing part of the organization’s strategic road map or a project team developing a new product, the individual members need to co-create the plans to achieve their shared goals. Empowering teams to self-govern improves efficiency and agility, as well as increases engagement and creativity. For example, as part of the collaboration process for a project, team members commit to deliverables based on their available capacity. Allowing individuals to negotiate these commitments fosters a culture of success, one in which employees can deliver results according to a realistic schedule, rather than arbitrary deadlines that fail to consider actual capacity. Moreover, the shared mission encourages available team members to assist colleagues proactively, moving the work forward with efficiency.





ACCOUNTABILITY WITHOUT AUTHORITY

To realize such efficiency gains, it is necessary to shift accountability systems away from optimizing individual performance at the organization's expense. Optimizing the team often means sub-optimizing individuals to maintain greater flexibility. Similarly, optimizing an organization means sub-optimizing the parts to achieve the entity's goals. In this respect, a high-performing organization works like an orchestra, where players hone their respective skills independently but perform as part of a cohesive whole. Sometimes specific sections or players are optimized—whether it's a project or department, or even a program or portfolio—while others are downplayed. When the whole organization is playing according to the score, the sound flows effectively and efficiently, and everyone delivers upon his or her commitments.

Most accountability systems, however, not only rely on authority, but also set up the rules so that everyone focuses on personal goals first and team and organizational goals last. By judging individuals by the performance of those employees and tasks within their purview, they have a personal incentive to ensure the success of their areas of responsibility instead of looking out for the interests of the larger organization. Beyond this inherent inefficiency, authority-based accountability assumes that leaders can control the actions of their teams. Direct reports can certainly be influenced, through threats and promises, but each person ultimately chooses whether or not to cooperate. Consequently, a control-based approach to accountability often creates an antagonistic work environment that undermines the organization's success.

The type of accountability system needed for organizational agility requires a new set of principles and rules, avoiding the “blame game” typically associated with authority-based accountability. This type of accountability system focuses on organizational, team and individual outcomes, and it positions teams to work together without authority. Using a new accountability process establishes buy-in and commitment through planning and negotiation from the start, so each person knows who is accountable for what and when. Additionally, the new system ensures there is shared accountability for organizational and team outcomes, giving everyone a vested interest in the team's success. Such a system creates alignment without restructuring boxes on an organizational chart.

ROAD TO AGILITY

If your leaders are talking about becoming an agile organization, consider the strategy behind the transformation. Taking a systemic approach that upgrades the underlying operating system will produce high-performing, cross-functional teams of stakeholders who collaborate for the greater good of the organization.

The result: A flexible, responsive organization that can execute projects using any technical methodology—whether it's agile, waterfall, ADDIE, DMAIC, engineering, construction, etc.—and optimize business processes that produce products or deliver services that delight customers. **OD** INNOVATOR



IS YOUR BUDGET CRIPPLING YOUR ORGANIZATIONAL AGILITY?

Cathy Cassidy, Managing Director, Matrix Management Institute

As more organizations strive to increase their agility and to promote cross-functional collaboration, the budgeting process, unfortunately is often overlooked. This process in and of itself is a management system, one that can either support or stymie delivering organizational goals in an integrated and agile way.

If your budget process allocates funds to the different functions of the organization, your entire organization will suffer. Money will disappear into functions without yielding the results that the business expects or needs to thrive. Morale and motivation often plunge as teams cope with pre-allocated funds based upon insufficient planning data and imbalanced resource allocation because the available resources of people and money don't support the pipeline of work. Additionally, this type of budgeting system doesn't enable an organization to pivot according to market demand. Sound familiar?

Despite its long tradition and management's good intentions, a functionally driven budget approach

causes problems. Typically, organizations allocate money to functions based on the previous year's performance or modelled on best practices. In today's complex, dynamic environment, companies need to take a more strategic, flexible approach to funding that addresses current conditions. Otherwise, funding will remain clogged up in yesterday's priorities, hindering—rather than helping—your business's growth.

For too many organizations, this problem is endemic. You might have tried (or you might be considering) restructuring to address it. But a restructure will not address the root cause of the issue.

To change your operations, you need to change how you allocate resources. Your budgeting system needs to encourage work across the organization, not inhibit it. In this article, we'll explore two different approaches to funding allocation—one we see frequently in struggling organizations and an agile alternative that will drive your cross-functional goals.

(DYS)FUNCTIONAL FUNDING: AN OUTDATED APPROACH

We see a lot of businesses that fund projects based on functions or programs.¹ At surface level, it makes sense to give each function and program the resources they need to drive their part of the organization's success. Look closer, however, and you notice the cracks that quickly form into silos and gaps. In part driven by outdated accountability system, money gets locked into allocated segments as individual leaders hoard their budgets—even if they don't have a specific use for the money—rather than supporting the needs of the larger organization, “just in case.”

Consider the example of a business that makes vacuum cleaners, with different divisions managing different product lines—one is cordless, another eco-friendly. Each vertical unit sets its goals and determines the resources they need, receiving a budget that reflects the prior year's usage—often trimmed by a mandate to cut costs.

Both product lines drive the organization's overall growth. But the leaders of each area are accountable for their own profit and loss, which can lead to tunnel vision, especially when centralized functions support both product lines.

¹Governments and nonprofits face an additional layer of complexity when funding is based on specific programs.





Last year, the cordless vacuum division had a particularly aggressive strategy, while the eco-friendly program didn't spend as much. Consequently, the cordless program receives more funding than its current strategy actually requires. But when the market turns and demand for eco-friendly models rises, the company doesn't have the means to divert funding to the eco-friendly line. The funding has already been siloed in its cordless counterpart.

The programs could share resources, of course. But voluntary redistribution rarely happens; leaders end up squabbling over who pays for what. They fail to realize—and accountability systems fail to reflect—that, while they're accountable for their program's budget, the funding does not belong to them; it exists to support the organization as a whole.

Now let's imagine that the vacuum cleaner company restructures to fix this problem. They move all their funding for technical resources into a centralized function that is responsible for allocation across all programs. This shift, the company thinks, will reduce how many resources are needed and facilitate resource sharing.

In reality, the new function has its own initiatives to set best practices, develop capacity, update technology, etc.—all for the larger goal of improving allocation efficiency. But wait. The funding still remains with the individual product lines. The only funding assigned to the centralized group is earmarked for resources. How will they support their initiatives? Wrestle funding away from the various divisions? But how much money does this new group need? And should each unit cede the same portion of its budget, either as a dollar amount or as a percentage? The restructure didn't solve anything because the root cause wasn't the structure; it was twofold: the budgeting process and the accountability system.

Businesses frequently assume that creating a centralized function to distribute resources across all programs will ensure fair allocation of funds. But different programs require different resource allocation at different times, and adhering to best practices can mire an organization in an inflexible model that fails to support any goal—whether immediate, long-term, or evolutionary.



