Understanding where we are and what we might do…

Models to help think through how to handle a rapidly growing enterprise…
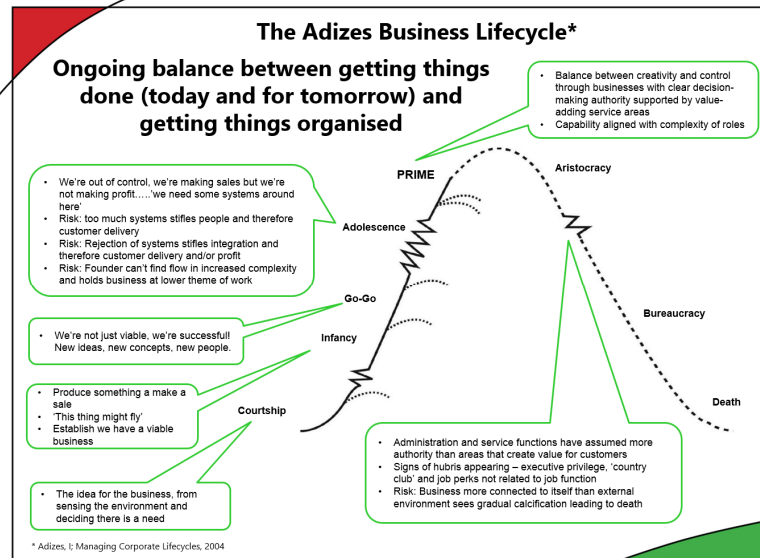
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THE WORKING JOURNEY

THE SITUATION: GROWTH HAS SEEN US PROGRESS TO "ADOLESCENCE"

The Adizes Business Lifecycle*

Ongoing balance between getting things done (today and for tomorrow) and getting things organised

- Balance between creativity and control through businesses with clear decision-making authority supported by value-adding service areas
- Capability aligned with complexity of roles

PRIME — Aristocracy

Adolescence
- We're out of control, we're making sales but we're not making profit.....'we need some systems around here'
- Risk: too much systems stifles people and therefore customer delivery
- Risk: Rejection of systems stifles integration and therefore customer delivery and/or profit
- Risk: Founder can't find flow in increased complexity and holds business at lower theme of work

Go-Go
- We're not just viable, we're successful! New ideas, new concepts, new people.

Infancy — Bureaucracy

- Produce something a make a sale
- 'This thing might fly'
- Establish we have a viable business

Courtship — Death

- Administration and service functions have assumed more authority than areas that create value for customers
- Signs of hubris appearing – executive privilege, 'country club' and job perks not related to job function
- Risk: Business more connected to itself than external environment sees gradual calcification leading to death

- The idea for the business, from sensing the environment and deciding there is a need

* Adizes, I; Managing Corporate Lifecycles, 2004

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So what does this mean?

Your business is in a 'normal' spot, but change will be required in order to avoid either the founders trap or divorce

The Adizes Business Lifecycle helps us see that, while we are facing problems which are unique to us, they are also a natural part of a business lifecycle.

The goal is **Prime** – where we have *just enough* structure to remain **integrated**, while still allowing
a) **efficient production** so we are profitable in the short-term and; b) **entrepreneurial** work so we are profitable in the long-term

The two risks in what is known as Adolescence are the **Founders Trap** and **Divorce**

The **Founders Trap** occurs when all decisions continue to flow through the founder of the business, either formally, or through accepted practice.

Divorce occurs when the balance between the original entrepreneurial work and the necessary administration (system) work can't be found, seeing factions form and either the founder or the new managers brought into the business removed in an ongoing cycle.

The key to getting through Adolescence?
➢ Ensuring 'the whole system in the room' in regular meetings
➢ Improving at having authentic conversations in meetings so the full business can be continually diagnosed and improved
➢ Clear providing of authority and accountability to people with the capability to use it well,
➢ Bringing in 'just enough' management discipline to handle the new complexity, and
➢ Transitioning in strategy from revenue to profitability.

