SUPPLEMENT TO THE AUDIO BOOK

How Organizations *Should* Work

envisioning a high-performing organization made of a network of internal entrepreneurs

by

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<HowOrganizationsShouldWork.com>

How Organizations *Should* Work:
envisioning a high-performing organization made of a network of internal entrepreneurs

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OUTLINE OF TERMS AND CONCEPTS

for reference as you read

Goals
- Supplier of choice to customers *[Chapter 34]*
- Employer of choice to staff *[Chapter 34]*
- Other leadership challenges *[Part 6]*
  - Agility (Chapters 8, 14)
  - Scalability without loss of synergies (even in multi-nationals) *[Chapter 30]*
  - Acquisitions integration (ease of) *[Chapter 31]*
  - Innovation (including disruptive) *[Chapter 32]*
  - Digital business (value of technology) *[Chapter 33]*

Two Pillars of organizational design
- Business-Within-a-Business Paradigm *[Chapter 5]*
  - Group = entrepreneurship = product manager for its products/services
  - Network of entrepreneurs: customers may be external and/or internal
  - Contract: commitment to deliver a specific result to a specific customer (SLA, project charter)
- Empowerment *[Chapter 6]*
  - Accountabilities and authorities match
  - Measure by results; accountable for the *what,* don't dictate the *how*

Organizational Systems
- **Structure**
  - *Framework:* Types of Businesses *[Chapter 7, and Part 4]*
    - Sales and Marketing *[Chapter 15]*
      - Account
      - Function
      - Retail
      - Customer Success
      - Sales Support
      - Marketing (marketing communications, market research)
    - Engineering *[Chapter 16]*
      - Applications (purpose-specific solutions)
      - Base
        - Components of applications
        - Purpose-independent solutions
        - Infrastructure

Service Providers

Asset-based (Operations) *[Chapter 17]*

Manufacturing, Logistics

Infrastructure-based services

Off-the-shelf products (product management, not engineering)

People-based

Specific to organization's business: Customer Service, Field Technicians, PMO, etc. *[Chapters 18, 19, 20]*

Generic ("business office"): Finance, Procurement, HR, General Counsel, Facilities, Administration, etc. *[Chapter 24]*

Coordinators

Information Security *[Chapter 21]*

Generic: Organizational Effectiveness (including Diversity, Safety, Quality), Planning, Research and Innovation, Business Continuity, Policies, Regulatory Compliance, Audit Response *[Chapter 22]*

Product-specific: design standards, patterns ("Enterprise Architect") *[Chapter 23]*

Organization Chart *[Chapter 7]*

Boxes = Groups = Jobs for leaders (goal: Groups contain only a single Type of Business (no Rainbows)

└ Domain for each group (boundaries, a business charter)

└ Lines of Business = specialties (Domains include one or more; fewer is better because more specialization)

└ Catalog of products and services (for each Line of Business)

Teamwork: Walk-throughs (team-formation process) *[Chapter 8]*

Prime Contractor for each project or service

Subcontractors = team-members (any number of them)

Each row: specific deliverables (from their respective Catalogs) = potential Contract

Internal Economy

Planning: business/one-year/operating plan, investment-based budget *[Chapter 10]*

Demand-Management: checkbooks, pursers, project intake, priority setting *[Chapter 11]*

Actuals = historic data: accounting, time tracking, reporting, variance tracking *[Chapter 28]*

Culture (best defined by behaviors, not values) *[Chapter 12]*

Processes and Tools: cross-boundary processes, common methods and tools

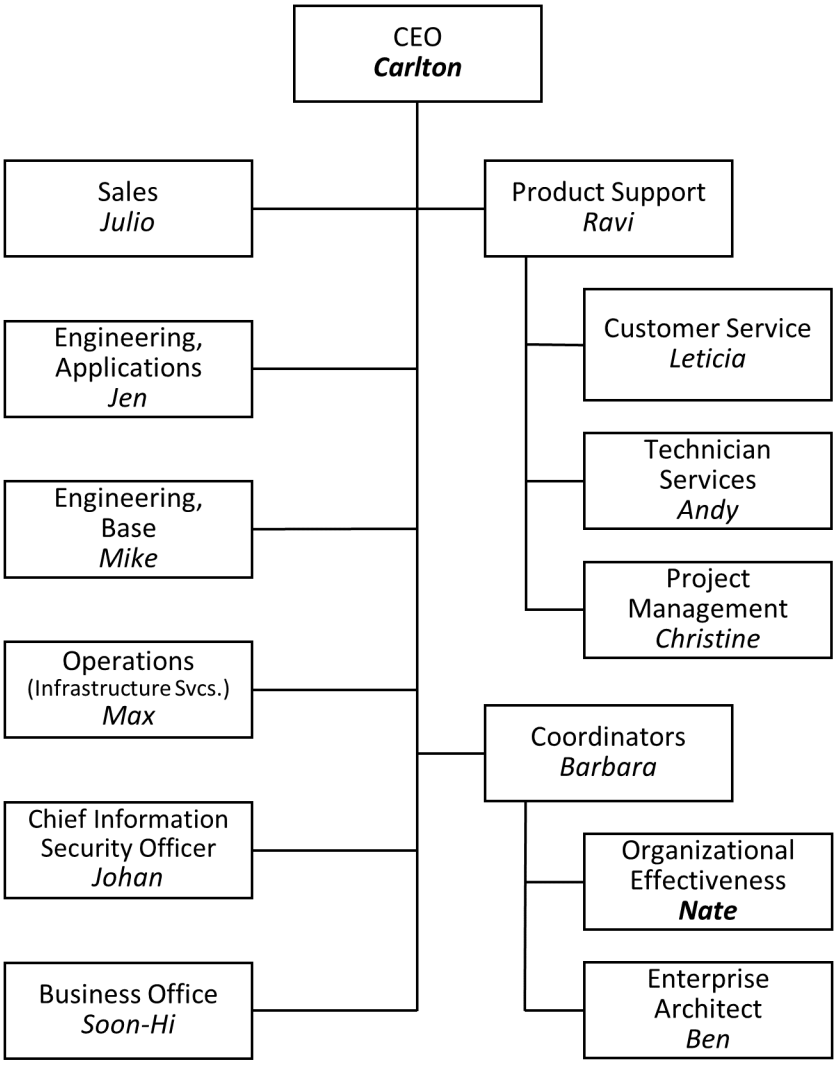
Metrics and Consequences *[Chapter 13]*

Performance management (appraisals, incentives, managing deficiencies)

Dashboards

CAST OF CHARACTERS

for reference as you read



(Characters are inspired by many friends and colleagues, but all are fictitious.)

~ FIGURES ~

Figure 1: Empowerment: When You Ask For Something...

When you ask things of others, you must:

- Clearly **define the deliverable** (the end result).
  - Base the magnitude and complexity of the deliverable on the degree of confidence people have earned.
  - Define the results broadly to include not only the intended outcomes but also side effects. Results could include reporting project status, or producing certain artifacts like documentation.
  - Do not specify tasks, processes, or effort, or tell people how, when, or where they work. But do define any constraints that limit how the work is to be done.
- Provide **resources** either by supplying a budget, or by convincing someone who controls a budget to allocate resources.
- Provide **authorities** either by granting rights which are within your power (like a boss delegating authorities), or by convincing those who have the power to grant them any needed rights.
- Share **information** about the context ("big picture"), where this deliverable fits, and anything else that could help them get the job done.

Figure 2: What Managers Do in an Empowered Organization

- **Purpose:** Illuminate the value of people's jobs; create a sense of shared purpose.
- **Vision:** Synthesize the big picture; envision the future.
- **Ecosystem:** Nurture the organizational ecosystem; structure subordinate domains; optimize processes; remove hurdles.
- **Talent:** Recruit, coach and mentor, and engage people; negotiate objectives; provide fast feedback; manage performance.
- **Inspiration:** Set a high bar; stretch people's thinking; ask questions that drive innovation; put forward challenges that drive performance; question mental models that get in the way; expect the best (without demanding the unreasonable).
- **Motivation:** Make people feel appreciated; instill self-esteem, confidence, and a desire to win; set a positive, friendly tone; build esprit de corps; engender a sense of fun, excitement, and adventure.
- **Resources:** Negotiate budgets; propose and defend investments in the group; manage commitments; assign work.
- **Coordination:** Coordinate shared decisions within the group (e.g., common methods, tools, standards of practice); make decisions when consensus cannot be reached.
- **Strategies:** Inspire, coordinate, and guide business and product strategies for the group (recognizing that subordinate leaders are empowered to determine their own sub-strategies).
- **Risk:** Approve decisions involving risks above given thresholds (e.g., budget signing authorities, reputational risks, security risks).
- **Connective tissue:** Communicate up, down, and sideways; engender a sense of being part of the larger whole.
- **Representation:** Represent the group in leadership discussions (involving staff in leadership meetings whenever they're needed).
- **Sales:** Represent the group in walk-throughs (Chapter 8); promote the group to peers; assess customer satisfaction.
- **Model behaviors:** Exhibit in one's own behaviors the culture, habits of personal effectiveness, and spirit (attitudes). *38 More*

Figure 3: Three-step Consolidation Process

1. **Consolidation:** move the reporting lines, but leave groups intact; don't break anything!

Figure 4: Seven Principles of Structure

Principle 1: Empowerment (the Golden Rule): Authorities and accountabilities must match.

Principle 2: Specialization and Teamwork: You can only be world-class at one thing at a time; but you can't specialize if you can't team.

Principle 3: Precise Domains: Define clear boundaries with no overlaps or gaps.

Principle 4: Basis for Substructure: Divide a function into sub-groups based on what it's supposed to be good at.

Principle 5: Avoid Conflicts of Interests: Don't expect people to go in two opposing directions.

Principle 6: Cluster by Professional Synergies: Cluster groups under a common boss based on similar professions.

Principle 7: Business Within a Business: Every group is defined as a business whose job is to satisfy customers (internal and external) with products and services.

Figure 5: Why Specialists Outperform Generalists

- They're more **productive** because they know the best way to do things.
- They're **faster** since they don't have to repeatedly climb the learning curve, and because they're up on the latest methods and tools.
- They produce higher **quality** because they're more experienced.
- Their estimates and project delivery are more **reliable** because they've done similar things before.
- **Innovation** improves because they keep up with developments in their fields.
- They're **less stressed** because they're confident of their abilities.
- They're **more motivated**, since they like succeeding at what they do, and career opportunities for specialists are better.

Figure 6: T-shaped Specialists

GENERALIST FANATIC SPECIALIST

Figure 7: Five Conflicts-of-Interests in Every Organization

- Invention (major innovations) -versus- operational stability
- Purpose-specific solutions (applications) -versus- common components that contribute to various purposes
- Enterprisewide thinking -versus- specialization in products/services
- Unbiased, business-driven sales -versus- specialization in products/ services
- Customer-focus -versus- audit

Figure 8: Types of Professional Synergies

- **Management synergies** occur when people report to someone who understands their profession, and can mentor and inspire them. Also, a manager who knows all the sub-disciplines in a profession can adjust sub-domains as new disciplines and technologies emerge.
- **Competencies synergies** occur when similar specialists exchange experiences and best practices, and share tools and work products (reusable components).
- **Workload synergies** are when a manager handles peak loads in one domain by temporarily borrowing related specialists from another.
- **Negotiating synergies** are gained when buying power is consolidated, e.g., for common tools and methods.
- **Product-design synergies** occur when related professionals collaborate, so products are more consistent and better integrated.
- **Talent synergies** result from improved career paths when a larger group of related professions has supervisory positions.

Figure 9: Types of Businesses Within Organizations *44 Ref*

- Service Providers: sell ongoing services
  - Asset-based: operational services, off-the-shelf products
  - People-based: support services
- Engineers: sell new solutions
  - Applications: purpose-specific solutions
  - Base: purpose-independent solutions, components
- Coordinators: facilitate consensus on shared decisions (e.g., plans and policies)
- Sales and Marketing: link the organization to customers
- Audit: inspect, judge, and perhaps veto others

Figure 10: Snapshot of a Walk-through: A New Service

Product Manager buys market research from Marketing to help define the requirements for the new service.

Product Manager buys a solution (which will produce the service) from Applications Engineering.

Applications Engineering buys project facilitation from the Project Management Office.

Applications Engineering buys subcomponents from Base Engineering.

Applications Engineering buys installation into production from Operations to prepare the infrastructure to receive the solution.

Operations buys manufacturing engineering to augment or configure its infrastructure for the new service.

Product Manager buys infrastructure services (manufacturing and logistics) from Operations.

Product Manager buys customer support from Customer Service.

Customer Service buys domain-specific support from Applications Engineering.

Product Manager buys pricing analysis, advertising, promotions, etc., from Marketing.

Product Manager buys the selling service from Sales.

Figure 11: Three Components of an Internal Economy

- Budgeting: annual business plans, budgets, catalog, rates
- Demand management: project intake, estimation, priority setting
- Accounting: financial reporting, time tracking, invoicing

