Getting Real About Work Systems[1]

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'We need to look at the whole system', 'we need to work on our end-to-end processes'.
True. And experts in improvement and value streams are invaluable in making them better.
External eyes see things those of us inside miss.

But first....we can make this whole thing sustainable and, dare I say it, more enjoyable, if we put in place some system management practices that create the baking tray in which all these improvements and transformations can occur.

Step zero is to identify your systems. Lots of fancy definitions, here's the easiest one: ***anything that happens more than twice that involves more than two people***. That there is a system. And don't think small - if there's something that needs four departments involved that's going to be happening again...that's a system. Once you have a given system identified…

The first step is then to get the 'full system in the room'. That means everyone who is involved in the system is either in the room or represented by someone in the room. The answer to the question '*should we invite.....*' is yes.   Up to 15 people is fine at first. And... when you get them in the room together for the first time, they're going to need some internal work to remind themselves that they are all just humans who are participants in a system together...so they're going to have to actually get along like adult humans.

Second is to get clear on (which means decide, as in choose) who that system serves. Let's call them customers, and define customers as '*whoever gets the thing the system provides*'. These things can be actual things, advice, workshops...the point is someone gets something. And...beneficiaries are a different category. Customers are a sub-set of

beneficiaries; your classic other beneficiaries are shareholders, 'the community' and of course...employees.

Third is to get clear on a) what **need** gets solved by the thing for each customer group, and b) what particular **value** is, well, valued by that customer group (think McDonalds versus fine dining - both meet need of 'feed me', both are valued for different reasons.)

(By the way, the above two steps...this is what strategy is, but don't tell anyone, it's too straightforward).
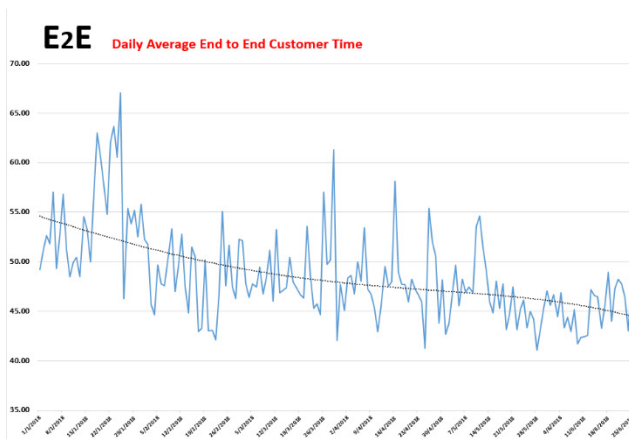
Fourth is to decide how you measure that value. For example, if it's about time, then we measure **total time** from first customer contact to customer now sorted. Gross profit is another one. The key here is that the measures must measure the rate of **throughput**, that is, the thing that, when delivered, allows you to invoice (or to charge membership, or rates next year without guilt). No measuring the output of any particular functions or step in the process. Yet. That's irrelevant right now because the customers don't care.

Also...we are not talking about KPIs or targets. We're not 'indicating' anything here, we are seeing if our show is doing what it is

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[1] This article collects and integrates ideas from: Eli Goldratt's numerous works (start with *The Goal*), John Seddon *Freedom from Command and Control*, Brian Robertson *Holacracy*, Luc Hoebeke Making Work Systems Better, Jan De Visch and Otto Laske *Dynamic Collaboration*

supposed to do. Like a speedometer - there is no 'target', but you do use it to adjust things as you go.

Fifth step is to start displaying these 2-4 measures as 'run charts' or 'variation charts' (see figure below). This means you are throwing out the 'average tonnes per day over the last month' and instead you are putting up a graph with the actual tonnage produced **each day** over the last year. So it's a line going up and down, which **tells a story.** So now we get to have some **conversation,** with everyone sharing their unique view on the story that created that line.

E2E   Daily Average End to End Customer Time

Which means we can now ask out loud "***what could we do to make that line less variable, and what could we do to make that line move overall*** ". And that's how things improve. Because we're working **on** our system. And we're doing it **together**. And now those who do the work have a say in the work.

Which means dignity.

Sixth step is to make this normal. So we start meeting every week **to look at the above**. And make sure that the room consists of those who have *authority, power and influence* over the system so decisions made in the room actually happen. Which means, yes, the Executive who is accountable for the system is in there too, because we don't want to waste time having to bring things to them later.   And, yes, frontline is there too, or representatives of.

And now, improvement consultants come into their own. When the group runs out of fresh ideas to make the graphs moves the way we want them to - it's time to call on outside experts for a fresh look. The dynamic is the opposite to the usual situation, instead of *'management has sent in the consultants because we're not good enough*' it's *'let's get in some consultants because we can be better'*. Coercion changes to invitation.