More reading: Adizes, Ichak; *Managing Corporate Lifecycles*

The Adizes Business Lifecycle*

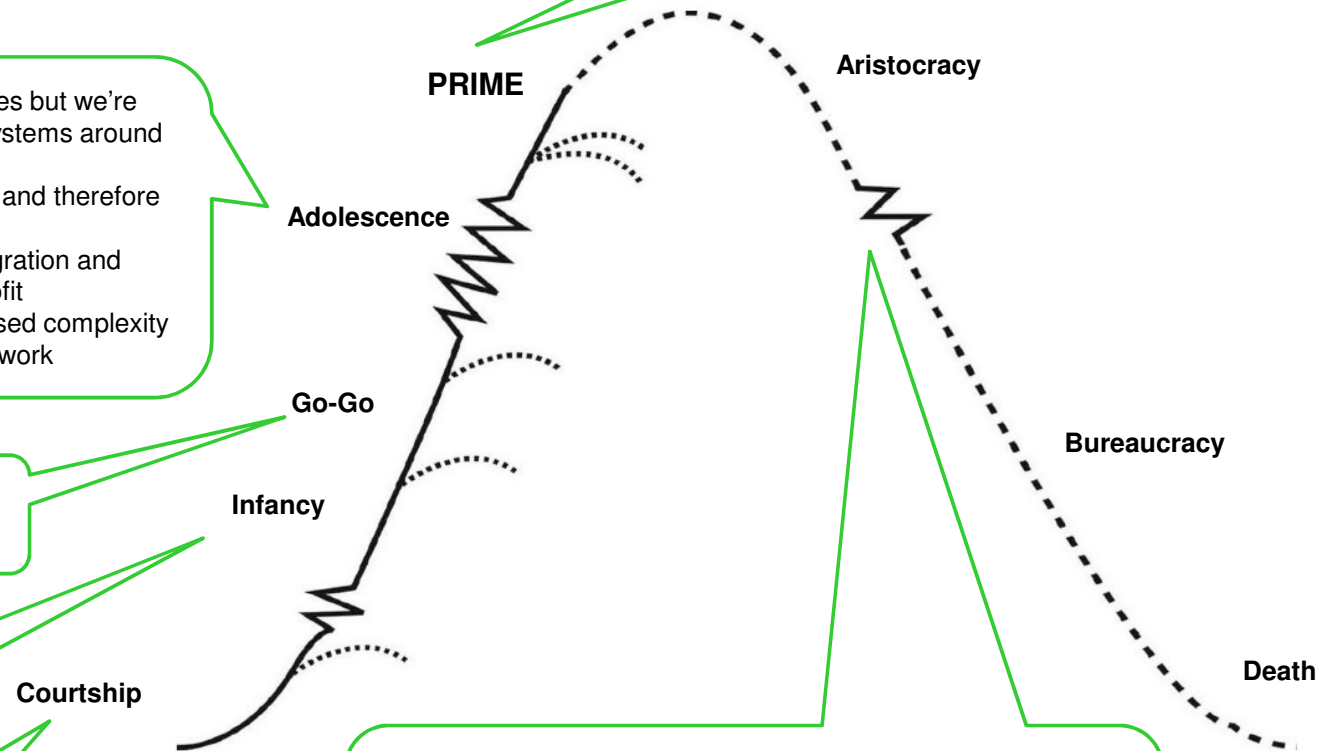## Ongoing balance between getting things done (today and for tomorrow) and getting things organised

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# THE BUSINESS IS READY TO MOVE TO A THEME OF COMPLEXITY

The growth that your business is going through is transitioning in complexity *as a business* from what we call the '**Service'** theme of work into the '**Practice**' theme. (The decisions made in terms of *future opportunities* may well be in the more complex domains).

The **Service** theme is about diagnosing issues and opportunities to decide, then implement, the best course of action. The earlier theme of **Quality** is about putting into action those decisions – for example, a Detective combines evidence to arrive at an arguable conclusion (Service), while an officer might skilfully collect evidence and categorise according to standards (Quality).