Figure 12: Investment-based Budgeting

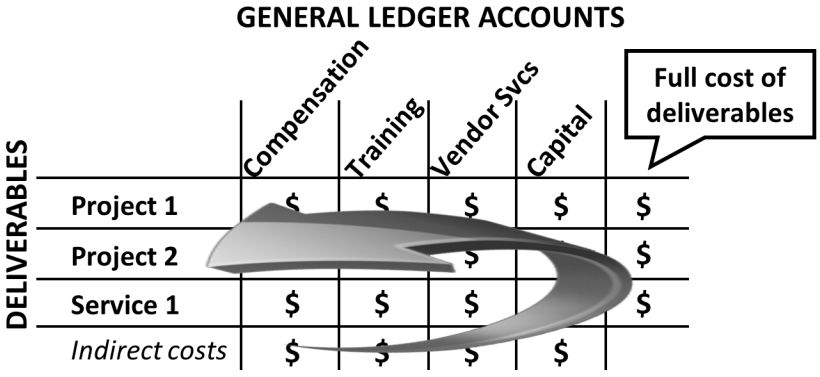


Figure 13: "Buckets" of Deliverables in a Budget

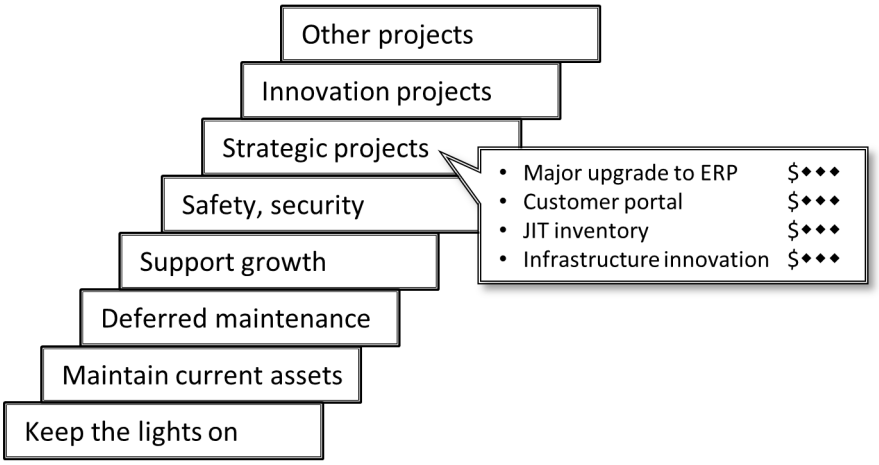


Figure 14: How Money Flows in Internal Market Economics

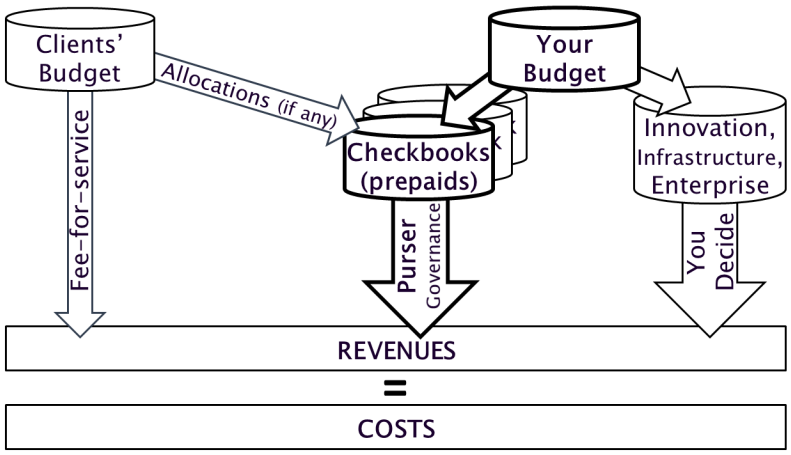


Figure 15: Flow of Budget Through Checkbooks

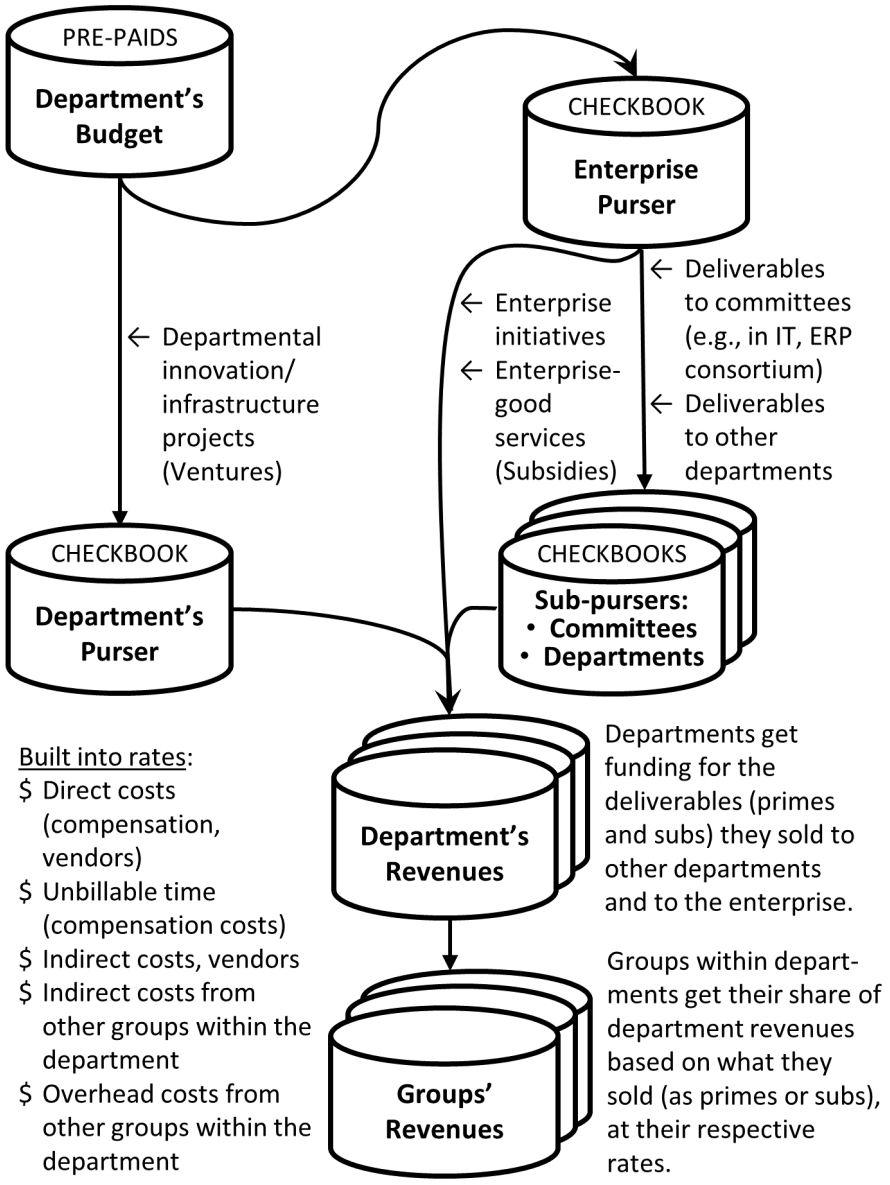


Figure 16: Group P&L Accounting

REVENUES	EXPENSES
• Fully burdened costs of deliverables (based on rates)	• Direct costs (labor, vendors) • Group-level indirect costs (vendors) } Traditional budget for planned spending • Indirect costs of other groups' support services • Departmental overhead

PROFIT/LOSS
(target: break-even)

Figure 17: Culture Cycle: Value and Behaviors

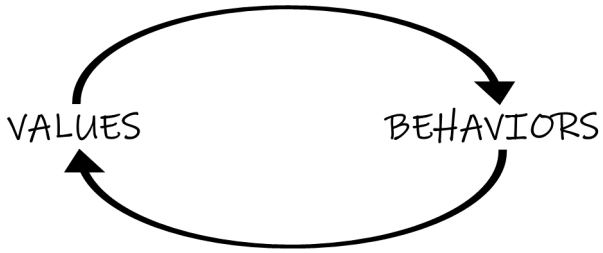


Figure 18: Culture Themes

- Ethics: knowing right from wrong
- Integrity: earning trust
- Interpersonal Relations: working well with other people
- Meetings: effective scheduled business events
- Cooperation: working as one organization
- Teamwork: collaborating on projects/services
- Empowerment: matching authorities and accountabilities
- Customer Focus: building healthy relationships with customers
- Entrepreneurship: keeping your business-within-a-business competitive
- Contracts: making commitments that you can keep
- Quality: fulfilling commitments well
- Risk: taking appropriate risks
- Feedback: measuring and improving results

Figure 19: Examples of Entrepreneurial Metrics

- Customer satisfaction (internal and external; immediate customer, not your customer's customer)
- Market share (external or internal)
- Your group's profit/loss (break-even, not budget variances)
- Competitive rates (market benchmarks of unit costs)
- Profit targets for those who sell to external customers.
- Product/service quality
- Your reliability, integrity
- Safety and compliance
- Innovation
- The viability and expected value of long-term business strategies
- Compliance with, and contribution to, our organizational operating model
- Subordinate employees' engagement and satisfaction (through engagement scores and surveys), turnover
- Supplier relationships (especially internal suppliers)
- Positive contribution to the community (including the environment)

Figure 20: Relationship Selling versus Counselor Selling

Off-the-shelf and single product, or limited interactions	→	Relationship selling
Custom, or multi-product solutions	→	Counselor selling

Figure 21: Levels of Cross-Business-Unit Sharing

1. Business units buy separate solutions for their unique needs, but they're built by the same shared-services group (shared talent) with the maximum in reusable intellectual property and components.
2. Business units form a consortium to share a single solution.
3. A single solution is owned by shared services, which offers use of it to everybody as a service.

Figure 22: Services of Sales

- Relationship management, including account reviews, status updates, issue mediation
- Participation in customers' strategic planning (if invited; a hallmark of success)
- Opportunity discovery (the key to strategic value; see Appendix 6) [in custom/multi-product organizations]
- Detailed business requirements planning [for custom solutions]
- Benefits estimation facilitation (to help customers justify the purchase)
- Business impacts analysis (to help customers adopt solutions)
- Contract brokerage (clear agreements with others in the organization)
- Consortium facilitation [for internal customers]
- Client-to-client agreement facilitation (when one customer needs something from another to proceed) [for internal customers]
- Program facilitation (single customer, multiple related initiatives) [in multi-product organizations]
- Budget planning assistance (helping customers plan their budgets to include funding for us; another hallmark of success when invited)
- Priority setting facilitation [for internal customers]

Figure 23: Services of Sales Support

- Sales methods development and training
- Informational and motivational sales-force events
- Selling-strategy consulting; account planning facilitation
- Sales staff (and candidates) skills evaluations; developmental planning
- Sales-support instruments like selling guides
- Use of tools (which are owned by this group) such as the customer relationship management (CRM) and scheduling/routing systems
- Data entry, cleansing, and reporting (e.g., in the CRM)
- Data analyses, e.g., funnel analyses and account segmentation to set goals, select target accounts, and determine the best approaches
- Lead generation research, often based on external data
- Territory planning; route planning
- Sales compensation plan design; metrics; contests and rewards
- Proposal writers (primarily for external sales, a service to engineers who are accountable for proposals)
- Requirements analysis for customer solutions (business analysts)

Figure 24: Phase-gating

1. Opportunity discovery (Sales)
2. Business requirements (Sales)
3. Solutions alternatives study (Engineering)
4. Solution implementation (Engineering)

Figure 25: What Quality in Engineering Means

At any price point, design for...

- Safety (users are unlikely to be hurt)
- Compliance with all applicable laws and regulations
- Performance in the intended environment
- For off-the-shelf products, manufacturability (ease of reproduction)
- Ease of installation (deployment into intended environments) and decommissioning (removal and disposal at its end of life)
- Reliability (products don't break, and produce predictable outcomes)
- Maintainability (ease of removing defects, restoring operations)
- Resilience to externalities (e.g., disasters), and ease of recovery
- Usability: the right balance between ease of learning (acquiring operational competence) and ease of use (operating at high performance levels) *95 More*
- Ease of support (incident diagnosis)
- Scalability (changing capacity), adaptability (adjusting functionality), and extensibility (adding functionality)
- Portability to future platforms or operating environments
- Reusability (apply all or part of the design again elsewhere, e.g., global applicability)
- Future integratability (through compliance with standards)
- Ripple-chasing; and minimize future ripples (through design patterns)

Figure 26: Three Sub-domains Within Operations

- Products and services which require the ability to replicate many copies of products (manufacturing services).
- Services which are based on owning and operating assets whose primary intent is for use by others (infrastructure), and services which require expertise in operating those assets (operator services) or in managing the resulting services (service management).
- Standard (off-the-shelf) products (or assemblies of standard components) where the same design is sold to multiple customers.

Figure 27: The Profession of Operations Management

- Forecast demand and capacity requirements (capacity management).
- Spot market opportunities for new off-the-shelf products/services, and improvements in existing services.
- Define services, including functionality, quality, safety, and terms of use.
- Evaluate alternative delivery models (e.g., outsourcing/cloud); manage vendors who provide all/components of the services.
- Decide requirements for assets needed to deliver services, and acquire those infrastructure assets from Engineering.
- Acquire funding for the development of new or enhanced services and additional capacity.
- Decide pricing; and manage costs to ensure competitive rates.
- Document operating processes.
- Launch new services, with subcontracts for needed operational, support, marketing, and sales services.
- Promote service offerings through Marketing.
- Manage contracts with customers (account administration), including providing access to services by administering passwords and access rights, with help from Access Administration.
- Operate assets reliably and securely, and remedy any service interruptions, buying incident management from Customer Service.
- Manage contracts with other Service Providers, e.g., supporting infrastructure, Customer Service, Finance for billing.
- Manage contracts with Engineering to maintain the assets (e.g., repairs, enhancements, capacity studies, major configuration changes).
- Adjust configurations (configuration management), e.g., to accept new customers or tune performance, with help from Engineering.
- Monitor service quality (performance management) and ensure that all service-level agreements are met.
- Reduce future incidents by analyzing patterns and addressing root causes (problem management).
- Plan for disasters to reduce risks, mitigate damages, and speed recovery (business continuity).

Figure 28: Why Call Customer Service Instead of Your Favorite Engineer

- Customer Service is always available, whereas engineers might be in a meeting, busy on a project, or at home after hours.
- You can call the same number for everything, avoiding confusion about whom to call.
- If a problem crosses domains, Customer Service provides a single point of contact rather than passing you from one Engineering group to another; and it protects you from finger-pointing.
- Customer Service may answer questions more quickly since:
  - They may already be aware of the problem.
  - With their knowledge-base of past problems and solutions, they may already have the answer.
- Customer Service stays in touch with you, while engineers may not have time to keep you informed of their progress.
- Involving Customer Service builds their knowledge-base of problems and solutions; so over time, resolution becomes faster and your cost of support goes down.
- Customer Service accumulates data on problems, to spot trends and prevent future problems ("problem management").
- Engineers are interrupted less often, so they can finish customers' projects sooner.
- You'll find Customer Service staff pleasant, since they're trained to handle upsetting situations ("bedside manner").

Figure 29: Two Rules of Selling Internal Services Externally

***Any* function can sell externally, as long as:**

- It does not dilute support of internal customers; i.e., revenues cover all fully burdened costs, so that external sales never take resources away from internal customers.
- It is not counter-strategic; i.e., no sales to direct competitors, or sales of anything that's proprietary and critical to competitive advantage.

Figure 30: Three Elements of a Foundation for Change

- **Dissatisfaction with the status quo**: If things are okay (but could be better), people won't want to change much. Documentation of current problems is the "burning platform" that motivates people to change.
- **Vision of the end-state**: People are not going to jump "from the pan into the fire." Vision provides the safe, inspiring place to jump to.
- **Path from here to there**: People need to know they're joining a winning team before they're willing to sign on. A step-by-step plan builds faith that we're going to succeed at this transformation.

Figure 31: Transformation Planning Process

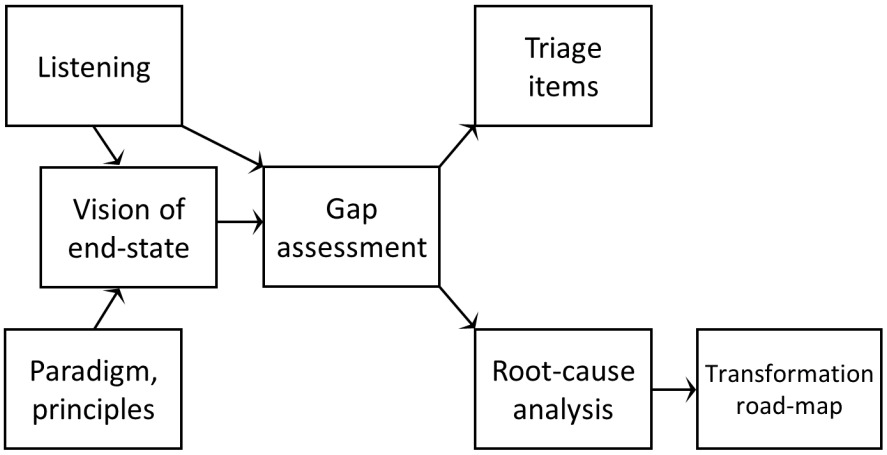


Figure 32: Five Organizational Systems *121 Ref*

1. Structure
   - Organization chart
   - Teamwork (walk-throughs)
2. Internal Economy
   - Planning (operating plan, investment-based budget, catalog and rates)
   - Demand management (governance, priority-setting)
   - Accounting
3. Culture
4. Processes and Tools
5. Metrics and Consequences

Figure 33: Consensus Decision Process

1. Trial vote. Ask minority if they can teach and support, or if they'd like to talk more.
2. Listen respectfully to one side at a time (no debate). People on each side only add new information (no reiterating).
3. Back to step 1.