AGILE MATRIX FUNDING: A FLEXIBLE ALTERNATIVE

If your organization is struggling with its funding, you're likely working with a one-dimensional budget process. But your business is two-dimensional, and your funding needs to support both the horizontal (strategic, operational) and vertical (functional) dimensions. Enter agile matrix funding.

The first step is taking the management and allocation of funding away from functions and programs. Instead, shift that responsibility to cross-functional steering councils that are accountable for key business segments. These horizontal governance teams determine what they need to achieve their goals, and they set up a portfolio of work, allowing their respective teams to create the operational plans. Projects and initiatives—which allow organizations to execute strategy—are funded in the moment, as they receive approval. Key stakeholders manage those resources jointly. Together, they make tradeoffs that ultimately serve the best interests of the organization, not their respective areas of accountability, based on a clear set of shared priorities.

Individual functions know how many resources they have. If these groups know what they need to accomplish in a specific time frame, they can plan their resources accordingly. For example, product development groups may need more resources one year, but post-launch, that funding may be re-allocated to other operations and initiatives.

Too often, funding occurs before planning, and too few resources are committed to the work. Despite mandates to “make it happen,” work stops when money (and capacity) runs out, both everyday processes and strategic projects suffer. Agile matrix funding eliminates this disconnect between allocated budget and actual resource requirements. There needs to be funding available to develop capability and capacity, as well as to run processes and to deliver projects and initiatives. To simplify budget management, funding related to capability and capacity and to running day-to-day processes should be separated from the funding related to projects and initiatives, with these horizontal endeavors funded dynamically, as needed. This separation allows organizations to fund strategic efforts and eliminates mindless directives to slash budgets across the board by a fixed percent.

If either funding or available capacity runs out, one of two things can happen with agile matrix funding. Either the work on a particular project can be put on hold until resources become available, or a dynamic shift can be made to continue supporting it. The steering council is accountable for assessing the situation and deciding together what tradeoffs to make to move forward. This methodology allows the organization to make adjustments aligned to its strategy, rather than letting money stagnate in functions and slow growth.

NEXT STEPS

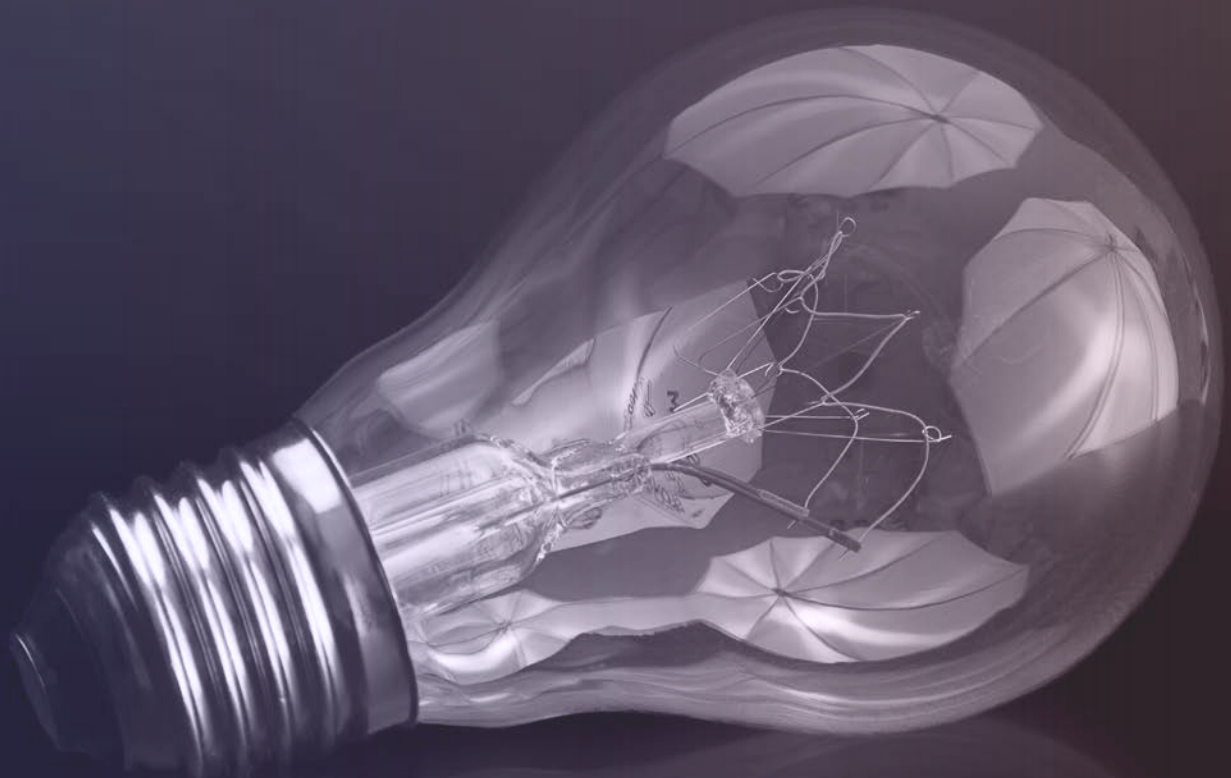
To support growth, your budget process is another key management system that needs to align all business segments to deliver the organizational strategy. Every part must be integrated and focused on optimizing the entire organization, not individual parts. This won't happen if leaders' accountability encourages them to put the needs of their respective functions or programs above the organization's overall success. Additionally, changing your structure won't help since leaders remain crippled by an outdated budgeting process that doesn't support horizontal operation of the organization.

While you might need to update the budgetary and project cost management software you're using, you definitely need to change attitudes and accountability. Most importantly, you need a steering council of key stakeholders for each cross-functional segment

to make unbiased, proactive decisions together that benefit the organization as a whole.

The Matrix Management Institute offers training to achieve this shift in thinking and to help organizations attain agile matrix funding. Our How to Run a Matrix program provides senior leaders the support to start thinking two-dimensionally about funding. For project leaders, our Project Leadership training provides tools to create better estimates, improving the system's ability to make good funding decisions.

If you're considering restructuring to solve your funding or resourcing problems, pause and ask yourself if you're using the full potential of your matrix. Take our free one-minute matrix assessment to find out. **OD** INNOVATOR



"EVERY PART MUST BE INTEGRATED AND FOCUSED ON OPTIMIZING THE ENTIRE ORGANIZATION, NOT INDIVIDUAL PARTS."

HOW GAMIFICATION AND GAME-BASED LEARNING SUPPORT CHANGE MANAGEMENT

Paula K. Martin, CEO, Matrix Management Institute



In recent years, gamification has emerged as a promising method of engaging employees—particularly millennials—while benefiting employers through higher employee retention and increased productivity. Many early attempts to use game mechanics in non-game environments to inspire motivation and behavioral changes fell flat, but the global gamification market is projected to reach \$22.9 billion by 2020, according to P&S Market Research. The buttoned-up corporate sector is finally relaxing its resistance to gamification, largely because of the clear benefits when implemented well—particularly in recruiting and training. Because my experience fo-

cuses on the latter, this article addresses gamification in organizational education.

