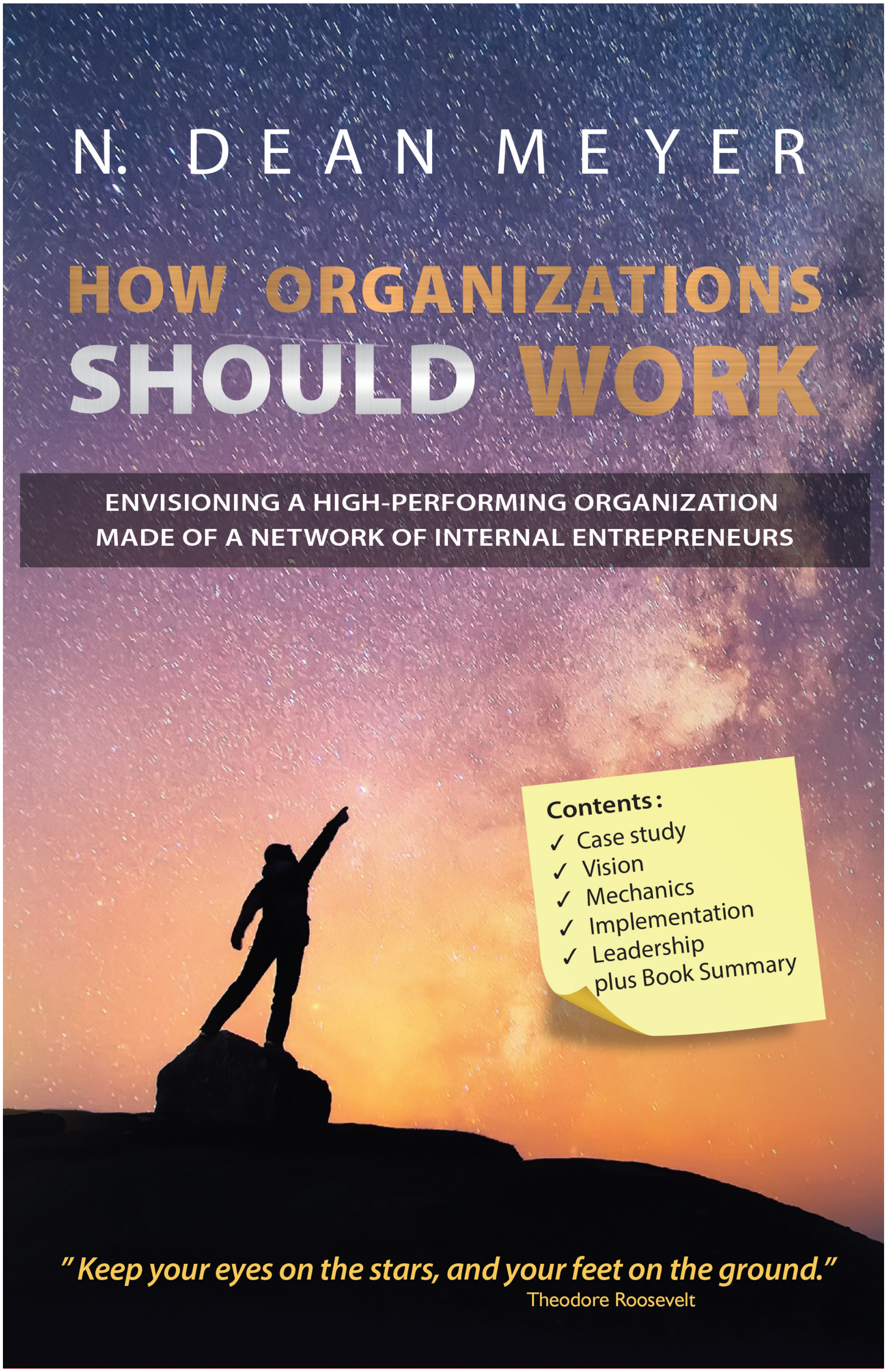

N. DEAN MEYER

HOW ORGANIZATIONS SHOULD WORK

ENVISIONING A HIGH-PERFORMING ORGANIZATION MADE OF A NETWORK OF INTERNAL ENTREPRENEURS

Contents:
- ✓ Case study
- ✓ Vision
- ✓ Mechanics
- ✓ Implementation
- ✓ Leadership

plus Book Summary

" Keep your eyes on the stars, and your feet on the ground."
Theodore Roosevelt

~ FOREWORD ~

Building a High-performing Organization

case study by Preston T. Simons

I don't know of any leaders who have fully achieved the ambitious vision described in this book. But I came close, and it was a thing of beauty.