Figure 34: Structure Implementation Process *125 Ref*

1. **Education (Rainbow Analysis):** principles and framework of types of businesses; and applying them to the current structure to assess the need for change
2. **Design:** identification of all the detailed lines of business needed now and in the future; and clustering them into an organization chart
3. **Selection:** assignment of leaders to each box on the new organization chart, with respect for their preferences
4. **Domains:** crafting precise domains (boundaries); and learning to view your job as a business within a business
5. **Catalogs:** crafting product/service catalogs for each domain; and further understanding boundaries and entrepreneurship
6. **Walk-throughs:** rehearsing cross-boundary teamwork (who's the prime contractor, and what subcontracts are needed) for many different real-life projects and services
7. **Roster:** assigning staff, vendors, and assets to domains
8. **Go-live:** all-staff event; and the official change in reporting
9. **Group training:** management-group training sessions to teach staff the new operating model, and begin the bonding of the new groups
10. **Migration:** meticulous 1:1 transfers of accountabilities for each extant commitment that no longer fits your domain

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Figure 35: Investment-based Budgeting Process

1. Define (or refine) each group's product/service catalog.
2. Forecast sales (deliverables); link prime and subcontracts; place into "buckets"; estimate volumes.
3. Plan compensation costs, billable-time ratios, and billable hours per deliverable.
4. Plan external costs, and link them to specific products and services.
5. Agree on internal support services, and link those costs to specific products and services on the receiving end.
6. Approve overhead deliverables, the costs of which go into all rates.
7. Identify sources of revenues for each group (external sales, internal budgets, internal chargebacks); decide mark-ups.
8. Review and finalize all the data.
9. Present the plan and negotiate the budget.
10. Upload the agreed budget for tracking; finalize rates.

Figure 36: Demand Management Processes

- **Intake:** Creating the master list of requests
  - Differentiated channels for maintenance/support, emergency projects, normal projects
  - Sponsorship to filter requests
  - Phase-gating (Chapter 16)
  - Rough cost and time estimates (entire project and next phase)
- **Priority-setting:** Business-driven purchase decisions
  - Checkbooks (filled by budget) and pursers (committees and subcommittees)
  - Decision process, purser facilitation
- **Communications:** Keeping requestors informed
  - Pursers' decisions
  - Project status
- **Execution:** How suppliers respect pursers' decisions
  - Execution sequencing (waiting for availability of prime and all subcontractors)
  - Closing the "back door" (no work without funding)
- **Reporting:** Accounting systems
  - Invoicing (consumption times published rates)
  - Checkbook maintenance

Figure 37: Internal Economy Implementation Phases

1. Business plan, investment-based budget, catalog, rates
2. Demand management (resource governance)
3. Accounting systems and time tracking

Figure 38: Culture Implementation Process

1. Leadership team crafts behavioral principles
2. Subcommittee prepares roll-out materials
3. All-staff meeting explains the why and the process to come
4. Team meetings, Theme by Theme, teach and listen
5. Leadership team studies feedback, communicates revised principles
6. Assess and reinforce after 9-12 months

Figure 39: Dysfunctions of Separate Innovation Groups *137 Ref*

- Reduces specialization (hence, performance) by splitting professions across two groups
- Makes it difficult for the innovation initiative to access all the depth of talent and institutional knowledge throughout the organization
- Deprives other groups of the fun, future-oriented part of their jobs; demotivational, and wastes so many bright minds
- Puts one group in the business of putting another group out of business; undermines collaboration
- Creates two classes of citizenship: strategic group versus "obsolete products" groups; demoralizes staff; causes resentment and defensiveness; strains relations, and undermines cooperation
- Creates a bottleneck for innovation since one small group of relative generalists can't keep up with many professions or industries
- Inflexible in its level of investment in innovation over time
- If it operationalizes its innovation as a separate business unit:
  - Replicates lines of business (costly, reduced specialization, lost synergies)
  - Takes the innovation group out of the innovation business
- If the rest of the organization operationalizes innovations:
  - Requires knowledge transfer, redundant learning curves
  - Provides little incentive for designing for manufacturability and supportability, or for first-time quality
  - Violates the Golden Rule: one group decides another group's future; operational groups can't be held accountable

Figure 40: Staircase of Strategic Value from Technology

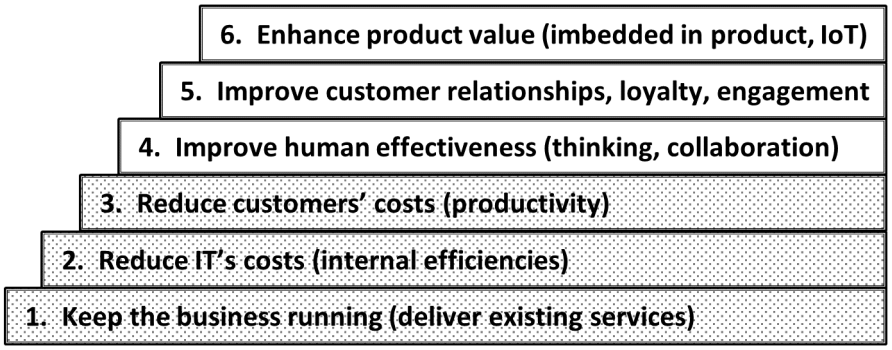

Figure 41: Aligning Organizational Systems for Digital Business and Strategic Value

- **Culture:** entrepreneurship, everybody continually looking to improve
- **Structure:** a Business Relationship Management group in IT, and perhaps a Function Sales consultant dedicated to digital business
- **Methods:** conceive technology-enabled business strategies
- **Methods:** strategic opportunity discovery
- **Internal Economy:** investment-based budgeting to provide funding for strategic initiatives and for continual product development
- **Internal Economy:** demand-management process so that strategic opportunities rise to the top of the priority stack
- **Methods:** value-added benefits estimation for business cases
- **Metrics:** encourage judicious investments in high-risk, high-payoff innovations

Figure 42: Purpose

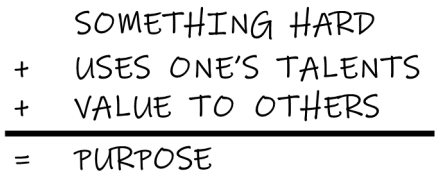

Figure 43: Four Types of Leaders

1.	**Cost Cutter:**	slash-and-burn, cut costs, then move on
2.	**Maintainer:**	keep what they inherit running, with small, incremental improvements
3.	**Project Manager:**	lead a major project (like an acquisition or a strategic initiative)
4.	**Transformer:**	build an organization that can succeed long after they've moved on

Figure 44: When Outsourcing Is (and Isn't) Appropriate

Outsourcing should be used to...

- Access a portion of an expensive asset or specialist.
- Use vendor's capital.
- Gain access to vendor's proprietary intellectual property.
- Convert fixed costs into variable costs.

Outsourcing should NOT be used to...

- "Stick to your knitting" ─ you'll have no more people "knitting" after outsourcing a support function.
- Reduce management distraction ─ managing vendors via contracts, procurement staff, and lawyers can be more distracting than managing a leader of an internal support function.
- Increase control ─ paying vendors (who are customer focused and responsive) only avoids fixing internal functions which are not as easy to do business with as they should be. *154 More*
- Improve internal customer's treatment and their control over what they buy ─ a Market Organization does that.
- Get around an unsatisfactory support group ─ letting a function fail (rather than addressing root causes) risks permanently losing an important organizational competency. *155 More*
- Downsize and make somebody else lay off your staff or get rid of a bad leader ─ an expensive way to shirk your leadership duties.
- Sell off assets to gain immediate cash flow ─ a drastic way to save a sinking enterprise, with costly long-term consequences.
- Window dressing in preparation for selling the business (being acquired, or a stock offering) ─ due-diligence will see through this, and see increased operating costs.

Figure 45: Four Rules on the Use of Committees

1. Use committees only for regular two-way communications (e.g., collaboration or shared decisions).
2. Vest no authority in committees (other than the pooled authorities of its members).
3. Don't use committees for oversight (disempowering the boss).
4. Define and document a specific purpose for every committee.

Figure 46: Appropriate Roles for Committees

- **Advisory Board:** An internal "board of directors" that helps a business within a business succeed, with advice at the strategic (not operational) level.
- **Stakeholders:** A set of people who are impacted by a class of decisions, and hence share authority over those decisions.
- **Purser:** A committee that owns a "checkbook," represents internal customers, and decides priorities for an internal service provider.
- **Consortium:** A specific set of internal customers who together purchase and share a specific product or service.
- **User Group:** An association of people who share with one another their experiences using a specific product or service.
- **Focus Group:** People representing customers who share with the organization their values, opinions, decisions, and ideas.
- **Professional Community:** If a function is decentralized, the members of a common profession (regardless of where in the enterprise they report) who share experiences and advance the profession.

~ APPENDIXES ~

**content that's of value to
implementors and practitioners
of the Market Organization**

Appendix 1:
What Internal Entrepreneurs Do Proactively

Operating as a business within a business does *not* mean being a passive order-taker. There are many things that internal entrepreneurs do proactively, without customers' permission, and which don't dis-empower customers or diminish customer focus. Here's a sampling:

- **Product/service innovation**: Internal entrepreneurs can, and must, innovate to keep their competencies and their product lines up-to-date. They don't wait for customers to tell them to innovate.

  For off-the-shelf products and services, they proactively put new products "on the store shelf" (making them available to customers), but only take them off the shelf (actually deploying them) when customers agree to buy them.

  For custom products, they proactively develop their skills and methods so that they're prepared to offer innovative approaches to customers' unique requirements.

- **Infrastructure**: Internal entrepreneurs proactively maintain and evolve their infrastructure (the assets they own for the purpose of providing services to customers). They decide what assets to buy, justifying those investment decisions based on *market* needs (input from the customer community as a whole, not any one customer).

- **Marketing**: Internal entrepreneurs market the strategic value of their products and services. This is not meant to be self-serving; the goal is to lift customers' awareness of the possibilities so as to engender more creative use of their products and services.

  With marketing, customers can choose whether to spend time consuming (reading/viewing) the materials. It's not using

customers' time to push your agenda in a sales call, which would not be customer focused.

- **Sales**: Account Representatives proactively talk to customers about their business challenges. The goal is not to push products, but to help customers solve their problems and achieve their goals. They discover high-payoff opportunities to use the organization's products and services by listening well, and by bringing new insights to customers (Appendix 6).

  Beyond that, every entrepreneur "sells" *when invited* by customers to explain their products and services and their value.

- **Offer proposals**: In response to expressed needs (the What), engineers offer to develop proposals (solution alternatives studies). With the customer's permission, they define alternative solutions (the How) at different price-points, like "good/better/best," to inform customers of their options.

- **Help customers be smart buyers**: Entrepreneurs help customers analyze those alternatives in the context of *their* values (not the supplier's). This isn't making a recommendation (as if "we know what's best for you"). Rather, it's a consultative process that explores the customer's values; for example: "If speed is most important to you, pick alternative A; but if life-cycle costs are more important, select B."

- **Coordinate enterprise decisions**: For decisions which are to be made by the community of relevant stakeholders (such as policies and standards), Coordinators proactively put forward questions and coordinate the appropriate stakeholders as they decide.

Appendix 2:
Outsourcing and Supplier Integration

This Appendix is a conversation with Carlton on how to best utilize vendors. *153 Ref*

When Outsourcing Is Appropriate

"If all your leaders are internal suppliers," I asked, "what about vendors outside the company? Carlton, what's your take on outsourcing?"

"We do use vendors," he replied. "But we're not interested in a big one-time, top-down outsourcing study like some consultants sell. The decision-making process here is much more dynamic.

"We understand that, in general, outsourcing is more expensive than doing it ourselves. After all, we're paying other shareholders a profit. But there are specific situations where it's better to use vendors.

"One situation," Carlton said, "is when we need only a small portion of an expensive asset, like a high-performance super-computer. Our telecommunications lines are another example of that. So, through outsourcing, we share expensive assets with other corporations.

"The same goes for people. When we can't afford a specialist on staff full-time, we use consultants and contractors.

"Another situation," Carlton continued, "is when we can't get the capital internally, even through capital leases. So then, we're willing to pay a bit more for a vendor's service in order to use its capital.

Describing the next situation, Carlton said, "Sometimes we have to outsource to gain access to vendors' proprietary technologies and intellectual property.

"But the most common reason we outsource," he said, "is to turn fixed

costs into variable costs. With cloud computing, for example, we can scale volumes up and down quickly. The same goes for contractors. It's worth paying more per unit when we need that flexibility — when volumes vary widely. Our ideal strategy is to own resources to satisfy the valleys if that's less expensive, and then outsource the peaks."

"But," Carlton continued, "the economics are constantly changing. So instead of a one-time outsourcing study, all my leaders stay aware of what's out there. (They have to anyway, to stay ahead of their competition.) Then, they evaluate make-versus-buy in the context of the current economics and our needs."

"That makes a lot of sense," I said. "I've participated in quite a few, often heated, outsourcing debates. This decision framework and your dynamic approach will be very helpful."

Vendors are Extensions to Our Staff

Carlton smiled, and added, "I want to make one thing clear: When we use vendors, our staff are VARs (value-added resellers), not brokers. *Internal suppliers* sell the service to internal and external customers; and it's up to them to figure out how to deliver it, including managing any vendors. We treat vendors as extensions of our staff."

We're VARs (value-added resellers), not brokers.
We treat vendors as extensions to our staff.

"Why are you in the middle?" I asked.

"For one, we're entrepreneurs. We want to build the habit of buying *through* us, not around us.

"But as for the benefits to the enterprise, our staff add value in a number of ways: They make and uphold commitments to internal customers.

They decide the mix of make-versus-buy. They're best qualified to select and manage vendors in their fields. They support what they and the vendor build. And they integrate vendors' services into ours.

"Essentially, our staff make sure vendors work for *our* shareholders as well as their own."

Appendix 3: Lines of Business in Various Industries and Functions

This Appendix offers examples of the framework of types of businesses (Figure 9) applied to a variety of different industries and internal support functions:

Of course, every organization is different. The precise list of lines of business will be unique. These examples are *only intended as thought-starters*.

It's also important to understand that these examples are *not intended to be recommended organization charts*. The structure that each organization develops should be based on its unique needs.

In combination with the principles of structure (Figure 4), this list of lines of business provides a common language and a starting point for the design of an organization chart built of internal entrepreneurships and tailored to your needs.

NAVIGATION AID: Chapter 27 describes the process of designing organization charts around lines of business.