For clarity, I'm defining gamification as turning the learning process as a whole into a game, an education-focused variant from the Capterra blog. Game-based learning, on the other hand, uses a game as part of the learning process. The examples that follow come from more than 25 years of helping complex organizations redesign their project and management systems to support their business strategies.



TARGET PRACTICE: AN EXPERIMENT IN GAME-BASED LEARNING

While much of the interest in gamification has been inspired by the proliferation of digital technologies, our own experience dates back 20 years. I started experimenting with gamification as a way to enhance traditional classroom education, which emphasizes visual and auditory learning styles. Games add a kinesthetic element to the learning process, making educational objectives more concrete by allowing participants to experience them.

Twenty years ago, while helping a pharmaceutical manufacturer shift to a more efficient production process, I created games that demonstrated the limitations of the current manufacturing process, as well as the benefits of the new system. One game placed the company's leaders in the role of manufacturing operators. We used a tabletop catapult device that came with standard operating procedures. Participants had different roles. One person set up the catapults. Someone else shot plastic golf balls at a target. Another person provided quality control, measuring how close the ball landed to the target and reporting those results up through the chain of command.

We played two rounds of the game. First, participants followed rules that recreated the constraints in the actual factory, where the operational department was not speaking directly with the analytical department. Functional managers pursued their respective goals, reporting to a director during staff meetings and returning to their teams with new marching orders. To mimic these conditions, players operating the catapults sat at a table

and aimed at a target on the floor, which they couldn't see from their vantage point. As operators, participants were not allowed to change the settings of their catapults without express instruction from a manager. Players quickly got bored shooting golf balls and not knowing if they were "winning" or not.

The second time around, all the participants worked together. Together, the players redesigned the system, linking the factories and managing production flow with just-in-time manufacturing principles. The contrast between the two modes of game play reinforced the educational objectives. Additionally, the shared experience helped link game concepts to real-world situations, as participants frequently referenced the game in the months that followed.

"GAMES ADD A KINESTHETIC ELEMENT TO THE LEARNING PROCESS, MAKING EDUCATIONAL OBJECTIVES MORE CONCRETE BY ALLOWING PARTICIPANTS TO EXPERIENCE THEM."

FOCUSED FACTORIES: GAMIFICATION OF MANUFACTURING PROCESSES

This early experiment with game-based learning influenced additional consulting work I did with this client. At the time, the company operated several specialized facilities that performed the same function for multiple products, such as a granulation department that performed granulation for all product lines. The system created functional silos that frequently delayed product delivery to customers. In addition, the client had issues with paperwork errors and with staffing, due to lack of cross-training—a sticking point in union negotiations. The company addressed these challenges by reorganizing its operations to flow horizontally, restructuring as “focused factories” that optimized the entire production process for a single pharmaceutical.

We wanted the operators to understand the larger manufacturing process. Inspired by the success of the catapult game, I created a board game that modeled the new production processes. By managing the entire manufacturing process, operators could gain a concrete understanding of what the process looked like from the management perspective, even though they would only interact with a small part of the process in the real world.

The game was laid out on large foam boards, which created a track for the flow of product. Participants started with a certain amount of cash for buying raw materials. They had to move those materials through the process and get the finished product to a customer at a specific time. Every delay decreased the final payment for the batch. Players were scored based on the amount of profit they generated.

In the beginning, participants created large batches of product, moving each finished batch to the warehouse until the facility was ready for the next step in the process. To illustrate the expenses of warehousing, the game charged a \$1,000 penalty for every stored batch, and

production capacity decreased as the game progressed. If players didn’t plan their production correctly, they ended up with multiple batches in the warehouse, sitting and waiting—as their potential profits ticked away. Other game mechanics included the following:

Paperwork cards. These cards checked record-keeping accuracy, another game requirement. Failing a paperwork check would send players to “paperwork jail,” which delayed product delivery.

Mechanical/Equipment cards. These cards indicated that a piece of equipment required repair or routine maintenance, stopping production for a certain period of time.

Personnel cards. Game “employees” had certain skill sets. At the beginning of each shift, players turned over a personnel card, which might indicate that someone had called in sick or was out for training. (Incidentally, this aspect of the game convinced all parties of the benefits of cross-training.)

All game dynamics were built around the educational objectives. We didn’t add any elements that weren’t tied to what we wanted participants to learn from the game. As a result, players could see firsthand the consequences of their decisions on the larger manufacturing process. More importantly, the team members recognized the limitations of the current manufacturing process, where each silo optimized their own functional goals and metrics at the expense of the larger organization, which experienced high storage costs, long production cycles, and customer service issues due to product delays. The game helped the client shift its focus from functions to process, creating a manufacturing model that was eventually rolled out to other factories within the larger organization.



ADVANTAGES OF GAMIFICATION, GAME-BASED LEARNING

These two experiences showed me the power of using games to teach certain types of principles. Games offer a way to take the essence of a system and simulate real-world conditions so people can understand key, abstract components and apply them to the larger, complex system. Beyond the educational value, games engage people more than classroom lectures or e-learning. Games, when done correctly, offer internal motivation; people have fun playing the game, period. When the client management team—comprised primarily of engineers—walked into the room and saw the catapults and golf balls, they couldn't wait to start playing. The operators who took part in the focused factories game had a similar response. They were so engrossed by the game that they didn't want to break for lunch. The client couldn't believe these were the same people who worked in his factory.

Recently, we've extended the use of games at Matrix Management Institute (MMI) to take advantage of additional benefits—namely, scalability and affordability. We work with many clients outside the United States, including a lot of nonprofits. Many more organizations have expressed interest in our services that do not have the budgets to support

“ORGANIZATIONS WOULD HAVE A NEW, EFFECTIVE ALTERNATIVE TO LARGE, IN-PERSON CLASSROOM SESSIONS AND EXTENSIVE E-LEARNING PROGRAMS.”

classroom training. We've wrestled with the challenge of meeting this geographically diverse demand without deploying a huge cadre of trainers around the world.