The **Practice** theme is about designing systems in which we will work. It's less about 'solving' and more about 'connecting' how the show will work together. Businesses often arrive at this stage through the Adizes stage of Adolescence as the original strategic drive of the founder has been successful enough to see rapid growth, now requiring 'just enough' systemising of the business in the Practice theme to remain integrated.

A solid Practice theme then allows decisions about Strategic Development (ensure value) and Strategic Intent (create value in context of community) to be executed efficiently while being responsive to the environment.

Note – *there is no rule that each stage of decision must be made by a distinct person. What is required is that the organisational design ensures the effectiveness of all the levels of decision.*
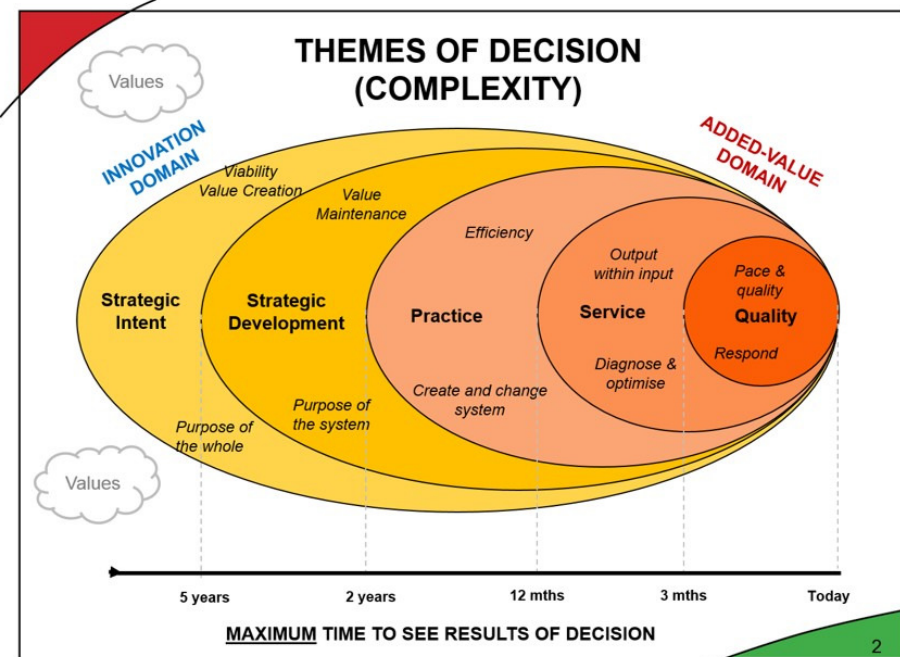
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So what does this mean?