Holding Company (business is owning companies)

- Sales and Marketing
  - Direct Investors
  - Brokers, Fund Managers
  - Corporate Communications, Community Relations
  - Investor Relations
  - Government Relations (lobbying)
- Engineers
  - Applications: Business Development (acquisitions, divestitures)
  - Base: Business Consulting (due diligence, assistance to companies)
- Service Providers
  - Asset: Operating Companies
  - People-based
    - Product Support
    - Business Office (for headquarters, and optionally services to companies)
      - Finance, Treasury, Credit, Collections
      - Information Technology
      - Human Resources, Employee Education, Personal Services (including medical)
      - Legal Counsel
      - Procurement, Supplier Management
      - Asset Management
      - Facilities, Property Management
      - Administration, Events
      - Travel, Fleet, Corporate Airline
- Coordinators (for headquarters, and optionally services to companies)
  - Business Planning (strategic and operational), Economist, Research Portfolio Coordination
  - Business Development (acquisitions, divestitures)
  - Organizational Effectiveness (including acquisition integration, employee communications, diversity, safety, quality)
  - Standards, Design (product commonality and integration)
  - Business Continuity
  - Risk, Security
  - Regulatory Compliance
- Audit (including compliance)

Operating Company (business is selling products and services)

- Sales and Marketing
  - Sales
    - Account
      - Geographic Territories
      - Major Accounts
      - Resellers and Brokers
      - Government Relations (lobbying)
    - Function
      - Vertical Markets
    - Retail
      - eCommerce, Catalog Sales, Telemarketing
      - Stores by Type, Geography
    - Sales Support
  - Marketing
    - Branding, Strategy
    - Merchandising
    - Communications, Advertising, Collateral
    - Corporate Communications, Community Relations
    - Investor Relations
    - Market Research, Pricing Analysis
- Engineers
  - Applications: Design Engineering (products)
  - Base
    - Industrial Design, Packaging
    - Design Engineering (common components), Analytics
    - Manufacturing Engineering
    - Writing, Educational Materials Design
- Service Providers
  - Asset-based: Operations
    - Manufacturing
    - Production Planning (across plants)
    - Logistics, Distribution, Transportation
    - Warehousing
    - Inventory Management, Replenishment

- People-based
  - Product Support
    - Customer Service
    - Field Technicians
    - Customer Education
  - Business Office (unless functions related to product production)
    - Finance, Treasury, Credit, Collections
    - Information Technology
    - Human Resources, Employee Education, Personal Services (including medical)
    - Legal Counsel
    - Procurement, Supplier Management
    - Asset Management
    - Facilities, Property Management, Food Services
    - Administration, Events
    - Travel, Fleet, Corporate Airline
- Coordinators: Enterprise Policy and Planning
  - Business Planning (strategic and operational), Economist, Research Portfolio Coordination
  - Business Development (acquisitions, divestitures)
  - Organizational Effectiveness (including acquisition integration, employee communications, diversity, safety, quality)
  - Standards, Design (product commonality and integration)
  - Business Continuity
  - Risk, Security
  - Regulatory Compliance
- Audit (including compliance)

Health Care Provider

Sales and Marketing
- Sales
  - Account
    - Payers (Insurance Companies, HMOs)
    - Research Funding Sources
    - Partners
    - Government Relations (lobbying)
  - Function
    - Cost, Outcomes Analysis
  - Retail
    - Private Practitioner Relations
  - Sales Support
- Marketing
  - Branding, Strategy
  - Communications, Advertising, Collateral
  - Corporate Communications, Community Relations
  - Investor Relations
  - Fund Raising
  - Market Research

Engineers: Chief Medical Officer
- Applications:
  - Primary Care Physicians
- Base
  - Clinical Practices
  - Medical Practices (safety, re-admissions analysis, infection control)
  - Nursing Services

Service Providers
- Asset-based: Operations
  - Clinics by geography
  - Hospitals
    - Beds
    - ICU
    - ER
    - OR
    - Respiratory, etc.
  - Medical Support Services (labs)
  - Pharmacies
  - Living Facilities (assisted living, retirement)
  - Facilities, Property Management, Laundry
  - Food services

- People-based
  - Product Support
    - Admissions
    - Patient Advocates, Customer Service
    - Employee Health (immunization, contamination treatments)
    - Non-clinical Patient Care (child care, pastors)
  - Business Office
    - Medical Records
    - Finance, Treasury, Credit, Collections, Reimbursements
    - Information Technology
    - Human Resources, Employee Education, Personal Services (including medical)
    - Legal Counsel
    - Procurement, Supplier Management
    - Logistics, Storage, Warehouse
    - Asset Management
    - Administration, Events
    - Travel, Fleet
- Coordinators: Enterprise Policy and Planning
  - Business Planning (strategic and operational), Economist, Research Portfolio Coordination
  - Business Development (acquisitions, divestitures)
  - Organizational Effectiveness (including acquisition integration, employee communications, diversity, safety, quality)
  - Business Continuity
  - Risk, Security
  - Regulatory Compliance (regulations, accreditation)
  - Delivery Policy Standards, Design (medical policy, service commonality and integration)
- Audit
  - Financial Audit
  - Corporate Compliance
  - Utilization/Outcomes Reviews

Insurance Company

- Sales and Marketing
  - Sales
    - Account
      - Company Agents by Geographic Territories
      - Major Accounts
      - Brokers
      - Government Relations (lobbying)
    - Function
      - Financial Planning Advisors
      - Risk Management Advisors
      - Vertical Markets
    - Retail
      - eCommerce, Telemarketing
      - Company Agencies by Geography
    - Sales Support
  - Marketing
    - Branding, Strategy
    - Communications, Advertising, Collateral
    - Corporate Communications, Community Relations
    - Investor Relations
    - Market Research
- Engineers
  - Applications
    - Life
    - Property and Casualty
    - Health and Safety
    - Disability, Workman's Compensation
  - Base
    - Actuary
- Service Providers
  - Asset-based: Operations
    - Underwriting
    - Enrollment
    - Claims
    - Asset Management

- People-based
  - Product Support
    - Policy-holder Services (customer service)
    - Policy-holder Risk Management (client education and consulting)
    - Agent/Broker Education
  - Business Office
    - Finance, Treasury, Credit, Collections
    - Information Technology
    - Human Resources, Employee Education, Personal Services (including medical)
    - Legal Counsel
    - Procurement, Supplier Management
    - Asset Management
    - Facilities, Property Management, Food Services
    - Administration, Events
    - Travel, Fleet, Corporate Airline
- Coordinators: Enterprise Policy and Planning
  - Business Planning (strategic and operational), Economist, Research Portfolio Coordination
  - Business Development (acquisitions, divestitures)
  - Organizational Effectiveness (including acquisition integration, employee communications, diversity, safety, quality)
  - Product Planning
  - Business Continuity
  - Risk, Security
  - Regulatory Compliance
- Audit (including compliance)

Higher Education (University)

- Sales and Marketing
  - Sales
    - Account
      - Admissions (recruiting)
      - Grants
      - Outreach
      - Alumni Relations
      - Government Relations (lobbying)
    - Function
      - Vertical Markets
    - Sales Support
  - Marketing
    - Branding, Strategy
    - Communications, Advertising, Collateral
    - Corporate Communications, Community Relations
    - Investor Relations (if for-profit)
    - Market Research
- Engineers
  - Applications
    - Schools
  - Base
    - Curriculum and instructional design
- Service Providers
  - Asset-based: Operations
    - Classrooms, Labs
    - Distance education technologies
    - Residence halls
    - Library
  - People-based
    - Product Support
      - Registrar
      - Admissions processing
      - Student counseling

- Business Office
  - Finance, Treasury, Credit, Collections
  - Information Technology (including instructional technologies)
  - Human Resources, Employee Education, Personal Services (including medical)
  - Legal Counsel
  - Procurement, Supplier Management
  - Asset Management
  - Facilities, Property Management, Food Services
  - Administration, Events
  - Travel, Fleet, Corporate Airline
- Coordinators: Enterprise Policy and Planning
  - Student success, student experience, retention
  - Audit response (including accreditation)
  - Business Planning (strategic and operational), Economist, Research Portfolio Coordination
  - Business Development (acquisitions, divestitures)
  - Organizational Effectiveness (including acquisition integration, employee communications, diversity, safety, quality)
  - Product Planning
  - Business Continuity
  - Risk, Security
  - Regulatory Compliance
- Audit (including compliance)

Information Technologies (IT) Department

- Sales and Marketing
  - Sales
    - Account: Business Relationship Managers
    - Function (specialists in uses of IT, such as digital enterprise, data, supply chain)
    - Retail: Contact Center, eCommerce website
    - Support: Business Analysts
  - Marketing
    - Client Communications (IT catalog, website, brochures, newsletters, events, tours)
    - Market Research (customer satisfaction surveys; emerging technologies demand assessments)
- Engineers
  - Applications Engineering
  - Base Engineering
    - Platform Engineering (servers, PCs, DBMS, middleware, networks)
    - End-user Computing (tools for thinking, across all platforms)
    - Methods and Tools (development tools and methods, languages and compilers, basic computer science)
    - Ontology, information engineering, logical data modeling, meta-data repository
    - Information Modeling (artificial intelligence, operations research, statistics, mathematics)
- Service Providers
  - Asset-based: Infrastructure Services (operations)
    - Data Center
    - Computing Services
    - Storage Services
    - Input/Output Services (shared printers, scanners)
    - DBMS Services
    - Applications Hosting
    - Software as a Service (end-user computing services such as email, shared-use applications such as service management)
    - Enterprise Data Warehouse, Business Intelligence
    - Device Rental (PCs, projectors, phones for temporary use)
    - Telephone Services, Teleconferencing
    - Network Services
    - Archival Services

- People-based
  - Product Support
    - Customer Service (service desk, help desk, incident management)
    - Field Technicians
    - Testing Services
    - Access Administration
    - Customer Education
    - Ad Hoc Reporting, Data Science
    - Telephone Directory Assistance
  - Business Office (unless functions related to product production)
    - Project Management Office
    - Finance
    - Procurement, Supplier Management and Integration
    - Asset Management
    - Facilities, Asset Management
    - Administration, Events
    - Data Repository Administration

Coordinators

- IT Business Planning (strategic and operational), Research Portfolio Coordination
- IT Organizational Effectiveness (including ITIL, Lean/Six-Sigma, change management)
- IT Audit Response
- IT Business Continuity
- Enterprise Information Security (CISO), Risk
- IT Regulatory Compliance
- IT Standards, Design (Enterprise Architecture)
- Enterprise Information Policy

Human Resources (HR) Department

- Sales and Marketing
  - Sales
    - Account: HR "Generalists" by client organization
    - Function: Acquisitions, Divestitures, Consolidations, Restructuring
    - Retail: Employee Relations (contact center), eCommerce website
  - Marketing: Employee Communications, Employee Surveys (including engagement)
- Engineers
  - Applications: Organization
    - Job Design and Evaluation
    - Performance Management Methods
    - Compensation and Benefits Design
    - Labor Relations
  - Base: Employee
    - Organizational Development (leadership, teamwork)
    - Career Development Planning
    - Talent Management, Succession Planning
    - Employee Training, Development and Coaching
    - Severance and Retirement
    - Health and Safety
    - Employee Assistance Programs
- Service Providers
  - Asset-based
    - Employee Data Administration
    - Compensation and Benefits Administration
    - Enterprise (internal) University
    - Personal Services (including medical)
    - Search (job postings, screening, recruiting, new-hire administration)
    - Temporary Employees
    - Relocation
    - Appraisal Processing (360-degree data analysis)
    - Awards Administration
    - Grievance Administration
  - People-based
    - Employee Support (call center)
    - HR Finance
    - HR Administration, Events
- Coordinators
  - Enterprise Employment Policy
  - HR Business Planning (strategic and operational), Research Portfolio

Finance Department

- Sales and Marketing
  - Sales
    - Account: Business Unit Liaisons
    - Function: Mergers/acquisitions/divestitures, consolidations, restructuring
  - Marketing: Client Communications
- Engineers
  - Applications
    - Vendor Viability Analysis
    - Acquisitions Analysis
  - Base
    - Financial Analysis
    - Risk Analysis
    - Tax, Transfer Pricing
    - Capital Acquisition (subset of Treasury)
    - Economic Analysis and Forecasting
- Service Providers
  - Asset-based: Operations
    - Accounting (financial reporting)
      - Transactions Processing
      - Reporting
      - Budget Variance Tracking
      - Accounts Payable
      - Billing and Receivables (if internal, for chargebacks)
    - Tax Filings, Submissions
    - Asset Tracking
    - Cash Management (subset of Treasury)
    - Foreign exchange, hedging
    - Insurance, risk management
  - People-based: Customer Service
- Coordinators
  - Finance Business Planning (strategic and operational), Research Portfolio Coordination
  - Finance Organizational Effectiveness
  - Enterprise Financial Policy
  - Finance Business Continuity
  - Finance Risk, Security
  - Finance Regulatory Compliance
- Audit (if not covered by enterprise audit)
  - Budget Allocation Decisions
  - Financial Audit

Training / Education Department

Sales and Marketing
- Sales
  - Account: Client Liaisons
  - Function: Career Development Planning
  - Retail: Student Services, Registration, eCommerce website
- Marketing
  - Employee Communications
  - Employee Surveys

Engineers: Curriculum Design
- Applications: Course product managers (substructured by course content, e.g., user skills, business skills, technologies)
- Base: Learning Theory/Pedagogy, Curriculum Design, Computer-aided Instruction Courseware

Service Providers
- Asset-based
  - Classroom Facilities and Catering
  - Online Learning Platform (LMS)
- People-based
  - Product Support
    - Customer Service
    - Education Administration (student registration, tracking, course administration)
    - Teachers (generic)
  - Business Office
    - Training Finance
    - Training Procurement, Supplier Management
    - Training Administration, Events

Coordinators
- Training Business Planning (strategic and operational), Research Portfolio Coordination
- Training Organizational Effectiveness
- Enterprise Education Policy

Public Relations / Corporate Communications Department

- Sales and Marketing
  - Sales
    - Account: Liaisons by channels
    - Retail
      - Receptionist
      - Liaison to internal clients
  - Marketing: Enterprise Web Home Page, Brochures
- Engineers: Communications Specialists
  - Applications: Program managers
  - Base
    - Advertising
    - Speaking and Protocol
    - Audience Research
- Service Providers
  - Asset-based: Communications Services
    - Materials (inventory, equipment)
    - Media Management, Tracking
    - Printing and Production
    - Lists and Dissemination
    - Meeting and Events Management
    - Speakers Bureau
    - Tours
  - People-based
    - Product Support
      - Professional Writing (drafting, editing)
      - Multi-media (video, photography, audiovisual, graphics arts)
      - Language Translation, Localization
      - Editorial
    - Business Office
      - Finance
      - Administration, Events
- Coordinators: Enterprise Policy and Planning
  - PR Business Planning (strategic and operational), Research Portfolio Coordination
  - PR Organizational Effectiveness (including acquisition integration, employee communications, diversity, safety, quality)
  - Enterprise Communications Policy (message commonality and integration)
  - PR Business Continuity
  - PR Risk, Security
  - PR Regulatory Compliance

Appendix 4:
Culture: Examples of Behavioral Principles

Culture is best defined by a set of actionable behavioral principles. Here are *just a few examples* of behavioral principles, under each of the 13 Themes, to illustrate the concept. They're drawn from a comprehensive compendium of "best practices" behavioral principles. *156 Ref*

Note that principles are often followed by corollaries that explain them in more detail or describe what to do in specific circumstances.

Please remember, these are only examples.

NAVIGATION AID: See Chapter 12 for a definition of culture and the behavioral approach, and Chapter 29 for an overview of the implementation process.

Ethics (right versus wrong)

- We do not permit personal conflicts of interests. We do not personally materially profit directly from our business activities, i.e., from doing our jobs or from things we do because of our position in the company (e.g., taking material gifts from vendors).
- We do not sexually harass anyone or link career success to personal favors or to relationships of any kind. Sexual harassment means unwelcome sexual advances, or language that creates an uncomfortable or hostile work environment.
- We do not discriminate against people on the basis of race, national origin, religion, gender, physical abilities, age, sexual orientation, marital status, political beliefs, or any other factor not related to job performance.