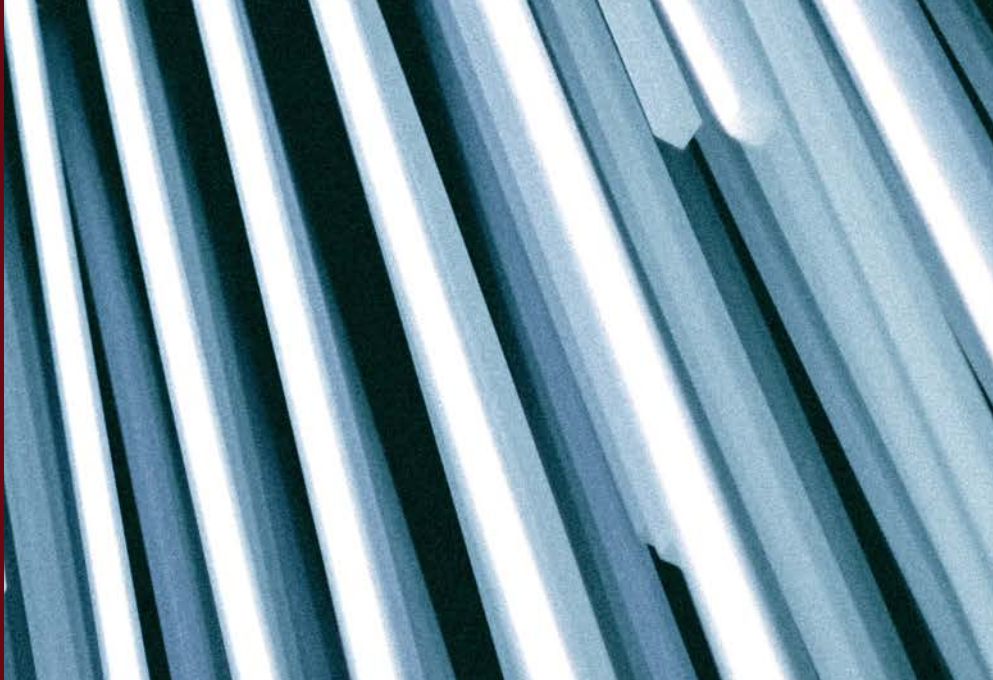
Organizations have typically addressed this challenge through e-learning, which meets the scalability and affordability requirements. However, I've never liked e-learning. At worst, students read a screen; at best, they watch a movie and interact by answering questions at specific points. The system is based on simple knowledge transfer: “We'll quiz you along the way to see if you can regurgitate what we just told you.” That method of learning has never inspired me, and frankly, our material doesn't lend itself to that format. We teach changes in behavior, collaborative paradigms that people need to learn and practice in a group setting. How could we deliver this type of training virtually?

Once more, we turned to games, which offer not only scalability and affordability, but also add team interaction and a kinesthetic component that e-learning lacks. We created board games that teach collaborative problem-solving. Using the same basic game mechanics, these tools teach players how to walk through

a structured process of collaboration for making decisions and solving problems. A gamemaster introduces each round of play, built around a case study. Role-playing cards assign different roles to players. The person who draws the facilitator role turns over a facilitation technique card, which presents a technique for that individual to practice during the round. Then, players draw step cards, which guide them through the process for completing the challenge presented in the case study. After completing the round, participants answer questions and review the outcomes before tallying points and moving to the next round. The learning objectives—such as facilitation skills and team dynamics—are built into the game mechanics.

Based on early client response, these games show great potential for changing the training paradigm. Organizations would have a new, effective alternative to large, in-person classroom sessions and extensive e-learning programs. This new format would allow a gamemaster to assemble a small group—four to six people—who would play the game and teach themselves how to use structured collaboration processes.





A PROMISING (AND PLAYFUL) PARADIGM SHIFT

My own experience with gamification came about because I wanted to make the challenge of change management fun—both for my clients and their employees and for myself as the facilitator. Seeing participants embrace the games and internalize the educational objectives convinced me and my colleagues to make our training programs highly experiential, using games whenever appropriate. Already we have seen how gamification and game-based learning can offer a cost-effective way to engage employees and to create organization-wide change. Seeing and practicing educational concepts in context reinforces learning, while collaboration and competition with colleagues builds and strengthens camaraderie.

The technological advances of the past decade have created rich opportunities to extend and enhance game-based learning for users of all ages. Here at MMI we're already designing the next generation of serious, educational games, and we're having a great time in the process. We look forward to sharing the results in the near future. **OD**INNOVATOR



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MAXIMIZING ORGANIZATIONAL PRODUCTIVITY REQUIRES PRIORITIZATION

Jason Myers, Chief Editor, OD Innovator Magazine

Doing more with fewer resources has become the corporate mantra, especially in the decade since the Great Recession. In response to this do-more-with-less mandate, many training programs have popped up to help increase individual productivity. But what if I told you that increasing the productivity of your organization actually has little to do with maximizing individual performance?

Skill training that focuses on individual productivity is based on a widely held belief that the path to greater organizational productivity is one where everyone performs at 100% of their capacity. (Or 110% if they're a football team.)

This belief stems from an outdated operating system that emphasizes top-down, or vertical, management, and it simply does not apply to today's complex matrix organization. Not only because you can't run people ragged 100% of the time, but also because the focus of productivity should be set at the organizational level.

FOCUS ON THE TEAM

The theory behind most command-and-control, hierarchical structures (what we call vertical management 1.0) focuses on optimizing the parts, and in this case, the individual. In other words, optimize the individuals—make sure they're working efficiently, give them the necessary training, etc.—and you will optimize the organization.

The problem with that theory is that it has been proven wrong by the introduction of systems theory in the 1940s, which basically determined that the whole is greater than the sum of its parts.

Up to now, you've probably spent most of your time as a leader in the vertical dimension, focusing on managing individuals and trying to make them productive. But that's the old paradigm of leadership. You simply can't improve productivity by manipulating the vertical hierarchy.

The new paradigm builds productive teams in the horizontal dimension.

In a matrix, a high-performing team is the most important unit of the organization; therefore, your goal is to focus on team productivity, not the individual's.

A team is nothing more than a group of people working collaboratively to achieve a common goal, but to reach high-performing status, everyone must be motivated. Otherwise, you won't achieve the desired engagement and integration.

One of the biggest de-motivating factors for a team is conflicting priorities amongst leaders—a common symptom inherent in organizations plagued by functional silos.



WORK HARDER

SILOS KILL PRODUCTIVITY

In most large and complex organizations today, silos come in many forms and are often associated with obvious functional groups, like marketing, IT, sales, human resources, etc. But silos also occur within geographies, where each region is operating well, but each regional president runs his or her area like their own private company. Well, that's a silo—especially when the company wants to operate globally.

And many of the large organizations we've worked with have silos within silos. For example, within a large marketing department, you often find separate functions like public relations, advertising, event planning, content marketing, etc., each operating their own budgets, tasks and priorities.

Because everyone has their own set of priorities, they often conflict with each other, such as when department heads compete for available resources or budget.

Conflicting priorities run amuck in functional silos because of the rules inherent in a vertical management operating system, which focus on the productivity of a function. And those function's priorities will always take precedent over team, and even organizational, goals. In fact, it's virtually impossible to keep organizational and team priorities in mind if you're tasked with maximizing a function.

Everything that gets accomplished in an organization is done through initiatives. If competing priorities sabotage those initiatives, not only will they not be productive, but the overall strategy execution will also suffer. The organization gets stuck in the mud, unable to gain traction.