The themes of work model tell us which area needs to be focussed upon next to avoid 'gap' between strategic work and execution – the Practice theme.
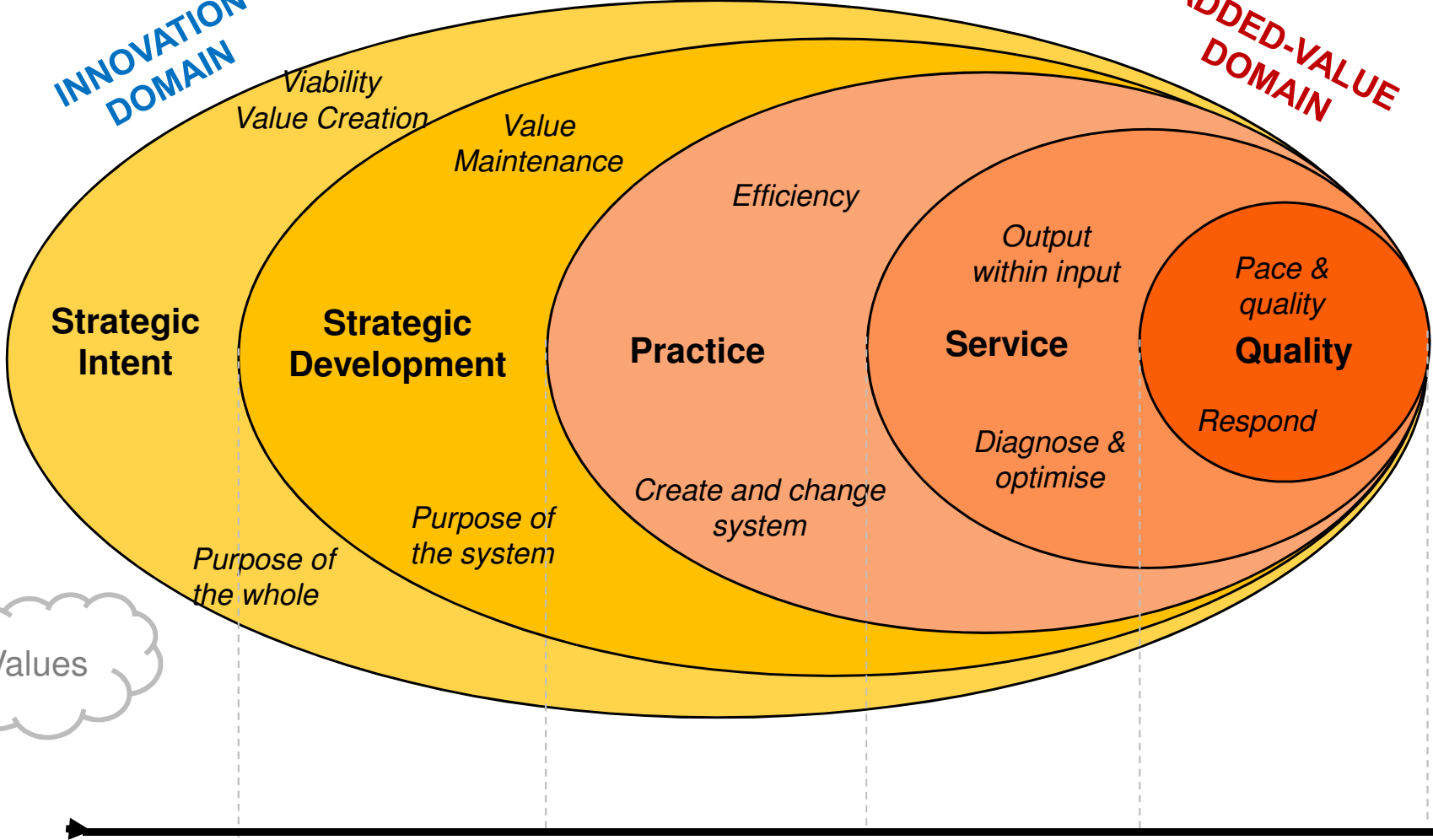
The role of the Practice theme is to create the systems that bring to fruition the intent of the enterprise.

THEMES OF DECISION (COMPLEXITY)