Integrity (earning trust)

- We meet all our commitments.
    - We don't make commitments we cannot meet.
    - When someone requests (or demands) something we cannot do, we explain that we cannot do it and offer feasible options (the "graceful no") rather than say yes and then fail.

Interpersonal Relations (how we work with others)

- We make every effort to understand another's point before we respond to it.
- We treat everyone with courtesy, respect, and dignity; and we listen to their views, regardless of their position, grade level, or seniority.
- We do not let disagreements fester, but resolve them quickly through honest discussions (within the bounds of human-resources policies and labor contracts).

Meetings (scheduled business events) *157 More*

- We ensure that our meetings are well managed and effective by contributing to the meeting process as well as content.
    - We call for a decision as soon as further discussion seems unproductive.
    - When a topic is not yet resolved and a new topic is raised, we consciously "park" one issue until the other is brought to closure or postponed (rather than talking about two issues at once, or letting one go unresolved).

Cooperation (one organization)

- We freely pass leads, referrals, and other valuable information to our peers.
- Once the appropriate stakeholders make a decision, we support their decision (even if we don't agree with it) through our attitudes, communications, and actions. *158 Ref*

Teamwork (project teams)

- When contracting with customers, we commit only our own groups. We don't make commitments for other groups.
    - We determine only our own prices and time-frames. If sub-contracts are required, we ask our internal suppliers for their prices and time-frames before we finalize ours.

Empowerment (matching authority to accountability)

- When we ask things of others:
    - We ask people for and measure deliverables (results), not tasks, processes, and effort.
        - » We base the magnitude and complexity of the deliverable on the degree of confidence people have earned. I.e., if we lack confidence in people's ability to do big projects, we empower them in smaller chunks rather than micro-manage them.
    - We provide all the resources, information, and decision authorities needed to deliver the agreed results.

Customer Focus (how to treat customers)

- We serve our customers; we do not control them.
    - We do not presume to know our customers' businesses better than they do. We do not do what we think is "best for the company" or "best for our customer's customers" (second-guessing and disempowering our customers).

Entrepreneurship (remaining competitive)

- We do whatever it takes to manage our business within a business, rather than just doing assigned tasks or keeping current resources busy.
- We continually improve our value to customers.
    - We choose the most economic means to deliver our products, whether it's "make" or "buy."

Contracts (making commitments)

- We form clear contracts with our customers and suppliers before we begin projects. Contracts define mutual accountabilities; they're not bureaucratic hurdles or legalistic protections.

Quality (how we fulfill commitments)

- We produce quality products, where "quality" is a measure of the goodness of design/delivery within customers' requirements (professional excellence), not price point (level of service or functionality).
    - In addition to all agreed deliverables, we proactively include qualities that must be present to make the intended uses of our products (i.e., "batteries *are* included").

Risk (who takes risks, how they're evaluated)

- We make informed decisions about risks, and do not shy away from taking judicious risks where the possibility of the potential benefits outweighs the possibility of the potential losses (i.e., positive expected value, adjusted for risk profile).
    - When making investment decisions, we evaluate all future outcomes (costs and benefits), but ignore past investments. (I.e., sunk costs are irrelevant.)
- We identify risks at the beginning of a project, and plan to mitigate both the odds of failures and the consequences of failures (risk planning).
- We evaluate people's decisions, not the outcomes. When people take judicious risks and do everything in their power to succeed, yet fail due to factors beyond their control (i.e., when good decisions result in bad outcomes), we do not treat the lack of results as a performance deficiency.

Feedback (measuring results, consequences)

- We provide feedback to one another (including to peers, subordinates, and supervisors) in a timely, constructive manner.
    - We don't let a single failure overshadow successes; i.e., let one failure affect the assessment of performance at other deliverables. (No "branding.")

Appendix 5:
Appropriate Roles of Committees

Many companies are rife with committees, often lacking clear charters.

At best, poorly chartered committees waste time and slow organizations down with unnecessary bureaucratic hurdles. At worst, they disempower those accountable for getting work done, blunt staff's entrepreneurial spirit, and create obstacles to innovation whereby everybody has to agree before anything gets done.

Rules on the Use of Committees

Why do we need so many committees? One oft-cited reason is to provide a forum to keep leaders informed. But, of course, you don't need committees (or even meetings) to disseminate information. It's far more efficient to simply send information out to affected parties whenever appropriate.

That suggests rule #1: Meetings should only be used for two-way communications, such as sharing and discussing information, or collaborating on shared decisions. And regularly scheduled meetings (as with committees) should only be used for two-way exchanges that must happen regularly.

Rule #2 is founded on the Golden Rule: Committees should never be given authorities. Members of a committee may pool their respective authorities over shared decisions. But vesting any authorities in a committee (other than the sum of its members' authorities) inevitably disempowers somebody. And committees should never make decisions that are within the authorities of individual leaders.

Rule #3 is closely related: Committees should not have "oversight" responsibilities. If a committee has oversight authority over a group, it disempowers that manager's manager. Controls should be exercised via

the legitimate authority of the management reporting hierarchy, not via a committee of peers usurping the authorities of a boss or creating unnecessary hurdles to getting work done. (See Stakeholders below for a different definition of oversight.)

Rule #4 is the most obvious and yet it's often ignored: Every committee should have a specific, well-defined and documented purpose. There should be no "steering committees" with vague charters that let them meddle in leaders' operational decisions.

When the same executives participate in multiple committees, it's all the more critical to precisely define the purpose of each. Conflicts of interests can arise. For example, for an internal service provider, an Advisory Board is supposed to help the organization succeed, while a Purser is a demanding customer. Even if the same people are on both committees, the committees' purposes (and their agendas) should never be mixed.

Types of Committees

In a Market Organization, there are a limited number of appropriate purposes for committees (Figure 46). (Some are only relevant to internal service providers, marked "[Internal]".) Following is more detail on each type of committee.

Advisory Board [Internal]

An internal "board of directors" helps a business within a business succeed.

Like any good corporate Board, they do not micro-manage the executive or engage in discussions of operational issues. Instead, they add value by coaching the executive on key strategic and leadership issues.

Unlike a corporate Board, this type of committee must not usurp the authority of the organization's supervisor (one up from the organiza-

tion's executive). In an empowered organization, bosses (and no one else) have the job of managing subordinate leaders. Nobody needs two bosses! This type of committee has no "oversight" authorities over the organization it serves.

Similarly, an Advisory Board has no decision authorities.

An internal Advisory Board should include people who can add value to the executive's thinking. It may include outside parties such as major customers, vendors, and trusted consultants. It does not need to represent all the internal service provider's customers.

Again unlike a corporate Board, it's there to serve (not manage) the executive. So, its composition and agenda should be controlled by the executive.

Stakeholders

The set of people who are impacted by a class of decisions, and hence share authority over those decisions (per the Golden Rule).

For example, a policy or standard may impinge on many people's work. That policy should be designed by the stakeholders; or at a minimum, they should have the authority to approve any such a policy. This ensures that one group cannot unilaterally issue edicts that constrain others' ability to do their jobs.

Another example of shared interests is where decisions about one product impact other products in a brand. Examples include product designs (where a "family resemblance" helps build the brand), pricing, marketing strategy, and advertising messages. In these situations, a product manager should be required to gain the consensus of all affected product managers before making such decisions.

We had a committee that decided policies, and variances from policies, in product pricing. We didn't want one product manager tipping the market and forcing price reductions in other product lines.

— Sergio Paiz, CEO, PDC

In operational functions, another example is "change control." Before anything new is introduced into a production environment, all those who could potentially be harmed by the change should share the authority to approve it.

When the organization sells a system of interconnected solutions, another example is interoperability. One business unit may wish to buy a solution (or make a change to an existing solution) that will harm others — in IT, for example, by fragmenting data or business processes, precluding others' access to needed data, costing others more (e.g., the increased costs of integrations due to standards variances), or actually causing other systems to fail (the "ripple" effect). Those other affected business units should have a say in that decision.

In each of these examples, one person's decision can have unintended consequences for others. Where such interdependencies are recurring, a Stakeholder committee represents those who might be affected; it gives them authorities over a specific class of decisions to protect themselves.

Stakeholder committees may not need to meet regularly. They may be convened on an as-needed basis.

When the selection of people varies based on the specific decision being discussed, a committee should not be formed. Instead, a Coordinator should be identified who then brings together the right people as needed. Product design standards (Chapter 23) are an example of this.

Purser [Internal]

In a Market Organization, an internal support function's budget is treated as prepaid revenues — a "checkbook" to buy the department's products and services in the year ahead. (See Chapter 11.)

A Purser committee owns all or part of that checkbook, and decides what checks to write. In other words, it sets priorities among the many competing requests coming from the customers it represents, and decides what to "buy" from the organization within the bounds of its checkbook.

A Purser committee's only job is to manage a specific checkbook. It does not have the power to control other "sales," e.g., when a business unit uses its own budget to buy additional things from the internal support department.

Any committees which do not own a checkbook may advise the Purser, and may filter requests before they're submitted to the Purser for approval, i.e., they can say no to projects. But lacking a checkbook, these other committees cannot approve projects (they cannot say yes). They are Stakeholders, not Pursers.

A Purser committee should fairly represent the people who benefit from its checkbook. The highest-level Purser should represent the enterprise as a whole — all the business units. If they divide the checkbook into sub-checkbooks (Figure 15), each checkbook needs its own Purser committee representing specific subsets of the client community.

The internal supplier itself should not be a voting member because, in the spirit of building great relations with its customers, it should not judge customers' requests or become an obstacle to them.

Consortium [Internal]

Sometimes, multiple business units share an asset or service by forming a Consortium that acts as a single customer to an internal service provider. (In IT, for example, a number of business units share ownership of the ERP system.)

Since the members of a Consortium share a single thing (an asset or a service), they must speak with one voice as a single customer. They share decision making, costs, and ownership of the results.

A Consortium is distinct from the market as a whole. "Off-the-shelf" products and services are made available to any and all who wish to buy them. They're not customized to satisfy requirements defined by specific customers or Consortia. Instead, they're designed to satisfy the bulk of the market as a whole (Chapter 17). The market as a whole is not a Consortium; each customer buys independently.

Again using IT as a familiar example, the entire company buys the email service; but they don't all have to agree on what they buy. IT decides what to offer (hopefully with input from customers); then, customers independently subscribe to the service. This is not a consortium situation.

A Consortium is a customer to an internal service provider. That supplier is not a member of the Consortium committee (although it may facilitate it).

User Group

User Groups comprise people who use specific products or services.

A User Group is distinct from a Consortium in that each member of the user group can (or, more likely, did) purchase the products or services

independently. They do not share a single contract with the supplier organization (as does a Consortium).

User Groups meet to exchange information that will help them get value from the organization's products or services. Membership is generally voluntary and open to all who are interested.

The internal supplier organization is not a member of its User Group; it just facilitates it (a marketing service).

User Groups have no authority over the supplier.

User Groups may also serve as Focus Groups (below), giving the organization feedback.

Focus Group

A Focus Group (a.k.a., advisory panel) represents an internal service provider's market (current and potential customers), and shares with the organization its values, opinions, decisions, and ideas, for example, to guide research and product-development activities.

Focus Groups meet at the request of the organization, not necessarily regularly, and answer questions provided by the organization. They do not make decisions, and have no authority over the organization.

Technically, a Focus Group is not a committee since it should be constituted only when needed, and just the right people should be invited based on the questions at hand. It's mentioned here because some organizations use committees in this way.

Facilitation of Focus Groups is a market research service.

Professional Community

A Professional Community includes the members of a common profession, regardless of where in the enterprise they report. They meet regularly to exchange their experiences, share research findings, agree on standards and policies, and further the interests of their profession.

If a function is decentralized, connecting the members of a Professional Community is particularly important since their opportunities for collaboration may otherwise be limited. This is a weak patch for one of the many costs of decentralization.

Membership is generally voluntary and open to all who are interested.

Appendix 6: Sales Opportunity Discovery Method

This Appendix expands on Chapter 15 with the details of the Sales opportunity discovery method. *159 Ref*

This Appendix is not a tutorial on selling. Rather, it describes a business-driven *method* to help customers discover high-payoff opportunities for use of your products and services, a method which exemplifies the educational, counselor, or "challenger" sale. *160 Ref*

This method is used to define a project (a sale) — i.e., requirements which are directly linked to a customer's business imperatives. It's used with specific customers (individuals). Its purpose is to discover a specific high-payoff opportunity for the organization's products and services.

It can be used by both external-facing sales forces and Business Relationship Managers within internal support functions such as IT. Indeed, it epitomizes the value of a Sales function within internal service providers.

This method is applicable to organizations which offer multiple or custom products/services, and which interact with customers during the sales process. (Vendors of off-the-shelf products/services that are sold via channels such as the internet benefit from relationship selling, i.e., finding ways to enhance customer loyalty. But they typically don't have the opportunity to use counselor-selling methods such as this.)

In this Appendix, we continue the dialog in Chapter 15 with Julio, the head of Sales. Julio uses *IT as an example,* although the method is equally applicable to any internal service provider as well as any companies that sell multiple products and services or custom solutions to external customers.

Start with Business

Speaking about IT:

> "Julio, what does an IT opportunity look like?" I asked. "Are you looking for business processes to automate?"
>
> "IT can do a lot more than just automate routine business processes," he replied. "We're not going to go in and start mapping processes, not until we know that is what's most relevant."

"So, what's the starting point?" I asked. "Does the sales process begin with the customer requesting a particular product?"

Julio laughed. "Sometimes customers have a specific product in mind. And if they insist, we give them what they want without further discussion.

"But we always try to get them to start with their business needs, so that we have a chance to discover which products will add the most value to their businesses. We say something like, 'Of course we can give you that. But we'll do a much better job of serving you if we understand how that solution will contribute to your business.' We try to seduce them into our opportunity-discovery process."

Not a Matter of Analysis

"Okay," I said, "then let's talk about your opportunity discovery process. Do you gather data and analyze customers' needs?"

"No, it's not an analysis process. It is a collaborative exploration. They know their businesses; and we know our products and services, and how they can contribute to customers' businesses. Discoveries come from combining our two different perspectives."

"Do you just sit and brainstorm?" I asked.

"Oh, no," Julio exclaimed. "We've studied a *method* of opportunity discovery. It's a semi-structured interview technique."

Customer's Deliverables

"Okay, walk me through a typical customer interview," I requested.

"Sure." Julio said. "We start by ensuring that we understand what they do. Usually, this confirms what we already know. But sometimes, there are surprises.

"Then, we ask them, 'What do you owe your boss this year?'

"They'll say, 'A, B, and C.' Then we'll ask, 'If you deliver A, B, and C, and nothing else, would you call it a successful year?' We keep probing until we fully understand everything significant that's on their plate — their *deliverables*."

"People love to talk about themselves," I observed. "This sounds like a good way to start."

"You're right," Julio said, "it engages them. And sometimes just talking to us gives them a perspective on their priorities."

"So, what do you do with their list of deliverables?" I asked.

"We ask them which one of those challenges they want to talk about today. Which is most urgent? Which is most strategic? Which is at the top of their boss' priority list?"

"That makes sense," I said. "If you can help them with that, you've got their attention!"

"Correct." Julio agreed. "What we're looking for is a concept that our customer is willing to fight for — something critical to their success."

Drilling Down to Critical Success Factors

"Okay, what's next?" I asked.