Then there's the opposite problem, where no priorities are set at all. By default, everything, everywhere becomes a number-one priority. I'm sure you've heard an executive say, "It's all important!" And everyone talks about having to "put out fires" instead of focusing on the priorities that the

organization has deemed most important.

Well, I call bullshit.

It's simply not possible to have 100, 10 or even two number-one priorities. *The number is one.*

Prioritization exists in the first place because of the limited resource of time. Each person has only so much time to spend at work in a day, and they can work only so many days in a week.

For the sake of argument, let's assume that number is 45 hours per week. If a person has more work than they can complete within that amount of time, then someone will have to decide what gets done and what does not.

In this scenario, who do you think that is?

It's the individual. That decision may be based on which one leader is screaming the loudest. It might be based on what that person wants to work on. Or maybe it will come down to the easiest

THE FIX

In short, the goal here is to create a culture of success, where senior leaders make requests versus demands of team leaders and where deadlines become realistic and achievable because they are based on capacity rather than fantasy.

That means changing the rules around governance, prioritization and accountability.

Governance must now focus on building high-performing teams that are based on the horizontal, not the vertical, dimension.

Accountability must shift to a voluntary commitment that people make to do something that is achievable, and not assigned. For example, the team determines together how quickly something can be done—based on the priority of the initiative, other commitments, available resources, etc. Then, they come back to the steering council and say, “We can do X by Y date for Z money.”

In addition, they need to include contingency time and money in their proposal because not all unknowns are known (by definition!). Then, they commit, and accountability is locked in.

You can't shove accountability down people's throats. If they don't own the deliverables for which they are accountable, accountability becomes a weapon, not a useful productivity tool.

Conversely, when teams are aligned around priorities, they have planned out what they can achieve, and they have organizational support, they will work hard to meet their goals. They will be productive, and they will enjoy the process of achieving something with a group of people—something that moves the organization forward.

Work can be productive and fun, but we need shift into a new way of operating where prioritization is set at the organizational level first. **OD** INNOVATOR

tasks so they can show progress.

I'm sure you can see the problems with this approach:

Individuals are choosing initiatives based on what benefits them personally, not the organization as a whole.

The individual's priorities likely differ from the ones that their team members are making.

Therefore, we end up again with conflicting priorities, resulting in sub-optimized and unproductive teams. So when a company launches a cross-functional initiative to build a new product or make an important organizational change and each silo sends a person to the team, guess what happens?

Yep, they all have competing priorities.

They are all moving in different directions, and the initiative flounders as a result.



GOVERNANCE MUST NOW
FOCUS ON BUILDING
HIGH-PERFORMING TEAMS
THAT ARE BASED ON THE
HORIZONTAL, NOT THE
VERTICAL, DIMENSION.



THE DEMISE OF NOKIA

A CAUTIONARY TALE OF RESTRUCTURING GONE WRONG

Mistina Picciano, Managing Editor, OD Innovator Magazine

Nokia's implosion after the breakout success of its mobile phone business offers a cautionary tale of the many problems that often lead to—and result from—corporate reorganization. In fact, restructuring usually puts the business in an even worse position, which leads to additional, equally unsuccessful reorganizations. This article examines the underlying reasons why restructuring rarely solves the problems they were meant to correct, as well as how to end the cycle of fruitless reorganizations.

COLLAPSE OF A MARKET LEADER

A recent article published in the South China Morning Post explored some of the reasons behind the fall of Nokia, many of which resulted from decisions made during the peak of the firm's success. When explosive growth threatened to overwhelm Nokia's supply chain in the mid-1990s, management commissioned a resource planning system that enabled it to scale up production faster than competitors. Nokia replaced Motorola as the market leader, and mobile phone revenues increased by 503% between 1997 and 2000. However, this inward, operational focus marked a drastic change from the innovative and entrepreneurial approach that had powered the company's success during the early 1990s.

Moving forward, senior leaders wanted to focus on the dual objectives of growing the mobile phone business and finding new opportunities. Unfortunately, they made the common mistake of assessing new ventures by the same metrics used to assess the established phone business. High pressure for short-term performance limited developers to the pursuit of incremental improvements.

The quest for immediate results, however, did not entirely kill innovation. Nokia's data group launched one of the world's first smartphones in 1996, followed by a camera phone in 2001. Instead of rallying behind these successes, internal warfare broke out as the core phone business dismissed these software-focused developments. Because the mobile phone division represented the bulk of revenue, it regarded itself—and the overall firm by extension—as a hardware producer.

By 2004, the CEO initiated a major reorganization in an attempt to restore the entrepreneurial drive that had allowed Nokia to shape the industry only a decade earlier. The article characterized the result as a “matrix structure,” one where horizontal platforms provided shared resources for vertical product lines. The restructuring only made problems worse: key team members left, and collaboration across business units collapsed. Even so, Nokia attempted three additional reorganizations before finally selling its mobile phone business to Microsoft in 2013.



COMMON ORGANIZATIONAL ISSUES

Sadly, the problems described above are not unique to Nokia. In fact, these symptoms are a natural consequence of the prevailing management operating system, one originally formalized during the 1950s—a much simpler era that was dominated by manufacturing, long before global supply chains and disruptive digital technologies. Early architects like Peter Drucker drew from management pioneers like Frederick Taylor, whose work followed the premise that optimizing the parts would produce an optimized whole. Cathy Cassidy, managing director of the Matrix Management Institute, refers to this system as “Vertical Management 1.0 (VM 1.0)” because it aligns organizations vertically around functions.

While VM 1.0 worked well enough for a number of years, its limitations have become apparent as organizations and their operating environments grow more complex. “The practice of optimizing individual functions creates silos, with each part focusing on its own contributions at the expense of the larger organization,” said Cassidy. “For example, we worked with a manufacturer in Ireland, where all the departments were committed to meeting their objectives. Unfortunately, the vertical operating system did not support cross-functional communication and collaboration. The engineering group, the production group, and the quality group all focused on their respective targets, but the organization had no end-to-end support to get customer deliverables out the door.”

**“PROBLEMS ARISE
WHEN THOSE
INDIVIDUAL
FUNCTIONS COMPETE
FOR INTERNAL
RESOURCES, WHICH
CREATES ROADBLOCKS
AND INEFFICIENCY.”**



Another problem with VM 1.0 is that it doesn't allow alignment around multiple business strategies. In the example of Nokia, the operating system could not support the dual mandates of growth and innovation. Management made the common mistake of applying short-term metrics to evaluate attempts at innovation. Coupled with a blame-based accountability system, this approach discourages employees from taking risks and punishes those who make "mistakes," such as pursuing a failed project. "We encountered a similar situation at a firm that was exploring digital assessments as an alternative to its core, paper-based testing services," said Cassidy. "They dedicated a department to the effort and purchased a digital platform—only to declare it a failure after six months, based on an aggressive financial target that assessed the new initiative by the same metrics as their established product base."