Beyond that, as a leader, it was quite an adventure. Let me tell you the story….

The Situation

When I took on their CIO role, Aurora Health Care was ready to invest in technologies that would help them lead the industry in clinical outcomes, patients' experiences, digital business, and other metrics of a world-class health care provider.

I knew the organization I'd inherited was not up to the task. So, before I created business and technology strategies, I had to build an organization that could deliver on those promises.

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I engaged Dean Meyer right from the start. With his help, I created a vision, analyzed the gaps, and put together a plan.

Vision and Gaps

My vision of how organizations should work is simple: I like running businesses, even if they're inside a larger business. So, just as Dean advocates, I believe that every manager should run his or her own *business within a business,* and think and act like an entrepreneur.

This vision provided a consistent direction for every change we made. It also provided a benchmark against which we could identify the gaps we needed to work on.

My Organizational Strategy

As to the gaps, I hate rework — solving the same problems again and again. Instead, I like to diagnose *root causes,* and solve problems once and for all.

Root-cause analysis is not about blaming people. It's about finding glitches in the organizational "ecosystem" in which we work. Analysis of our gaps showed that, ultimately, we needed to treat all five of the organizational systems that Dean defines. [*1 More*]

But organizations can only absorb a limited amount of change at a time. I believe it's best to do one thing at a time and do it well, rather than do a shallow effort at many things in parallel. Therefore, I sequenced our transformation initiatives into five steps:

1. Structure (tier-one only) and leadership talent
2. Internal economy: investment-based budgeting
3. Internal economy: demand management (governance)
4. Structure (remaining levels)
5. Fine tuning: metrics (benchmarking), culture, processes and tools; and metrics (KPIs and dashboards)

1. Structure (Tier One) and Leadership Talent

Step one was a quick restructuring, just at the level of my direct reports (tier one). Since we needed to get on to step two quickly, I moved existing groups under the new tier-one structure *intact* (no changes below the leadership level for now).

Although I knew this wouldn't be sufficient for the long term, we couldn't afford the time for a comprehensive restructuring (complete with re-thinking accountabilities and workflows) at this stage. But this quick restructuring wasn't a throw-away; we based it on the same principles of structure that we'd later use to do a comprehensive restructuring.
2 More

The major benefit of this step was that it allowed me to recruit top talent into key tier-one positions — functions and leadership competencies that were missing from the prior organization.

2. Investment-based Budgeting

I was eager to get on to step two: investment-based budgeting. Here's why....

When I first arrived, Aurora was nearing the end of its budget planning cycle. The CFO surprised me with a significant budget cut.

"Of course," I said. "As a corporate officer, I'm all for frugality. Just tell me what the impacts will be on patient care and other mission-critical directives."

Neither my staff nor Finance could answer that simple question!

Our budget that year was based on prior years' spending, and wasn't nearly sufficient to satisfy the needs of the business. As in past years, we severely underfunded critical challenges such as strategic projects, infrastructure maintenance, information security, business continuity, reliability, and investments in our people.

So, the top priority for my first year on the job was to implement *investment-based budgeting* — a budget for the *projects and services* we planned to deliver, not just what we planned to spend. *[3 More]* This allowed me to say, "With that level of funding, here's what we can (and cannot) deliver."

We got four big benefits:

- **Perception of value:** For the first time, executives understood what they were getting for their money.
- **Fact-based budget decisions:** It gave us the numbers so we could decide our budget based on business needs. As a direct result, that year's IT budget was increased by about 30 percent.
- **Managing expectations:** Since everybody understood what was funded and what wasn't, we were no longer blamed for not delivering projects that the company couldn't afford.
- **Progress on culture:** My leaders came to understand their products and services, their customers (both clients and one another), their cost structures (rates), and their individual accountabilities within project teams.

3. Demand Management (Governance)

See if this sounds familiar: For years, our organization had been pressured to deliver far more than its resources permitted. Staff were eager to please, so we had a long history of over-promising and under-delivering. This left us with little time or money to invest in the strategic things I was brought in to do.

I knew that simply increasing my budget wouldn't help. We'd just have the same problems on a larger scale.

We certainly didn't need a committee to "steer" or "govern" us. And we needed more than simply a committee that prioritizes (rank orders) major project requests.