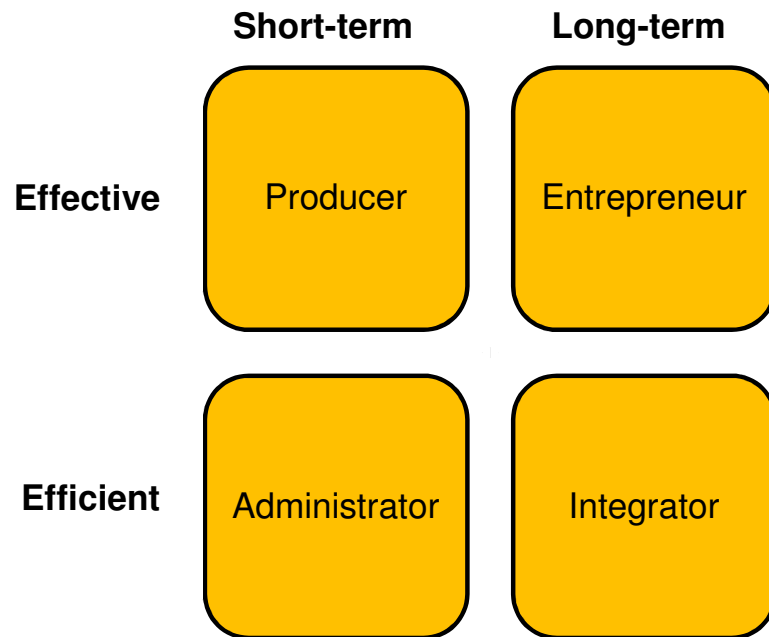
Values

INNOVATION DOMAIN

ADDED-VALUE DOMAIN

Values

Strategic Intent

Viability Value Creation

Purpose of the whole

Strategic Development

Value Maintenance

Purpose of the system

Practice

Efficiency

Create and change system

Service

Output within input

Diagnose & optimise

Quality

Pace & quality

Respond

5 years   2 years   12 mths   3 mths   Today

MAXIMUM TIME TO SEE RESULTS OF DECISION

5

MUTUAL TRUST AND RESPECT LIFTS IN IMPORTANCE
DUE TO THE REQUIRED MANAGERIAL ROLES

	Short-term	**Long-term**
Effective	Producer	Entrepreneur
Efficient	Administrator	Integrator

Ichak Adizes, as well as providing the Business Lifecycle, also provides the 'managerial roles'. The four-box model works on the combination of '**efficient**' – doing things right, and '**effective**' - doing the right things, as well as **short** and **long-term**.

The idea is that for viability both today and tomorrow, *all four* managerial roles are required. Different people have different abilities and preferences for types of work, a successful leadership team ensures **all four roles are covered** through working together with mutual trust and respect which leads to authentic conversations.

- **Producer** role – get things done now…revenue
- **Administrator** role – doing things efficiently so the revenue becomes profit
- **Entrepreneur** role – bring in new things that will create revenue in the future (strategic innovation)
- **Integrator** role – ensure we move toward the future together so we are profitable in the future

The Producer role takes precedence in earlier stages of the corporate lifecycle, but getting through Adolescence requires a focus on 'just enough' Administration to ensure progressing to Prime where all four roles can be in harmony.

NOTE: Managerial roles aren't about 'one role one person'. The principle is about ensuring all are covered

So what does this mean?

A dynamic of mutual trust and respect amongst leadership and then across the business is the starting point for the successful surfacing of all the managerial roles. This then allows progressing through Adolescence to Prime by building a solid Practice theme.

More reading: Adizes, Ichak; *Managing Corporate Lifecycles*

CROSS-FUNCTIONAL WORK REQUIRES SEEING YOUR BUSINESS AS A 'FULL SYSTEM'

- A system can only produce as fast as it's slowest element, which we call 'the pacesetter'.

- Throughput is the rate at which the system can provide it's output to it's customer.

- In the work system below, if the numbers represent how many each machine (area) can produce per day….what is the throughput of this system? It's 5. Not 10 or 15. Yellow sets the pace.

| 10 | → | 5 | → | 15 | ⇒⇒ | Customer |
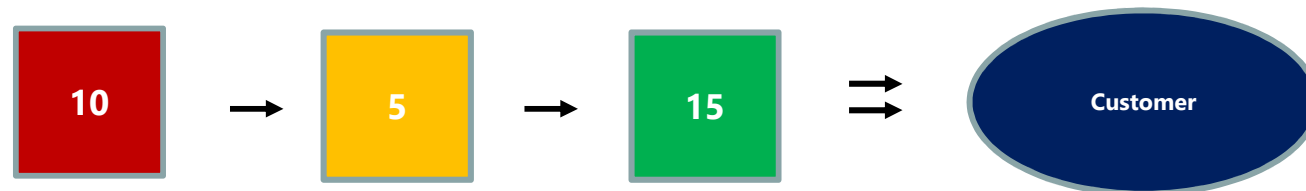
- If the operator of each machine only focusses on doing the best job they can 'locally' (for example by maximising utilisation rate), red will produce at 10, creating a backlog for yellow (which causes stress and slows yellow down). And green can only produce at 33%. Dissatisfaction and frustration for all. And no one's fault!