According to Cassidy, internal competition is yet another hallmark of VM 1.0, which uses authority-based accountability systems that optimize the parts over the whole. "Most of the organizations we work with can trace their issues to accountability because they are invariably held accountable for delivering a metric based on their functional results," she said. Problems arise when those individual functions compete for internal resources, which creates roadblocks and inefficiency. "We worked with a medical device firm where the accountability system required leaders to meet specific goals in their geographic territories. As each region attempted to optimize its operations, it sub-

optimized the organization as a whole. Centralized functions did not have the capacity to meet the regions' demands, and no one was willing to back down because the accountability system depended upon achieving individual goals."

Like Nokia, most organizations attempt to solve the above problems through reorganization. This solution rarely works because the new structure follows the same dysfunctional rules as the previous one—namely, the VM 1.0 management system. Uncertainty and low morale drain talent and experience from the organization. New alliances are formed, and new turf wars emerge.

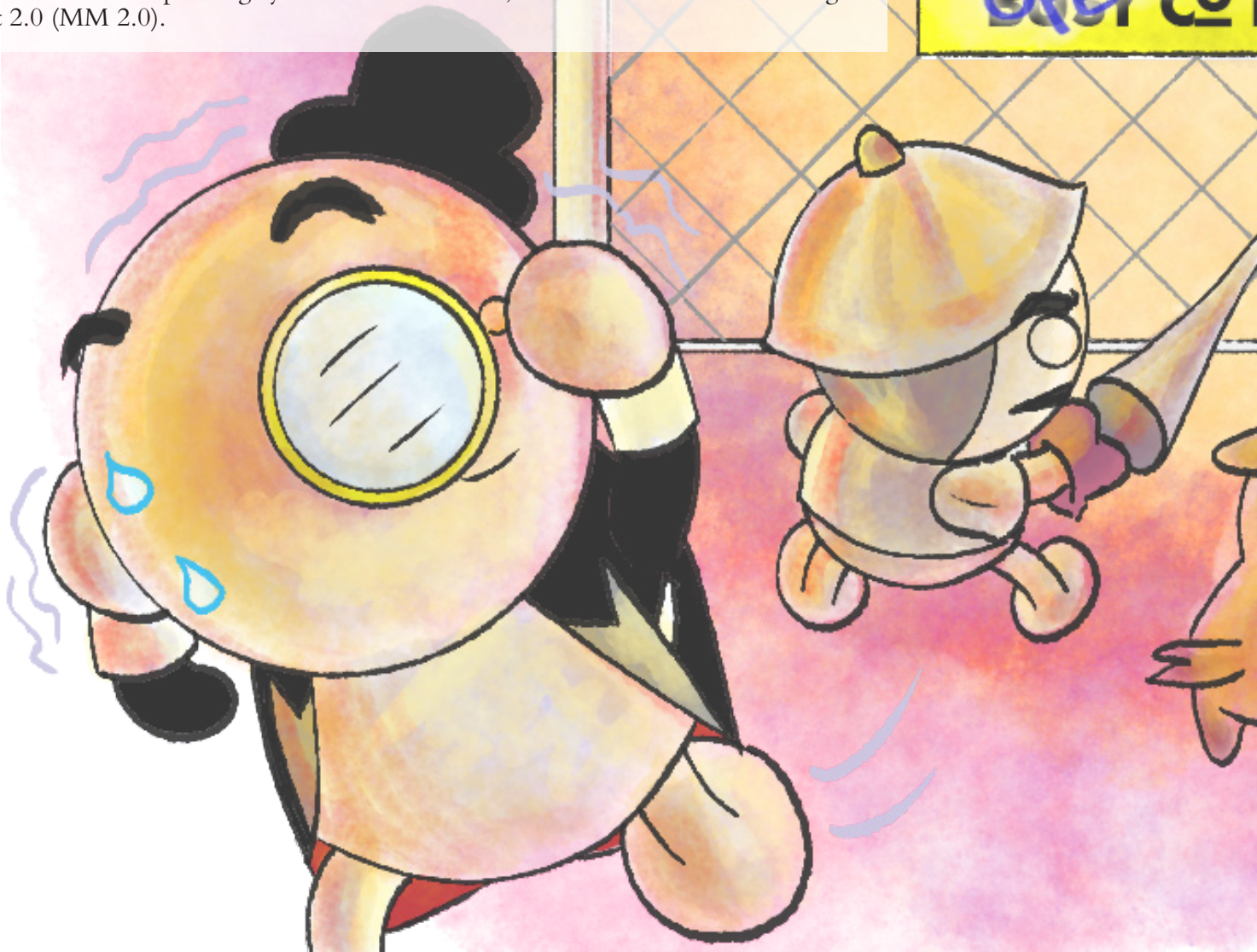
"Another firm we worked with spent millions of dollars on two separate reorganizations to break down silos that had formed in geographic markets that operated as independent entities," said Cassidy. The company combined product development into a single global enterprise, with support services like sales and marketing centralized within each region. But the new organization followed the same rules, which prioritized the parts over the whole. Sales teams were accountable for meeting an overall sales quota, while product development was expected to meet financial targets across its product portfolio—with no influence over the sales function. "A subsequent restructure combined the sales and product development teams, but the damage was done. Over a three-year period, sales dropped, employees were miserable. They didn't know how to work together, and a lot of people quit."