To get this untenable situation under control, we installed a demand-management process that empowered clients to decide our priorities *within the limits of available resources* (as provided by my budget).
4 More

Again, we got the benefits I was looking for:

- **Alignment:** We stopped low-payoff projects and services, and focused on those with the most value to the business.
- **Supply/demand balance:** Clients knew what they could (and couldn't) expect of us. And staff only had to work exceptional hours on exceptional occasions.
- **Trust:** We no longer made promises and then failed to deliver for lack of resources.
- **Relationships:** Business executives appreciated our respecting their priorities, and saw us as a partner, not an obstacle.
- **Client commitment:** Clients involved us earlier in their thinking to ensure that they had a strong case to present to their own executives for funding (prioritization).
- **Benefits realization:** Because they'd promised benefits to their own executives to get the funding, clients became far more committed to making their projects pay off.
- **Progress on culture:** More each day, our staff were thinking like entrepreneurs and respecting internal clients as customers.

4. Structure (Remaining Levels)

The structure I inherited was a mess. We expected staff to be experts at multiple professions. Some professional specialties were scattered all over our organization chart. Groups were defined in vague terms (a few words in a box) and by their "roles and responsibilities" (tasks, not results). Boundaries were unclear.

Also, we had independent "silos" instead of centers of excellence. This reduced our ability to specialize, which reduced performance in every aspect of our work.

I think good executives know that just re-drawing boxes doesn't accomplish much. I wanted our restructuring to be transformational — a step toward our vision.

I engaged my entire leadership team in designing and implementing the new structure, starting with "a clean sheet of paper." Dean's clear principles, meticulous change process, and experienced facilitation ensured fact-based decisions (not battles of opinions). [*5 More*]

We also planned how cross-boundary teamwork would work. This was crucial in a structure based on specialization. Essentially, we designed a new *organizational operating model,* not just a new organization chart.

We saw many benefits:

- **Internal boundaries:** We clarified accountabilities, eliminated redundancies, and reduced territorial friction.
- **Specialization and teamwork:** We broke down "silos," allowed people to specialize, and developed effective cross-boundary teamwork.
- **Entrepreneurship:** The spirit of entrepreneurship took hold.
- **Results:** Performance improved across the board.

Progress

At this point, two years into our transformation, we'd accomplished a lot. We were reliably delivering projects. We'd stabilized operational services, and addressed business-continuity challenges. We'd greatly enhanced information security and regulatory compliance. And we'd built excellent working relationships with our clients throughout the business.

The transformation was good for our staff as well. With demand under control, we stopped routinely overworking people. We gave people well-focused jobs that they could succeed at, and empowered them to run their internal businesses. In short, we became a great place to work. Turnover dropped from over 10 percent to under 4 percent, and employee engagement scores rose to among the best in the company.

In just two years, we'd put in place an entirely new paradigm — a scalable organization built on principles of empowerment, entrepreneurship, customer focus, and teamwork.

Thinking Back

At that point, Aurora was acquired and my career moved on. Nonetheless, I'm so very pleased with my transformation experience. We delivered a lot of value to the company, its patients, physicians, and employees.

Also, it was a tremendous development opportunity for our staff. We gave them a vision of what's possible — insights that will serve them throughout the rest of their careers.

For me, it was a profoundly rewarding experience. If I get the opportunity, I'll do it again (with Dean's help). [Editor: He did!]

"Keep your eyes on the stars, and your feet on the ground."
Theodore Roosevelt

Vision + Mechanics

= high-performing organization

- ❑ Supplier of choice to customers ➔ bottom line
- ❑ Employer of choice to staff ➔ talent

As a leader, I've seen it all too often: misaligned priorities, role confusion, functional silos, blurred accountability for results, missed commitments, overworked teams, and little strategic value. Our successes relied on individual heroics – not a reliable process, not scalable, and not a reasonable way to treat my team!

Over the years, I adopted many "best practices," hired new leadership teams, and followed the recommendations of industry analysts and consultants. Each of these specific solutions to specific problems had its benefits; but together, they didn't add up to a comprehensive solution, and didn't move the needle all that much.

Then, I came across Dean Meyer's work – the vision described in this book, and the systemic change strategies documented in his prior books. It's a comprehensive and timeless solution, founded on solid principles and decades of experience and insights. It's both visionary and pragmatic; and it comes with detailed implementation methods that include needed change-management practices. I am most impressed by how comprehensive it is, addressing all the gaps those point-solutions leave open.

As we implement this vision, we're seeing steady progress on all the issues. And while it takes time, thanks to a well-defined end-state and transformation strategy, our team and clients understand where we're going and the steps involved. Staff are excited about finally tackling the root causes of problems that previously were thought to be unresolvable. And they appreciate what a special opportunity they have to be part of this transformation.

If you want to make a real difference in your organization, I encourage you to start by reading this book.

– Carman Wenkoff
CIO, Fortune-100 company

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