- While this appears to be about manufacturing, the model explains why organisational functions have difficulty in working together – the **local optimum syndrome.**

- If a clear focus is not created on the 'full system', the overall throughput won't improve. And local efforts to improve will have zero effect (if it's not the pacesetter)

- And as soon as there is a focus on the 'full system', the whole system can initially set the pace at 5 to immediately reduce stress, then it can see what can be done to lift the production of yellow both within the yellow work centre…and by seeing what else can be done to help them from outside.

- End result – increased system throughput. Which is what the customer cares about. Not about internal issues.

- Here's the key….*this a mindset change more than a system change.*

So what does this mean?

By bringing into focus the **'throughput'** of the full system as it applies to your business, cross-functional work becomes the natural way of working.

This then leads to rapid business improvement as we can have the 'whole system in the room'

Without this, 'local optimums' continue, and your enterprise will dis-integrate.

7

INTEGRAL MODEL HELPS US SEE WHAT'S REQUIRED TO SUCCESSFULY MOVE YOUR BUSINESS TO THE NEXT LEVEL

Ken Wilber's Integral Model helps us see what is needed to be considered to create a successful change. Using the axes of **Individual** and **Group** then **Internal** (what we feel and believe) and **External** (what we can see and do), the four quadrants of…
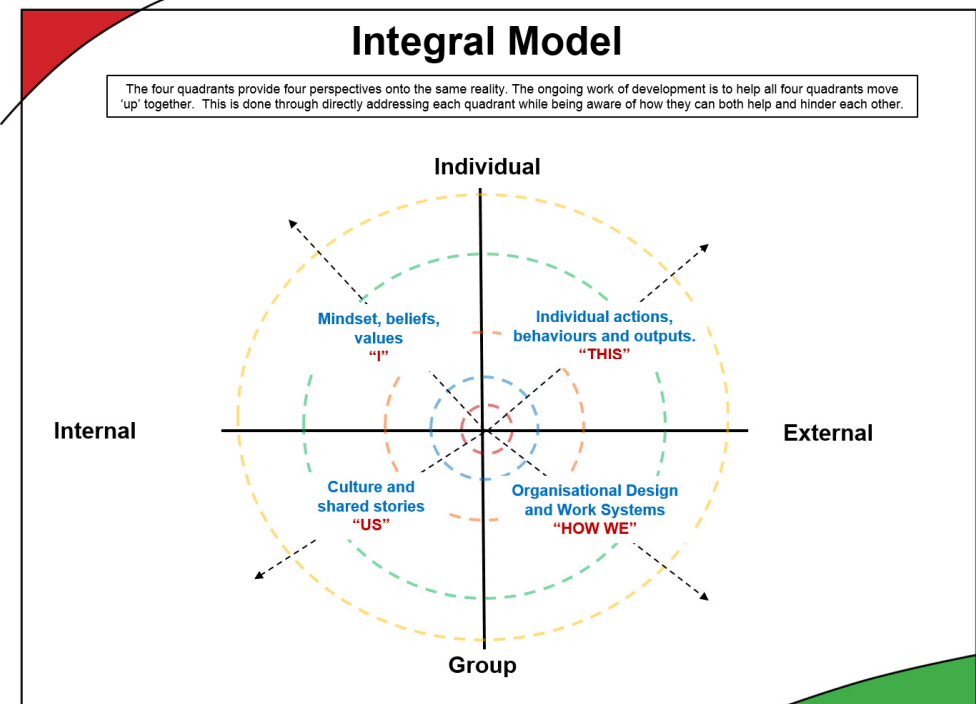
1. **Mindset** – how we show up
2. **Behaviours and outputs** – what we do and produce
3. **Culture** – our relationships and shared stories
4. **Systems** – the processes, rules and designs we are in

…are **all in play** when we intend to make a change to the business.