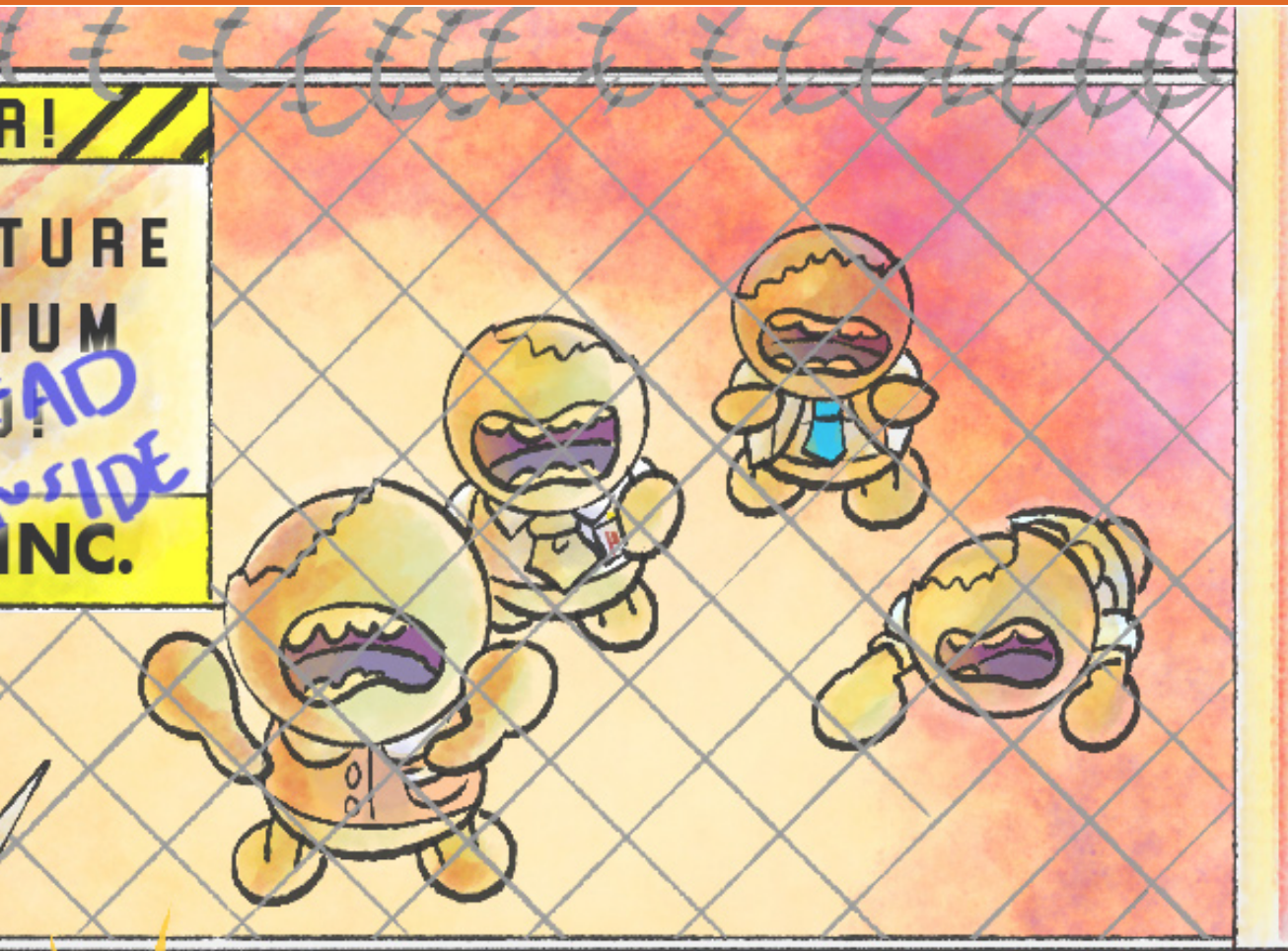
STOP THE MADNESS: ENTER THE HORIZONTAL DIMENSION

The article characterized the Nokia restructuring as a shift to a “matrix organization,” but the company was already a matrix: it operated in two dimensions, even though the current management system only addressed the vertical dimension, represented by a classic organizational chart. While the vertical dimension identifies functions and reporting relationships, the horizontal dimension maps how inputs flow across those functions to create products and services for customers.

By contrast, Nokia created “horizontal” functions in name only; these vertical functions provided shared resources for its products. The company failed to undertake the crucial step of mapping the production process across the organization. In short, Cassidy said that Nokia’s mistake was implementing what she refers to as Matrix Management 1.0 (MM 1.0). Introduced in the 1970s, MM 1.0 recognized the multi-dimensional nature of complex organizations but attempted to address the challenge vertically, by assigning dotted-line authority—dual reporting—across functions.

To break the cycle of expensive, and pointless, restructuring, organizations need to upgrade to a new operating system with new rules, which we call Matrix Management 2.0 (MM 2.0).





FUNDAMENTAL SHIFT: HORIZONTAL, NOT VERTICAL

First and foremost, organizations need to recognize the horizontal dimension: the cross-functional workflows that transform inputs—whether raw materials or information—into products and services that serve their customers.

“MM 2.0 prioritizes the horizontal dimension, aligning the organization with the customer. The vertical dimension is still present, but it takes a secondary role: supporting horizontal processes,” said Cassidy. By focusing on handoffs in the horizontal dimension, organizations can optimize the flow of business processes, which serve customers, and initiatives, which execute organizational strategy. “Many companies think that alignment comes from the organization chart, but it comes from the horizontal connections, not the vertical ones. Nokia is just one example of a company that ignored the second dimension.

“In MM 2.0, horizontal structure is only one piece of the solution. The more important piece involves upgrading to an operating system that runs the business two-dimensionally. Making this key shift would have allowed Nokia to integrate its team and focus on the dual goals of growth and innovation.”

PRODUCTIVE, NEGOTIATED COMMITMENT

A critical aspect of MM 2.0 comes from its approach to accountability, based on co-creation and commitment. Unlike typical accountability systems, which focus on assigning blame after the fact, MM 2.0 uses a proactive system, where all key stakeholders participate in an up-front planning process. “VM 1.0 came from manufacturing, where unskilled workers needed a boss who knew everything,” said Cassidy. “This system doesn’t work with modern professionals, whose primary role is to contribute expertise in creating a deliverable.” MM 2.0 offers a way for these team members to apply their skills and knowledge to planning and implementation.

Cross-functional teams map out the horizontal workflow and co-create a plan of execution. Collaborative planning gives each participant a personal stake in the shared outcome, and it allows teams to set—and commit to—realistic goals that they negotiate, based on available capacity. By including risk management and contingency planning in the co-creation process, MM 2.0 fosters a culture of success. In concert with a multidimensional approach to management, this positive shift in accountability could have supported innovation at Nokia, encouraging new endeavors and applying appropriate metrics for assessment.



CROSS-FUNCTIONAL COLLABORATION

Because these horizontal processes and projects involve multiple departments and functions, they need to be steered and managed by cross-functional teams comprised of key stakeholders. In addition, to prevent infighting, organizations need to reconfigure accountability systems to reward these teams for achieving their common goal. Accountability should put the needs of the organization first, followed by those of the team. Individual priorities should align to the team and the organization, not their specific function. This tiered approach to accountability, combined with proactive planning and negotiated commitment, removes the internal competition of VM 1.0 by giving all participants a stake in the outcome and aligning resources to the organization’s priorities.

“The internal warfare at Nokia is an example of misalignment and lack of prioritization,” said Cassidy. “Because the core phone business wasn’t held accountable for innovation, they saw it as separate from their activities. There was no way to really integrate the business, and that’s truly an example of an accountability issue.”



LEADERSHIP WITHOUT AUTHORITY

One of the most important principles of MM 2.0 is the shift to leading without authority. The cross-functional nature of horizontal processes means that no one functional leader is in charge. Instead, the collaborative nature of MM 2.0 means that leaders—whether of project teams or steering councils—move away from the role of primary decision-maker to become coaches and facilitators. The command-and-control approach is replaced by participation and collaboration, which leads to commitment. The teams co-create and commit to implementing the projects and strategies prioritized by organizational leaders. In the case of Nokia, their horizontal resources were centralized groups, most likely stretched thin and working in reactionary mode because all those product lines were the number-one priority to their respective leaders.