"Next, we drill down on that one deliverable. For just that one, we ask them what the key challenges are. We're listening for their *critical success factors* (CSFs) — their hurdles, and the few things they need to accomplish to succeed at that deliverable." *161 Ref*

"I imagine they get some value out of that, too," I noted.

"Often they do. It helps them focus on their most important issues."

Julio went on describing the interview process. "Then, we ask them to pick just one of those critical success factors, the one that they'd most like help with. We ask them which one is really keeping them up at night. And we drill down on just that one."

Drilling Down to Critical Capabilities

"At this point," I summarized, "we're looking at just one of their most strategic deliverables; and within that, the one hurdle that concerns them the most. So far, you haven't talked about any solutions, right?"

"That's absolutely right!" Julio confirmed. "But we're halfway there."

"I'm waiting to see how long an IT guy can hold on before bringing technology into the discussion," I joked.

Julio laughed with me, then continued. "The next step is to drill down on that one CSF they picked, to the *critical capabilities* they need. These are things they need to be good at, hopefully related to our products and services — in IT, we call them information success factors (ISFs). *162 Ref*

"We ask them, 'What's so tough about that? What do you have to be good at to achieve that critical success factor?'

"We'll hear things like generating creative ideas. Or analyzing alternatives and making decisions in the face of uncertainty. Or teams collaborating across geographies. Or getting diverse people to come to agreement. Or selling others. Or winning negotiations. Or designing complex solutions. You get the idea?"

"I do," I said. "Critical capabilities are the things that customers need to be good at which your products can help with. And I bet you're going to tell me that you pick just one of those and drill down again."

Brainstorming Opportunities

"You've got it!" Julio exclaimed. "Now, finally, we'll bring our products and services into the discussion. Looking at just one critical capability, we brainstorm solutions that might help.

"For example, if their critical capability is team collaboration, we might envision telepresence and collaborative tools. Or if they're having trouble agreeing, maybe access to common data will bring them to the same conclusion. Or maybe some sort of shared decision model.

"If the issue is the efficiency or reliability of routine business processes, *only then* do we get into business-process and value-stream mapping."

Results

"What we end up with," Julio summarized, "is a clear logical path from their business deliverable,

to one of their critical success factors,

to a critical capability,

to the definition of a specific solution."

"At that point," I said, "you've got the sale!"

"And," Julio said, "we know we're adding the most value to their business."

Appendix 7:
The Business of Information Security

Many executives consider information security a *control* function. This Appendix shows how it can be far more effective when reconstrued as a *service* function. This concept can be applied to any compliance function (e.g., regulatory compliance and policy compliance).

The traditional approach to information security is to appoint a Chief Information Security Officer (CISO) *with accountability for the organization's security*.

As per the Golden Rule, such a traditional CISO must demand the authorities needed to fulfill that accountability. The function must have the power to issue edicts, decide controls, and audit compliance.

The alternative suggested here is to hold *everybody* accountable for their own behaviors — including their information security.

Everybody should be held accountable for their own behaviors, including their information security.

This alternative approach changes the role of Information Security from a control function to a *services* business that helps others with their accountabilities.

This Appendix is an elaboration of Chapter 21, a discussion with Johan, the Chief Information Security Officer (CISO). He describes the catalog of services of an Information Security function, and why focusing on services works better than a traditional control-oriented approach: *163 Ref*

Johan explained his service catalog as follows:

Strategy: "We coordinate the security strategy, in collaboration with all the stakeholders. In it, we look at all our assets, their vulnerabilities, and the threats we're facing. This gives us a big-picture view of our risks. Based on that, we propose risk-mitigating initiatives."

Why the services approach is more effective: "Now, when we facilitate an update of our security strategy, everyone participates. And when I take our plans to the Board, my peers know I'm trying to get support for *their* initiatives, not mine — to help them achieve their objectives. So, we come up with much better plans."

Funding: "I present the strategy to executives and the Board. But this isn't a sales pitch for my benefit. It's an advisory service to help the Board make their security investment decisions.

"We help them determine their risk tolerance (how much risk they're willing to accept) and their risk acceptance (how much of that target they can afford at this time, given the costs of security initiatives). We help the Board manage the security portfolio, directing investments to the most significant risks. This gets us funding for the initiatives that are in the strategy."

Why the services approach is more effective: "Now, we're getting real traction on defining the Board's target risk level. Helping them decide (rather than me making the decisions and then pitching the Board) resulted in a big increase in funding for security initiatives.

"But there's never enough money for everything, so sometimes they accept some risks because they can't spend more on security initiatives. At least they're talking to us in concrete terms, not leaving it vague and then later pinning the blame on Carlton and me when things go wrong."

Policies: "We coordinate the development of security policies, and we build awareness to encourage compliance. Some people call this 'governance, risk, and compliance' (GRC); but remember, we're not in the business of governing or policing compliance."

Why the services approach is more effective: "Now, when we need new policies, we don't issue edicts. We engage stakeholders and drive for consensus. Since my peers are involved in deciding the policies, the policies are better written and people understand them far better. And because they were involved, stakeholders are more willing to comply.

"Of course, once a policy is established, we're in the business of building awareness and helping people comply, so that helps too."

Monitoring: "We sell a monitoring service to identify potential incursions. That's our Security Operations Center. It's a service we provide to Operations, which is accountable for delivering safe services. We analyze their log data and notify them of potential incursions."

Why the services approach is more effective: "Understanding that Operations is our customer has greatly improved our working relationship. There's no confusion about accountabilities or boundaries — what they monitor versus what we monitor. And we even share some tools that help us both."

Incident-containment coordination: "When there's an incident, we coordinate containment — like taking a specific server off-line. Really, that's Operations' decision, since they're accountable for service delivery. But they've preauthorized us to act quickly on their behalf if there's any chance of material damages."

Why the services approach is more effective: "When there's an incident, it's not my group alone trying to contain it. It's everybody's top priority. So, we're much quicker at containing threats, which reduces damages."

Recovery analysis: "After an incident is contained, we contribute to the recovery process."

Why the services approach is more effective: "After containment, in the recovery process, accountabilities are clear. The Business Continuity Coordinator coordinates the recovery. Operations and Engineering

know how to get the infrastructure back on-line, restore data, and so forth. Information Security provides the identification of the malware and analysis of the damages it caused (including data losses).

"It's a comprehensive and coordinated effort. We're not missing anything or stepping on one another's toes."

Preventative-actions identification: "Once we've recovered, we help asset owners (like Operations which owns infrastructure and customers who own solutions) to define initiatives that will protect them from that kind of threat in the future."

Why the services approach is more effective: "When we recommend preventative actions, we get lots of cooperation now (where we used to be a low priority). Everyone knows we're just trying to help them stay safe. Our recommendations are much more likely to be implemented."

Vulnerability assessments: "We sell vulnerability assessments, both at the enterprisewide level and of specific assets (like applications), so that asset owners know their risks. One form of that is penetration testing (including ethical hacking).

"These assessments generate ideas for projects to harden us against threats. Sometimes it's as simple as applying a patch or making a configuration change. But in some cases, it requires more; and the assessments help to justify those investments.

"Oh, and we also assess requests for data and system access rights. The final decision is up to the asset owners; and they're fully accountable for their decisions about the use of their assets. But we inform them of potential trouble, like giving an employee who already can issue checks the right to register new vendors."

Why the services approach is more effective: "Now, when we do vulnerability assessments, people are supportive. They know we're not out to get in their way or get them in trouble; we turn the findings over to them so that they can implement risk-mitigation technologies and processes.

"So, with their cooperation, we're better at finding our vulnerabilities. And since the asset owners are accountable for the mitigation projects, things get done. We just help by coordinating the security initiatives in the enterprise risk registry."

Vendor assessments: "We help others assess proposed vendors and vendor contracts for risks."

Why the services approach is more effective: "People voluntarily reach out to us for help assessing their vendors' products and contracts. And they engage us much earlier in the design cycle. Nowadays, we don't have to force our way in at the last minute and then get blamed for holding up projects."

Design advice: "We help engineers design security into their products, including recommendations for defenses and controls."

Why the services approach is more effective: "Engineers voluntarily bring us into their projects early on. We're a subcontractor to them. They see us as helping them produce quality solutions, not a hurdle that slows them down."

Threat alerts: "Our job is to stay up-to-the-minute on new threats, and to keep the relevant people informed about emerging threats and what they can do to protect themselves."

Why the services approach is more effective: "It's not me alone trying to defend the company. Now, my peers appreciate our notifications and they're much more likely to take action."

Awareness: "More broadly, we keep company executives and the Board informed of material threats, the status of our defenses and readiness, and security strategies."

Why the services approach is more effective: "Now, when we inform executives and the Board about the status of our security posture, it's not like I'm tattling on my peers. We're helping decision-makers assess

their own performance and the state of their investments. It's a more constructive dialog."

Training: "We offer training (including ethical phishing), notifications of urgent needs, and various awareness-building initiatives."

Why the services approach is more effective: "Now that they know they're accountable, people take our training and communications more seriously, and they're more careful.

"I remember one time, before the transformation, we sent a phishing email to everybody in the company, and if they clicked on the link, it took them to a page we'd set up that scolded them (and logged the response). Well, more than half the IT staff fell for it! And even more on the business side. What a disaster, and an embarrassment for IT! Now, very few people click the link. We're much safer."

Audit coordination: "When external auditors come in to judge our security posture, like for PCI DSS compliance, we're the point of contact. And we coordinate the whole company's response to the auditors."

Why the services approach is more effective: "Everybody knows that they're accountable (not me) for answering auditors' questions about their domains. We're just a coordination service. So, they're not defensive around us. I think they appreciate our help coordinating the process and our advice on their responses."

ENDNOTES

1. *[page xii]* Five organizational systems define the ecosystem within which we work, and determine the character and performance of organizations. See Figure 32.

2. *[page xiii]* See Chapter 7 for principles of structure.

3. *[page xiv]* See Chapter 10 on investment-based budgeting.

4. *[page xv]* See Chapter 11 on demand management (priority setting).

5. *[page xvi]* See Chapter 27 on how to implement a principle-based organizational structure.

6. *[page 6]* Sinek, Simon. *Start With Why: how great leaders inspire everyone to take action.* New York, NY: Penguin Group. 2009.

7. *[page 8]* www.warhistoryonline.com/napoleon/jena-auerstadt-greatest-defeat-prussian-military-history-courtesy-napoleon.html
   Also: en.m.wikipedia.org/wiki/
   Battle_of_Jena%E2%80%93Auerstedt

8. *[page 9]* Drucker, Peter F. *The New Realities*. New York, NY: Harper & Row. 1989. Page 227.
   Full quote: "Not to innovate is the single largest reason for the decline of existing organizations. Not to know how to manage is the single largest reason for the failure of new ventures."

9. *[page 12]* Covey, Stephen R. *The 7 Habits of Highly Effective People*. New York, NY: Fireside. 1990. Page 95.

10. *[page 13]* Forrester, Jay W. "A New Corporate Design." *Industrial Management Review*. Boston, MA: MIT Sloan School of Management. Volume 7, number 1. Fall, 1965. Page 5.

11. *[page 14]* Block, Peter. *The Empowered Manager: positive political skills at work.* San Francisco, CA: Jossey-Bass. 1987. Page 107.

12. *[page 16]* The organizational challenges of an IT department are much the same as those of companies as a whole. In fact, IT is as complex as many entire companies. IT produces custom products, commodities, and ongoing services. IT has to contend with

competition (decentralization and outsourcing). IT organizations include:

- Sales (albeit internal) and Marketing (an education mission)
- Many layers of Engineering, with complex architectural issues
- Manufacturing, with plants and equipment
- Customer service
- All the usual business support functions

13. *[page 24]* This case example came from Derek Weber, President, goBRANDgo!.

14. *[page 28]* The misguided maxim, "structure follows strategy," was most clearly stated by: Chandler, Alfred D. *Strategy and Structure*. Cambridge, MA: The MIT Press. 1962.

15. *[page 28]* The acronym "VUCA" was coined by: Thurman, Maxwell P. "Strategic Leadership." Presentation to the Strategic Leadership Conference, US Army War College, Carlisle Barracks, PA. February 11, 1991.

16. *[page 29]* Teece, David J.; Gary Pisano; and Amy Shuen. "Dynamic capabilities and strategic management." *Strategic Management Journal*. Volume 18, Number 7. August, 1997. Pages 509-533.

17. *[page 32]* Sergio Paiz, CEO of PDC (a Guatemala-based multi-national company) has implemented much of this vision.

    Source: Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size*. Danbury, CT: NDMA Publishing. 2017. Page xiii.

18. *[page 34]* Meyer, N. Dean. *An Introduction to the Business-Within-a-Business Paradigm*. Danbury, CT: NDMA Publishing. 2002.

    Prior thought leadership envisioned groups as for-profit businesses:

    von Mises, Ludwig Heinrich Edler. *Bureaucracy*. New Haven, CT: Yale University Press. 1944. Page 33.

    Forrester, Jay W. "A New Corporate Design." *Industrial Management Review*. Boston, MA: Sloan School of Management, MIT. Volume 7, number 1. Fall, 1965. Page 5.

    Pinchot, Gifford. *Intrapreneuring*. New York, NY: Harper & Row. 1985.

    Halal, William E.; and Ali Geranmayeh; John Pourdehnad.

Internal Markets: bringing the power of free enterprise inside your organization. John Wiley & Sons, Inc. 1993.

19. *[page 35]* Dylan, Bob. "Gotta Serve Somebody." From *Slow Train Coming*. Columbia. 1979.

20. *[page 36]* von Mises, Ludwig Heinrich Edler. *Bureaucracy*. New Haven, CT: Yale University Press. 1944. Page 36.

21. *[page 38]* Peters, Thomas J. *The Excellence Dividend*. New York, NY: Vintage Books. 2018. Page 298.

22. *[page 39]* Peters, Thomas J. *Thriving on Chaos*. New York, NY: Alfred A. Knopf, Inc. 1987. Page 286.

23. *[page 41]* Jaques, Elliott. *Requisite Organization*. Arlington, VA: Cason Hall & Co. 1998.

24. *[page 42]* Senge, Peter M. "The Leader's New Work: Building Learning Organizations." *Sloan Management Review*. Boston, MA: MIT Sloan School of Management. Fall, 1990. Page 7.

25. *[page 43]* Drucker, Peter F. *Innovation and Entrepreneurship*. New York, NY: Harper & Row. 1985.

26. *[page 44]* Kanter, Rosabeth Moss. *When Giants Learn to Dance*. New York, NY: Touchstone. 1989. Page 52.

27. *[page 45]* Canetti, Elias. *Auto-da-Fé*. New York, NY: Farrar, Straus and Giroux. 1935, 1946 in English. Part III, Chapter 2.

28. *[page 46]* The limitations of top-down command-and-control are very well articulated in: McChrystal, Stanley. *Team of Teams*. New York, NY: Penguin Publishing Group. 2015. Part 1.

29. *[page 47]* Stanley McChrystal illustrates the importance of empowerment with a description of how British Admiral Horatio Nelson defeated Napoleon's superior Franco-Spanish fleet in 1805.

    Traditionally, naval battles were fought with the opposing forces in two straight lines, ships positioned sideways to permit cannon fire. Ship captains weren't told the overall plan, and were instructed to await and follow orders. Commands were communicated via flags from ship to ship, often difficult to see amidst the smoke of battle.

    Nelson used a very different tactic. He sailed his warships directly

at Napoleon's forces and decimated them as his ships punched through the line.