Specifically, to progress through Adolescence to Prime will require:

1. Change in mindset from '*I'll deliver my bit*' to '*I'll do what's best for the whole system*'
2. Change in behaviour from discussions about *other areas* to discussion about *throughput and customers*
3. Change in culture from '*local optimum*' to '*full system optimum*' and from *self-protection to authenticity*
4. Change in systems from *diagnosis and problem-solving* to efficient and *effective systems* that support both Production and Entrepreneurial work

The external (right-side) changes are often the most obvious. It's the internal changes (left-side) that require a change in mindset and shared stories…that's often where the hardest work lies.

Integral Model

The four quadrants provide four perspectives onto the same reality. The ongoing work of development is to help all four quadrants move 'up' together. This is done through directly addressing each quadrant while being aware of how they can both help and hinder each other.

Individual

Mindset, beliefs, values "I"

Individual actions, behaviours and outputs. "THIS"

Internal — External

Culture and shared stories "US"

Organisational Design and Work Systems "HOW WE"

Group

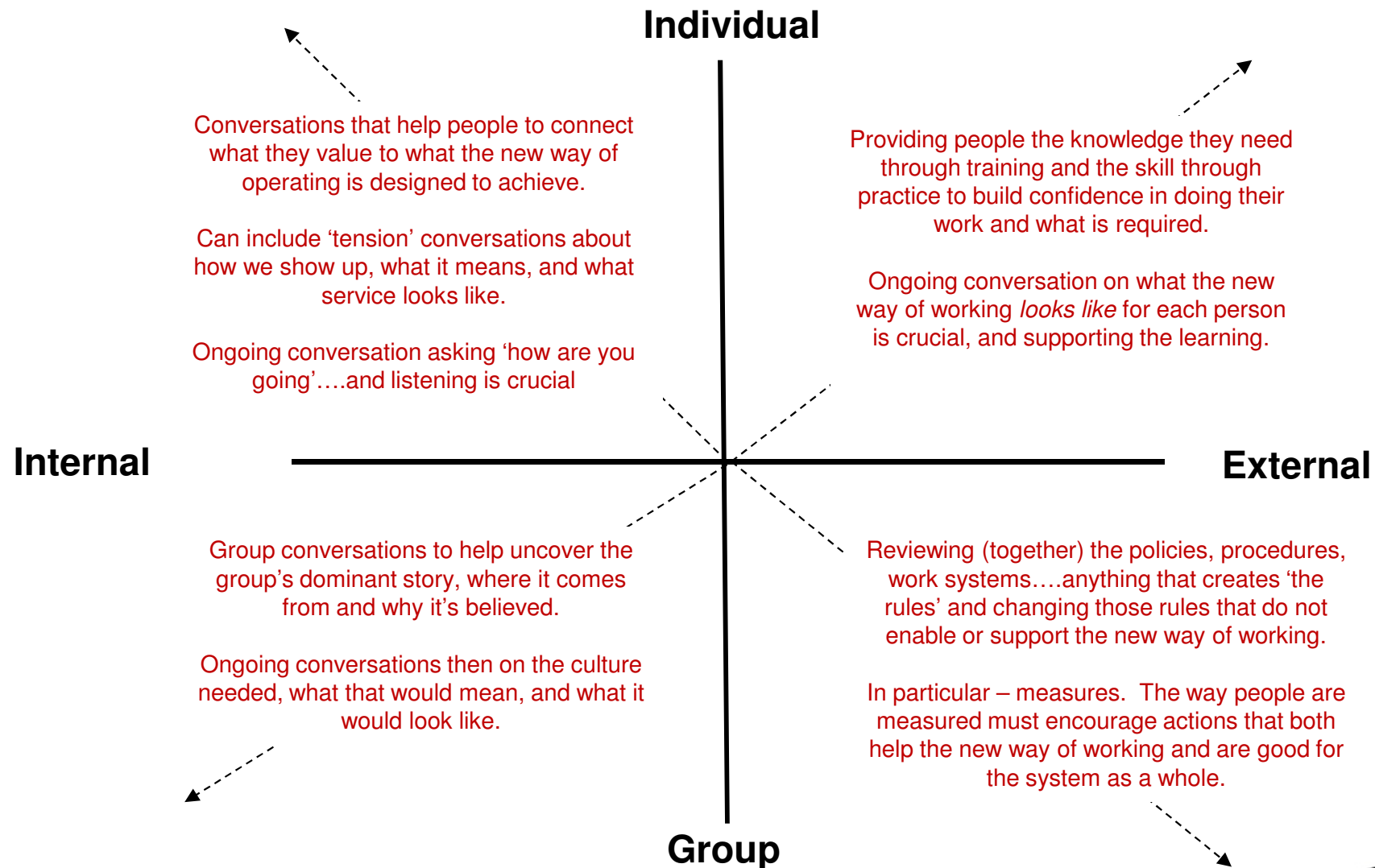Based on the work of Ken Wilber, this adaptation is © 2017 The Working Journey