Some other points
- Each 'system' in the business can benefit from having a 'circle' that meets often to look at performance. Like mechanics looking over performance data of their car so they can figure out what to work on. It's just a cross-functional team, but the word 'circle' works well. And each circle has a leader who is accountable for the circle delivering its purpose, who does so through convening, naming the conversations, facilitating dialogue and if necessary...deciding.

- A 'master circle' or 'governing circle' that meets weekly is necessary to coordinate and prioritise the work of all the systems. This circle looks at the combined output of all the circles, the Division or Company-wide performance, and acts as a 'clearing house' for confusions and questions regarding focus and coordination. Issues specific to circles are assigned to those circles. Participants in the governing circle are the top three levels in the Division or Company. Yes...three.

- Levels of work are addressed by ***forum, not by role*** (although roles still remain accountable for ensuring the forums happen and **deciding**). Each forum meets as follows, **with the same people**:

- o *weekly to monthly for **system optimisation forum*** - initiatives that are designed to make graphs move in ways that are good. This is continuous improvement.

- o *monthly to quarterly for **system foundation forum*** - underlying trends and changes suggesting the fundamentals of our system are in question. This is end-to-end reengineering.

- o *quarterly to annual for **strategic development forum*** - changes in values of customers and community that suggest that what our systems provide may no longer be valued and that potential new value is emerging. These are changes to our very business model.

- o (the above set up requires having the necessary cognitive/ego development in the room in order for these decisions to be effective by coming from quality dialogue)

- **Functions cease being 'systems' in their own right, and now become *participants* in various systems.** We still have department managers, but anyone in charge of a function is now accountable for ensuring their function participates with increasing value and sustainability in the various systems it is a part of, and does so with decreasing cost. ***Value is created by throughput***, which is when ***the system*** delivers the thing, cost is managed locally by each area doing its thing efficiently. No one

machine on the production line creates the value, but the less electricity each machine uses while participating in creating the value...the lower the power bill for the organisation.

- **We measure each function by allocating to it the full benefit provided by the whole system** (e.g. the profit made by each system it was a part of), divided by the cost of that department. In other words, **no profit allocations**. Comparisons between functions are therefore irrelevant, what is relevant is improvement in value created by each department for the full system, and how efficiently this is happening.

- Every system has a **constraint** as Eli Goldratt showed us (if it didn't, it would produce infinity). No system can produce any more throughput than its 'constraint' so improvement comes from improvement at the constraint (or not requiring it) and not having any areas outside the constraint going faster than it. This simple concept provides a way in for circles to discuss their systems and start to see the idea that they are all **participants** in the system.

- The same ideas apply to **projects.** The system is the 'projects system', the constraint in this case is usually IT, and the efficiency is gained by sequencing the work into IT and finding ways to help IT raise its own throughput. Instead of talking about them behind their back. Come on, you know you do!

About

Adam is a partner of The Working Journey, a consultancy formed in 2001 by his fellow partners Andrew Olivier and Verena Maclean. Along with a team of Associates they work with CEOs, Owners, Executives and Managers who want a creative, responsive and accountable enterprise that sets people up to do great work.

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Appendix – Diagram showing the components of a work system

Designing For Customer Demand

The job of **marketing** is to generate…..
Key question - is sufficient demand being generated and is it for what the system is designed to provide?

The person, or particular group of people who place demand on the system due to a need which will be met when they *receive or actually use a widget* generated by the system. **(Purpose)**
Key question – do we know what is being demanded of our system, that is, what our customers value?

"DEMAND"

CUSTOMERS
Need
Value

BENEFICIARIES

INPUTS

WORK SYSTEM

WIDGETS

Those who will benefit from the customer receiving the widget. Includes the customer, employees, investors, and the community. Can be defined as the context & purpose / outcome of the work system **(Context & Purpose)**
Key question – is sufficient return being generated for all beneficiaries to keep them investing in the system?

The people, technology, and processes involved in *producing the widgets*. Combined with the Inputs, makes up the resources involved. **(Resources)**
Key question – is our system designed and run to *viably* meet the variety of customer demand without generating failure demand?

The 'thing' that is *actually given* to the customer, by when. For example, a permit, a house, information, a workshop, a document, support, a fix. Can be defined by quantity, qualities, and time. **(Quantity, Quality, Time)**
Key question – are these widgets meeting customer need by delivering what is valued?

Acknowledgement: Ken Miller; *We Don't Make Widgets* and John Seddon, *Freedom from Command & Control*