This tactic wasn't new. McChrystal explained, "…his unique innovation lay in his managerial style and the culture he had cultivated among his forces." Instead of top-down command-and-control, Nelson shared information (including the strategy) openly with his captains, and then empowered them to act on their own initiative.

McChrystal concluded, "At the heart of his success was patient, yet relentless, nurturing of competence and adaptability within his crews…. Nelson's real genius lay not in the clever maneuver for which he is remembered, but in the years of innovative management and leadership that preceded it."

Source: McChrystal, Stanley. *Team of Teams*. New York, NY: Penguin Publishing Group. 2015. Pages 28-31.

30. *[page 47]* Quote from speech at the 2016 Democratic Convention.

31. *[page 48]* King, Martin Luther. "Letter From a Birmingham Jail." April 16, 1963.

32. *[page 48]* DePree, Max. *Leadership Jazz*. New York, NY: Doubleday. 1992. Page 221.

33. *[page 49]* Stack, Jack; and Bo Burlingham. *The Great Game of Business: the only sensible way to run a company*. New York, NY: Crown Business. 2013. Page 3.

34. *[page 49]* Statement made before Normandy invasion, June, 1944.
Source: Wallace, Brinton G. *Patton and his Third Army*. Harrisburg, PA: Military Service Publishing Co. 1946. Page 357.

35. *[page 52]* Ackoff, Russell L. *Ackoff's Fables: irreverent reflections on business and bureaucracy*. New York, NY: John Wiley & Sons. 1991. Page 131.

36. *[page 53]* Further explanation of the relationship of an empowered, entrepreneurial operating model, Covid-19, and work-from-home is in this quote from Sergio Paiz, CEO of PDC:

"When Covid-19 hit, getting into work-from-home was seamless. Everybody had a clear understanding of their accountabilities, and we were already managing by results (not tasks and effort).

"We don't measure hours of work, or the time when people decide to work (with obvious exceptions). We even stopped measuring vacation days (for the leadership team) a couple of years earlier. People are empowered to decide for themselves when to take a vacation and for how long. This really made our leaders feel that they are true entrepreneurs, owners of their time, and thus 100 percent responsible for their results.

"In many ways, work-from-home has been as effective as (or, I could even argue, more effective than) office work. Our business results and operational efficiencies are up. And people are working better as a team, independent of their locations. (Before, staff in our headquarters location had an advantage.)

"Frankly, I feel we have ridded ourselves of all geographical barriers to growth."

37. *[page 53]* Sinek, Simon. *Start with Why*. New York, NY: Penguin Group. 2009. Page 7.

38. *[page 56]* Two good sources of personal-effectiveness practices consistent with the Market Organization are:
Covey, Stephen R. *The 7 Habits of Highly Effective People*. New York, NY: Fireside. 1990.
Dalio, Ray. *Principles*. New York, NY: Simon & Schuster. 2017.

39. *[page 62]* Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size*. Danbury, CT: NDMA Publishing. 2017.

40. *[page 63]* In addition to structure, the internal economy must be designed to give every group an appropriate amount of time and money for innovation.

41. *[page 65]* Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. London: J. M. Dent & Sons Ltd. 1776.

42. *[page 65]* The phrase "jack of all trades and master of none" is attributed to: Greene, Robert. "Greene's Groats-Worth of Witte, bought with a million of Repentance." 1592.
Ironically, Greene was disparaging actor-turned-playwright William Shakespeare, in this first published mention of Shakespeare.

43. *[page 72]* Porter, Michael E. *Competitive Advantage: creating and sustaining superior performance.* New York, NY: The Free Press. 1985. Page 17.

44. *[page 73]* Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size.* Danbury, CT: NDMA Publishing. 2017. Part 3.

45. *[page 73]* Gino Wickman's "EOS" (Entrepreneurial Operating System) teaches small firms ($2-20 million) basic business practices, like a rhythm of meetings. However, its "Accountability Matrix" approach to structure is not based on principles, and diverges from the Market Organization in some fundamental ways:

    - Jobs are defined by the "roles" they play (a mixture of functions and tasks), not as businesses.
    - Its simplistic framework of functions — only sales/marketing, operations, and finance — buries strategic functions like engineering under operations, and IT and HR under Finance.
    - It casts the top executive as the "Integrator" who is the sole owner of a P&L, since subordinates are not viewed as empowered entrepreneurs.
    - The top executive personally does cross-boundary linking in lieu of walk-throughs (not scalable) and in lieu of Coordinators (professions in their own right).
    - Vision comes from the "Owner," from the top down, rather than from everybody.

    The "E" in EOS means it's intended for entrepreneurs running very small businesses. But in many ways, it's the opposite of the "everybody is an entrepreneur" ethos of a Market Organization.

    Source: Wickman, Gino. *Traction: get a grip on your business.* Dallas, TX: BenBella Books. 2011. Chapter 4.

46. *[page 74]* Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size.* Danbury, CT: NDMA Publishing. 2017. Chapter 28.

47. *[page 74]* Stack, Jack; and Bo Burlingham. *The Great Game of Business: the only sensible way to run a company.* New York, NY: Crown Business. 2013. Page 43.

48. *[page 75]* Stack, Jack; and Bo Burlingham. *The Great Game of Business: the only sensible way to run a company*. New York, NY: Crown Business. 2013. Page 47.

49. *[page 76]* Peters, Thomas J. *The Excellence Dividend*. New York, NY: Vintage Books. 2018. Page 14.

50. *[page 79]* von Mises, Ludwig Heinrich Edler. *Human Action: a treatise on economics*. New Haven, CT: Yale University Press. 1949. Page 194.

51. *[page 79]* McChrystal, Stanley. *Team of Teams*. New York, NY: Penguin Publishing Group. 2015. Chapter 6.

    McChrystal describes teams of specialists, each of which delivers component results, plus an overarching "team of teams" with a shared purpose: the mission. We would call it a 'team of groups,' where the groups are internal lines of business that provide their products and services to project teams, as laid out in walk-throughs.

    McChrystal points out that prime contractors must do more than parcel out subcontracts. They also must create a shared sense of purpose, open sharing of information, and a team spirit that transcends specific deliverables — what McChrystal calls "shared consciousness." He offers great advice on how the prime contractor can pull together all the subcontractors into a cohesive team.

52. *[page 82]* Tapscott, Don; and Art Caston. *Paradigm Shift: the new promise of information technology*. New York, NY: McGraw-Hill. 1993. Page 33.

53. *[page 83]* Meyer, N. Dean. *Internal Market Economics: practical resource-governance processes based on principles we all believe in*. Danbury, CT: NDMA Publishing. 2013.

    Original introduction to concepts: Meyer, N. Dean. *RoadMap: how to understand, diagnose, and fix your organization*. Danbury, CT: NDMA Publishing. 1997. Chapter 12.

54. *[page 83]* Samuelson, Paul A. *Economics*. New York, NY: McGraw-Hill Book Company. 1973. Page 3.

55. *[page 87]* The phrase "follow the money" was popularized by the 1976 docudrama, "All the President's Men." Screenwriter William Goldman attributed it to informant "Deep Throat" who helped

reveal Nixon's Watergate scandal. In this use, no corruption is implied.

56. *[page 90]* A cost model assigns all indirect costs to the appropriate products and services. There were significant inaccuracies in activity-based costing (ABC). And the objective in a Market Organization is to calculate the cost of deliverables, not activities. Furthermore, ABC didn't treat support functions as businesses, just as 'cost pools' (discouraging entrepreneurship).

    A modern service-based costing model treats support functions as businesses that sell their services to other groups, or to the enterprise as a whole. One problem these internal sales create is that, in real life, there's massive circularity — A sells to B, who sells to C, who sells to A. In most organizations, there are hundreds of real-world circles. A modern cost-modeling tool manages that.

    Source: Meyer, N. Dean. *Internal Market Economics: practical resource-governance processes based on principles we all believe in.* Danbury, CT: NDMA Publishing. 2013. Appendix 4.

57. *[page 91]* Rows in an investment-based budget can include pools of hours for repairs and ongoing enhancements to existing products, consistent with the SAFe-Agile notion of "product owners" (who are actually suppliers, not asset-owners) and resources dedicated to continually refining existing products. Investment-based budgeting empowers leaders to constrain these pools and redirect resources to more strategic, higher-return projects (other rows).

58. *[page 91]* With investment-based budgeting, CEOs and CFOs get much better insights into the benefits of budgets because internal customers defend the projects and services they want to buy. Shared-service suppliers just defend investments in their businesses, like infrastructure and innovation. With the people in the best position to know explaining the value, or explaining the business impacts of cuts, executives can make better budget decisions.

59. *[page 94]* The best kind of cost benchmarks are fully burdened rates (unit costs). They answer the question, "Like for like, can we buy it cheaper than it costs us to make it?"

    Benchmarking of rates is far more accurate than high-level cost towers, or percentages of revenues. Consider this: What if your

costs are higher than your peers in your industry? Is that because you're inefficient? Or is it because your strategy or the nature of your business forces you to pay more (such as higher telecommunications costs because you've chosen to globalize your workforce)? Or could it be because you're making more extensive use of a service to gain strategic advantages (such as those at the leading edge of digital business who spend more than peers on IT)?

With high-level industry comparisons of spending, there's no way to know whether spending more than peers is bad or good.

60. *[page 95]* Meyer, N. Dean. *Downsizing Without Destroying: how to trim what your organization does rather than destroy its ability to do anything at all*. Danbury, CT: NDMA Publishing. 2008.

61. *[page 96]* If you don't do cross-departmental chargebacks, the indirect costs of the services that groups receive from other departments, and of enterprise services and overhead, are in other departments' budgets (checkbooks/revenues). Hence, they're not in the receiving department's cost structure or rates (even if the receiving department has some control over them as a purser). For the purpose of benchmarking, to be fair, you have to include them.

    These costs are visible in other departments' investment-based budgets. (Consider just indirect costs, not subcontracts which are direct and generally do not go into the prime's rates.) In another run of the cost model specifically to calculate rates for benchmarking, they're factored in as external costs (like vendors).

62. *[page 102]* More on the use of contractors when revenues over and above the budget are provided for additional deliverables:

    By pricing at full cost, including management overhead (not just the marginal cost of contractors), incremental jobs don't take resources away from deliverables funded by the budget. The management overhead built into the rates can be used to hire some extra contractor-hours to off-load staff so that employees have time to manage the contractors.

    Note that the contractors acquired with fee-for-service funding don't have to be used on that incremental project. It's good practice to use contractors to off-load employees of more routine work, so that employees can do the more innovative projects.

63. *[page 103]* Corporate-good services are sold to the enterprise as a whole (i.e., to the Board). They include things like enterprise policy facilitation, "consumer reports" type studies, and contributions to economic-commons like the enterprise's reputation and safety (such as many aspects of security).

    The costs of corporate-good services should not be imbedded in the rates for other services. Doing so would make internal service providers inappropriately appear less competitive. And business units should not pay for corporate-good services other than via the profits they remit to the enterprise.

    Corporate-good services are distinct from mass-market services which are sold to all (or many of) the business units. Mass-market services have commercial value to each customer. Examples include IT's network, and HR's compensation administration.

64. *[page 108]* Internal contracts are firm commitments made by specific customers and specific internal suppliers for specific deliverables. They document at least the following:
    - The name of the customer.
    - The name of the supplier.
    - The title of the contract, such as the name of the project.
    - The product or service to be delivered, drawn verbatim from the supplier's catalog.
    - The start date (a solid commitment, not a "target" or "priority"). Prior to confirming this date, the document is a "proposal," not a "contract."
    - An estimate of the elapsed time from the start date.
    - The price, and the terms of payment (e.g., direct budget or fee-for-service), renewal, and termination.
    - The customer's accountabilities (e.g., "We can only meet this commitment if the customer does this…").
    - Any risks and assumptions about other dependencies outside of the control of the customer and the supplier (e.g., "We can only meet this commitment if the company does this…").
    - A minimum of necessary administrative information.

65. *[page 112]* Meyer, N. Dean. *Meyer's Rules of Order: how to hold highly productive business meetings*. Danbury, CT: NDMA Publishing. 2001.

66. *[page 113]* Schein, Edgar H. *Organizational Culture and Leadership*. San Francisco, CA: Jossey-Bass Publishers. 1986. Page 33.

    The better-known saying, "Culture eats strategy for breakfast," came much later, from an unknown source. It was used (but not cited) by The Giga Information Group in March, 2000, and has been credited to Peter Drucker (without evidence).

67. *[page 114]* Edgar Schein defined organizational culture as the "basic assumptions and beliefs that are shared by members of an organization." These, he said, drive both behaviors (artifacts) and values. Changing either values or behaviors impacts these underlying assumptions and beliefs, which explains why each drives the other.

    Source: Schein, Edgar H. *Organizational Culture and Leadership*. San Francisco, CA: Jossey-Bass Publishers. 1986. Page 6.

68. *[page 116]* Ben Horowitz points out that bushido, the code of the samurai who ruled Japan for 700 years, defined principles as "virtues" rather than "values." As he said, "…virtues are what you do, while values are merely what you believe."

    Source: Horowitz, Ben. *What You Do Is Who You Are: how to create your business culture*. New York, NY: HarperCollins. 2019. Page 13.

69. *[page 118]* This unexpected benefit of a behavior-based culture came from Jim Hatch, then CIO of Case Tractor.

70. *[page 120]* These case examples of metrics that misfired came from Gerald Pogue.

71. *[page 121]* Stack, Jack; and Bo Burlingham. *The Great Game of Business: the only sensible way to run a company*. New York, NY: Crown Business. 2013.

72. *[page 122]* This case example of metrics that misfired came from Gerald Pogue.

73. *[page 123]* Huang, Szu-chi; Stephanie C. Lin; and Ying Zhang. "When Individual Goal Pursuit Turns Competitive: how we sabotage and coast." American Psychological Association: *Journal of Personality and Social Psychology*. Volume 117, number 3. 2019. Pages 605-620.

74. *[page 123]* "Objectives and key results" (OKRs) was coined by Andy Grove at Intel, based on management by objectives (MBO) proposed by Peter Drucker and later popularized by John Doerr.

    Source: Grove, Andrew S. *High Output Management*. New York, NY: Random House. 1983. Pages 110-114.

    Source: Drucker, Peter F. *The Practice of Management*. New York, NY: Harper & Row. 1954. Chapter 11.

75. *[page 129]* Senge, Peter M. *The Fifth Discipline*. New York, NY: Doubleday. 2006. Page 269.

76. *[page 130]* Clear, James. *Atomic Habits*. New York, NY: Avery. 2018. Page 24.

77. *[page 141]* Sayles, Leonard R. "Matrix Management: The Structure with a Future." *Organizational Dynamics,* Autumn, 1976. Pages 2-17.

78. *[page 145]* This reflects the way any innovation penetrates a market.

    Source: Rogers, Everett M. *Diffusion of Innovations*. New York, NY: The Free Press. 1962.

79. *[page 145]* "Rien ne réussit comme le succês…."
    Janin, M. Jules. "Le Chemin De Traverse." 1836.
    Accredited to Janin in a review by Auguste Bussiére in: *Revue des Deux Mondes*. January, 1837. Page 116.

    Later popularized by: Dumas, Alexander. *AngePitou* (also known as *Storming the Bastille* or *Six Years Later*). 1854.

80. *[page 147]* A Chief Data Officer (CDO) is primarily a Function Sales consultant (Chapter 15). This is not a technology-related job. It's expertise (bottom of the T) is *data science* — extracting meaning from data based on in-depth expertise in the linkage between business questions/decisions and data.