“Whatever vertical structure they settled on, the company needed to bring together the stakeholders of all product lines to drive the business forward,” said Cassidy. “If they were like most organizations, Nokia probably had a major gap in operational steering between the high-level executives making strategic directions and the people executing the projects, with no support in the middle to align the two.”

RETHINK THE SYSTEM, NOT THE STRUCTURE

As demonstrated by Nokia, restructuring won't cure an organization's ills when approached from the same mindset that created the current problems. Today's complex, rapidly changing world requires a new operating system that provides organizations with the structures and processes to optimize their current core offerings, as well as the flexibility to develop new processes while responding to market changes. Structure is only one piece of the puzzle, and it depends on the unique strategy and complexity of each organization. The right operating system will allow entities to develop the right structure and to maintain the speed and agility required to survive and thrive in the modern era. **OD** INNOVATOR

3 CRITICAL COMPONENTS FOR EFFECTIVE CHANGE MANAGEMENT

Jen Runkle, PhD



Studies consistently report that about three-quarters of change effort fail. They either fail to deliver the expected benefits, or they are abandoned entirely. In a highly matrixed, complex organization, these transformations are challenging. Execution is critical, but it's more than that. It's often about which changes to pursue—specifically, taking the time to properly identify the changes that will help the company remain competitive. Especially in complex and fast-moving environments.

In a recent Harvard Business Review article, *What Everyone Gets Wrong About Change Management*, the researchers investigated 62 corporate transformations over the course of four years. The main finding? Leadership teams need to fully understand and align three factors:

- The catalyst for transformation (why you're in pain)
- The organization's underlying quest (what will help in the long run)
- The leadership capabilities needed to see it through (execution)

Let's explore all three of these factors so you can avoid common mistakes in executing change in your organization—especially in a complex matrix organization.



CATALYST FOR TRANSFORMATION

The implicit or loudly stated cry “Why change?” is one I hear from so many stakeholders in large-scale changes. John Kotter introduced us to the idea of the burning platform: there's no reason to jump off an oil rig into the ocean unless that oil rig happens to be on fire. Companies are usually trying to create value—whether from improving efficiency through cost-cutting, streamlining or downsizing or from investing in growth in new products, services or geographies. Balancing these two sides of the efficiency/growth coin can be tricky. The most successful companies clearly tie the change to both.

I work with a US-based music company with projects around the globe. They are always trying to improve their processes, while providing high-touch customer service. Employees sometimes see standardized processes as “we need to treat everyone the same,” which creates tension with the deep cultural belief that every customer is special. As they've grown, navigating this disconnect has been a struggle. How do you provide high-touch customer service in Korea when no one in the company speaks Korean? Hence, their initiative for global growth was born.

The company did a great job of communicating to employees that, for the company to serve the new markets, some changes needed to occur, including streamlining a few departments so others could grow. HR expanded to hire new talent with in-country experience (and language skills). IT expanded to set up project management systems that improved efficiency for a 24/7 global operation. Customer service in the US shrank since the growth was outside the US. Great answers to the “Why Change?” question.

ORGANIZATION'S QUEST

Next, the organization needs to define what they are trying to achieve. As Lewis Carroll famously wrote, "If you don't know where you're going, any road will get you there." Organizations need to clearly set out their objectives for employees to be able to assist in achieving them.

Most organizational change efforts can be classified as one (or a combination) of the five prototypical quests:

- 1. Global presence.** Extending market reach and becoming more international in terms of leadership, innovation, talent flows, capabilities and best practices
- 2. Customer focus.** Understanding your customers' needs and providing enhanced insights, experiences or outcomes (integrated solutions) rather than just products or services.
- 3. Nimbleness.** Accelerating processes or simplifying how work gets done to become more strategically, operationally and culturally agile
- 4. Innovation.** Incorporating ideas and approaches from fresh sources, both internal and external, to expand the organization's options for exploiting new opportunities
- 5. Sustainability.** Becoming greener and more socially responsible in positioning and execution

The growing music company has chosen to pursue customer focus and nimbleness. They use matrix management to achieve its goals. They focus on accountability to avoid the blame game and work across functional silos. Employees can no longer throw their hands up in the air and say, "Not my department."



LEADERSHIP CAPABILITIES

Lastly, if you're looking to change the way things are done in your organizations, your first step is to look in the mirror. How are you leading? What are you doing to reinforce the change? Are you doing anything to inadvertently reinforce the old ways of doing things? Strategic leadership is a skill.

I work with a CEO who wants his team to be more strategic but continually focuses on the numbers for the current month. They're so busy scrambling to meet short-term targets that it's difficult to think about the longer term. In the weekly meeting, the CEO spends 90% of the time focused on short-term results.

If you want things to change, you need to model the new way of doing things. It's important that, once leaders are committed to the change effort, they lead by example, to model the change that they wish to see from their employees. If they don't live the change, why should em-

ployees? If this CEO doesn't demonstrate strategic leadership and provide a role model for how to deliver a great experience, his organization won't change.

Change management doesn't just happen. As a leader, you have an opportunity and a responsibility to change the conversation to help your teams become strategic leaders:

Profile a new project/idea being implemented within the business.

Count the number of questions asked—and make sure there are an equal number of strategic and short-term ones.

Start each weekly meeting by discussing a future trend and its implications for the business.

Ask each team member to dedicate 15 minutes of their weekly staff meetings to strategic conversation.

**"OPPORTUNITY IS MISSED BY MOST PEOPLE BECAUSE IT IS DRESSED IN OVERALLS AND LOOKS LIKE WORK."
-THOMAS EDISON**

GETTING STARTED

If you want to be part of the 25% of changes that are successful, you'll have to spend some time in planning the change, not just hoping for the change. The following steps will help you get started:

Face reality. First, you'll need to look at the facts. If you want to excel at customer service, for instance, review the related metrics. What are your customer service scores? What are your lead times? What are the most common customer complaints? What are the blind spots, sacred beliefs, and uncomfortable truths that you'll need to face? For example, some companies talk about raising their talent bar, but are loath to let anyone go—even poor performers.

Debate priorities. You'll have a plethora of opportunities—probably too many—once you face reality. Now comes the interesting task of sifting through those opportunities. Spend time talking through the pressures and challenges of each one to decide which to pursue. Plan to include plenty of time for disagreement amongst team members. Each person sees through his or her own lens, and now is the time to consider all options in identifying those that best serve the organization. Healthy debate also builds a sense of involvement and commitment to the chosen opportunity.

Communicate. When leading people into an uncertain future, create some space for people to talk about the drivers and restrainers of the change. If you want to become more customer-focused, employees might identify their own sense of ownership as a driver, but the current processes or lack of accountability as a restrainer. Taking the time to talk through the plans to leverage drivers and address restrainers will help build commitment.

Change is never easy, especially in a modern matrix organization. By understanding the underlying catalyst and desired outcome and by aligning the leadership strategy to these critical factors, you can dramatically increase your chances of success. **OD** INNOVATOR