So what does this mean?

The way in which change is introduced is as important as the change itself. By bringing in changes in a way that reflects the culture your business requires to be successful, we can address the needs from all four quadrants, allowing for more successful movement toward Prime.

Examples of actions are on the next page…

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Using the Integral Model for change

What actions can leaders initiate in each quadrant. See below. These need to then be joined together to form a program that all involved can understand and play a part in designing.

Individual

Conversations that help people to connect what they value to what the new way of operating is designed to achieve.

Can include 'tension' conversations about how we show up, what it means, and what service looks like.

Ongoing conversation asking 'how are you going'….and listening is crucial

Providing people the knowledge they need through training and the skill through practice to build confidence in doing their work and what is required.

Ongoing conversation on what the new way of working *looks like* for each person is crucial, and supporting the learning.

Internal

External

Group conversations to help uncover the group's dominant story, where it comes from and why it's believed.

Ongoing conversations then on the culture needed, what that would mean, and what it would look like.

Reviewing (together) the policies, procedures, work systems….anything that creates 'the rules' and changing those rules that do not enable or support the new way of working.

In particular – measures. The way people are measured must encourage actions that both help the new way of working and are good for the system as a whole.

Group

WHAT DOES ALL OF THIS MEAN?

The Work

The 'work' is to move through Adolescence to Prime by creating a value-adding Practice theme in your business. The outcome is 'just enough' structure in terms of processes and decision-making so the complexity created by a business of 35-120 staff is effectively managed.

The key considerations in doing so are:
- Ensure the entrepreneurial role is maintained while 'just enough' systemising occurs
- Create a culture of 'business optimum' over 'local optimum' to ensure the value of cross-functional work is leveraged to create better outcomes for all stakeholders
- Ensure all the quadrants of mindset, behaviours and culture are addressed along with systems to ensure the move to a new level of operating is sustainable

How is this done?

In a word – by **navigating.**

The fulcrum practice is implementing a weekly 90 minute meeting (60 mins + 30 minute buffer) of senior leadership in the business to progress the work identified at left.

An example of a rough process that can take place is (example only):

- Confirming what your business wants to be, based on what is unique about us, and the current way the four managerial roles are handled.
- Sessions to start the mental shift away from local optimum toward 'full system'
- Current Reality Tree session to ensure the core problems are surfaced and the direction of the solution becomes clear
- Development of a 'backlog' list of business-wide actions that will be worked through to implement the necessary changes
- Implementation of changes in consideration of all four quadrants of the integral model, gradually building a solid system that provides 'just enough' structure.

The above processes engage as many in the business as is practical to provide the opportunity for development and taking on increasing accountability for the success of the business as a whole.

The Outcome

While the surface outcome is a business that can handle complexity on its way to Prime, the long-term outcome is the **development of the capability for the business to work on itself**. This is the key to both responsiveness and robustness over the long-term