    The Chief Data Officer role includes:

    - Helping Account Representatives (Business Relationship Managers) with opportunity discovery, translating business questions into data requirements.
    - Helping extract meaning from data by analyzing data to answer customers' questions or guide decisions. This includes data harmonization which melds data from different sources to provide deeper insights.

- Helping the Data Warehouse Operations leader with their business strategies, include market requirements for data.
- Advising applications developers and ad-hoc reporting service providers on report design.

Other lines of business essential to utilizing data as a strategic asset, but distinct from the profession of data science, include:

- Data warehouse: an Asset-based Service Provider (Operations) function (Chapter 17).
- Analytics tools: data query, reporting, and analysis tools; a Base Engineering (end-user computing) function (Chapter 16).
- Information modeling: includes artificial intelligence, statistics, and other analytics methods and models; a Base Engineering function (Chapter 16).
- Ontology, information engineering: includes the meta-data repository (standard vocabulary), logical data modeling, and technical architecture of data; a Base Engineering function (Chapter 16).
- Data cleansing: fixing data based on algorithms (not on an understanding of truth); a People-based Service Provider (Chapter 18).
- Reporting services: ad hoc reports, data cubes; a People-based Service Provider function (Chapter 18).

Optimally, these other functions report to the appropriate leaders of their lines of business. This maximizes professional synergies (Chapter 7), while still producing a coherent data strategy through teamwork.

However, in the absence of excellence in teamwork, some or all of those other functions may report to a Chief Data Officer. While this sacrifices synergies, it encourages a coherent data strategy with less dependence on cross-boundary teamwork.

81. *[page 149]* In the 1970s, Agile way-finding was called "heuristic design," and later "adaptive development," "evolutionary development," and "middle-out design."
Source: Markus, M. Lynne. *Systems in Organizations*. Marshfield, MA: Pitman. 1984. Page 105.

82. *[page 149]* In a consortium agreement, the members decide how they'll share the costs, how they'll make decisions, rules of entry if others later want to use the asset, rules of departure if a member later wants to drop out, etc.

83. *[page 150]* In IT, if customers don't agree to form a consortium to address similar needs, engineers can still deliver some synergies by proactively reusing code, using standard interfaces for future inter-operability, commonizing data structures, and at a minimum, reusing competencies. But this only occurs if Applications Engineering is substructured by data objects, not business units.

84. *[page 151]* Meyer, N. Dean; and Mary E. Boone. *The Information Edge*. Danbury, CT: NDMA Publishing. 1987, 1995. Chapter 14.

85. *[page 153]* Taylor, James C.; and David F. Felton. *Performance By Design: sociotechnical systems in North America*. Upper Saddle River, NJ: Prentice-Hall. 1992.

86. *[page 161]* In IT, purpose-specific applications are solutions that manage information about specific topics — "data objects" like customers, money, and employees — or that present information to specific professions or business processes. The scope includes web-sites, smart phones apps, and real-time operational technologies.

87. *[page 162]* In IT, Base Engineering includes:

    - "Platforms" includes hardware, and environmental software whose primary intent is managing the hardware (operating systems, systems-level utilities). It has two customers:
        - It sells to IT Operations (infrastructure services) the assets they use to produce services, e.g., computer servers, storage, networks.
        - It sells to customers individual-use devices, e.g., PCs, tablets, and smart phones (unless those are managed as a fleet and rented to users by IT Operations).
    - Middleware includes tools for managing the infrastructure, such as the monitoring tools in the data center. It also includes database management systems (DBMS, CMS, web portals), inter-application integration engines (messaging, data transfers), and other services to applications.

- End-user computing (EUC) includes the wide range of *tools for thinking and collaboration* which aren't data-object specific.

  End-user computing does not mean PCs. (A PC is a computing platform that can run applications, EUC, and operational controls.) EUC tools run on any platform.

  EUC includes:

  - Text editing tools like Microsoft Word,[R] Google Docs,[R] electronic publishing, and PDF tools.
  - Number-oriented tools like Microsoft Excel,[R] Google Sheets,[R] all the way up to data modeling and big-data analysis tools.
  - Graphics tools, including raster (photos) and vector (charts, computer-aided design).
  - Calendars, time management, reminder tools.
  - Query tools, from browsers to data reporting tools.
  - Collaborative tools like messaging, team support, social media, and all forms of teleconferencing.

- Methods and tools for use by the organization itself include programming languages and compilers, testing platforms, and DevOps tools. Examples of methods include Agile, testing and validation, and basic computer science.
- Data modeling disciplines include ontology (the meaning of words, including the meta-data repository), logical data modeling, and data architecture (e.g., in a data warehouse).
- Information modeling disciplines include artificial intelligence, operations research and management science, and mathematics.

Base Engineering's customers include other engineers, Operations (infrastructure services), and business customers.

88. *[page 163]* Examples of the subcontractors on IT applications-development teams include:
    - Base Engineering can provide a logical data model, advice on computer platforms, and integrations (data links to other applications) from middleware experts.
    - The PMO (Project Management Office) can help with project planning and then ongoing project facilitation.

- Input on design constraints comes from the Standards and Design Patterns Coordinator (enterprise architect).
- The Information Security team provides evaluations of vendor products and internal designs, and helps engineers design controls into solutions.
- Operations (Asset-based Service Providers) provides development environments and installs the application in their production environment, often with help from Base Engineering.
- In some cases, Field Technicians are needed to do installations in remote locations.

89. *[page 165]* More on the choice of IT development methods:

For some projects, the "Waterfall" method is appropriate. Engineers work sequentially down from requirements to high-level designs, detailed designs, specifications, and then the final product. It's the most efficient and thorough design method, especially for large projects, when requirements are fully defined.

But in other cases, customers can only describe the requirements in an approximate way. They need to see an example before they can describe the details of what they want.

Using an iterative approach ("way-finding"), IT quickly designs and builds a "minimum viable product." Customers evaluate and learn from it, refining requirements through a series of iterations. This is the essence of the "Agile" method.

Agile is often used when trying to invent something that hasn't been done before. Common examples include applications for external customers' smart phones and externally facing websites.

With Agile, it's important to never lose sight of the business opportunity ("problem framing") and business requirements (including user stories and use cases). Agile is not an excuse for dedicating a team of developers to a customer or product, and then unendingly building and enhancing solutions based on that customer's requests, without concern for business value or priorities.

The Market Organization is a scalable framework around Agile, an alternative to other frameworks that are not based on organizational design principles. Key differences: Their notion of long-lived teams dedicated to products is counter to flexible teaming through

walk-throughs (just the right people at just the right time for each project, Chapter 8). And dynamic priorities are decided by pursers through internal market economics (not assuming that enhancements to existing products are always a top priority, Chapter 11).

90. *[page 169]* This case example came from Randy Prueitt, then at Aurora Health Care.

91. *[page 170]* Aesop. *Aesop's Fables: The Hare and the Tortoise.* Greece. 620-564 BCE.

92. *[page 173]* In IT, early in the implementation phase, Engineers work with Service Providers to help them plan needed infrastructure and to broker service-level agreements needed to operate and support the solution once it's in production.

93. *[page 173]* In IT, when a solution involves vendor services (such as software-as-a-service, or cloud computing), Engineers provide the technical requirements within the vendor contract (leaving business terms to the customer). They also contribute their expertise to the vendor contracting process, and configure and integrate vendor services.

94. *[page 173]* Quality is not about adding functionality. That's a matter of price-point. Quality means professionalism at any price-point.

    Part of quality is including all the attributes (not functions) that the customer will need to make the intended uses of the solution. Examples in IT include required documentation, parameters and metrics ("knobs and dials") that will be needed for ongoing operations, install/uninstall utilities, back-up utilities, error diagnostics, and appropriate security features.

95. *[page 174]* In many cases, there's a trade-off between ease of learning and ease of use.

    For example, a Ferrari is not easy to learn; but it's easy for a trained driver to operate at very high levels of performance. An economy car, on the other hand, is easy to learn; but it's very difficult to drive on a race track.

    Engineers do their best to make things as easy as possible to learn at the required level of performance. But that just moves the curve

out; it doesn't eliminate the trade-off. At some point, the customer must decide the balance between ease of learning and ease of use.

96. *[page 175]* Crosby, Philip B. *Quality Is Free: the art of making quality certain: how to manage quality so that it becomes a source of profit for your business*. New York, NY: McGraw-Hill. 1979.

97. *[page 177]* This case example came from Randy Prueitt, then at Abbott Laboratories.

98. *[page 177]* Some organizations inappropriately split Engineering into groups for new solutions, and separate groups for maintaining existing solutions. This has costs and risks:

    - Both development and maintenance require the same specialists — the same professional knowledge, skills, and tools. Splitting those specialists into two groups reduces specialization, impacting everybody's performance (Principle 2 of structure).
    - There are reduced incentives for first-time quality, since developers can get credit for finishing a project and leave it to the maintainers to fix the defects. Also, developers get less feedback on the quality of their work when they're not involved in repairs.
    - There's an added cost of knowledge transfer from developers to maintainers, an extra learning curve.
    - Maintainers who are unaware of the developers' design architecture may inadvertently install repairs and enhancements (design changes) that damage the integrity of the solution.
    - Resource flexibility is reduced, in that when there aren't repairs to be done, it's difficult to shift maintenance staff to development projects (and vice versa).
    - It creates two classes of citizenship, with developers seen as having greater talents and career potential. That's of questionable ethics, and is demotivational for maintainers.

    This split is often the result of a mistaken root-cause analysis, attempting to reserve time for development and for maintenance (an internal economy challenge) by compromising the structure.

    More: Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size*. Danbury, CT: NDMA Publishing. 2017. Chapter 24.

99. *[page 181]* This case example came from Joe Phillips, then CIO at Blockbuster.

100. *[page 183]* In IT, the stewardship (hosting) service includes:

- During a solution alternatives study, coordinating the various infrastructure service providers in providing estimates of ongoing operational costs for each alternative.
- As the prime contractor, subcontracting for requisite infrastructure services and other operational services such as access administration and cybersecurity monitoring.
- Ongoing tasks required to keep the solution operational.
- Usage monitoring and license utilization tracking (comparing actual utilization with licenses purchased). Supplier Management (a People-based Service Provider) can be subcontracted to help track available licenses as per vendor contracts.
- Performance monitoring (of customer-owned assets, not underlying infrastructure services), and responding to customers' complaints about performance; subcontracts to: other Asset-based Service Providers to acquire adequate capacity; and other Asset-based Service Providers and Applications Engineers to diagnose application-level performance constraints and performance-improvement opportunities.
- With regard to vendors who provide services to the solution-owner, monitoring vendor performance and (to the extent empowered by the solution-owner) representing the solution-owner in negotiations with vendors.
- Problem management assistance, identifying patterns in incidents, diagnosing root causes, and recommending investments to applications owners and infrastructure-service providers.
- Application-level release management (coordinating installation time-windows).
- Notifications and reminders of asset owners' accountabilities.
- Notifications to the asset owner's customers (users) of operational events such as planned outages.
- Coordination of disaster recovery of this asset (with subcontracts to engineers). (Coordination of recovery of subcontracted services is left to the subcontractors.)
- Optionally, notification of variances on defined metrics.
- Optionally, ordering and overseeing preauthorized supplies purchases, repairs, and upgrades (a type of enhancements).

101. *[page 187]* In IT, one pillar of DevOps is streamlining the flow from development to operations by breaking down barriers between developers and operators. That doesn't mean that those two lines of business should be combined into one group. Nor does it have to mean shared accountabilities, which undermines individual accountabilities. Seamless teamwork can be accomplished through walk-throughs and well-designed processes.

102. *[page 191]* More on the IT Access Administration function:

    Access Administration (a People-based Service Provider) does not decide who has the right to access services. That authority resides with asset owners, who get advice on risks from the Information Security function.

    E.g., Operations (Asset-based Service Provider) is accountable for selling its services. So, only it has the authority to make commitments to provide those services to subscribers, i.e., to grant access rights to its services. Operations remains accountable for the safety of its services, including for its access-rights decisions.

    Similarly, most IT applications are owned by business customers. They have the authority to decide who gets to use their assets, and full accountability for their decisions.

    Access Administration helps asset owners by facilitating the approval process and administering a repository of access rights.

    While administrative, it's value goes beyond just saving others time. For example, new employees need access to the network, collaboration tools like email, various applications, and so on. Access Administration provides a single point of contact and coordination for granting access to all those distinct services.

    It also improves security by ensuring that all new requests have the necessary approvals. And when an employee leaves the company, it can shut down all their access rights quickly.

    As a common repository of access rights evolves, it enables other improvements like single-sign-on.

    The concept of Access Administration may apply enterprisewide (outside IT), to coalesce the various customer interface-points,

especially as an enterprise increasingly depends on online relationships and delivers various online services.

103. *[page 207]* www.bbc.com/news/technology-50744333

104. *[page 218]* www.pmi.org

105. *[page 236]* There are misconceptions about strategic planning for internal service providers like IT:

Contrary to what some consultants sell, internal service providers' strategies are *not* driven by the company's business strategies. Internal service providers' *projects* (not strategies) are driven by business strategies. Sales (not planning) helps customers look at business strategies and discover opportunities. This is a continual process, not done once a year in an annual plan.

Internal service providers' strategies are not a list of strategic projects, any more than a company's strategic plan is a list of the sales it hopes to make in the coming year. Just as for companies, strategy is at a higher level. It answers the questions: *What businesses do we want to be in the future; and how do we plan to get from here to there?*

The company's current business strategies are one input. Beyond that, industry trends, technology trends, regulatory and economic forecasts, and competitive threats (including disruption) are relevant. SWOT analysis (strengths, weaknesses, opportunities, and threats) is helpful. The resulting plan includes technology directions, new products and services, major internal process-improvement initiatives, and innovation initiatives.

106. *[page 239]* An IT Business Continuity function does more than coordinate IT's business-continuity plans. It also helps asset owners (like customers who own applications) develop the technology-impacted portions of their business continuity plans.

Additionally, it helps customers analyze the business-continuity capabilities needed in proposed investments (e.g., new applications) and vendor relationships.

107. *[page 240]* IT can facilitate enterprise information and data governance policies, which address who owns data (typically the group that generates it); information sharing (e.g., open sharing unless

there's reason not to, versus need-to-know); the appropriate use of enterprise information and technology assets, including what people can and cannot say in public (such as in social media; e.g., staff must not make recommendations for use of the company's products if those products weren't intended for that purpose).

108. *[page 241]* Internal service providers (like IT) may have their own Regulatory Compliance functions. In collaboration with Corporate Regulatory Compliance groups, they serve the department itself with the full range of compliance services.

In addition, they work enterprisewide on compliance issues specific to the function. For example, IT helps business units understand information- and technology-related regulations (such as how they handle sensitive customer data).

109. *[page 241]* A risk registry documents sources of risks, and their probabilities, potential business impacts, and remediation status. An enterprise risk registry includes information security and other risks, such as business continuity, employee safety, product safety, and reputational risks. Ideally, they're integrated in a single registry, even if different groups coordinate remediation. However, in many companies, IT maintains the information-security risk registry, and a corporate risk management group maintains a separate registry for the rest.

110. *[page 244]* Some define IT architecture as a framework for mapping business functions and designing comprehensive solutions that automate them. This is a limited view of the role of IT, an inflexible approach to strategic alignment, and an unconstructive definition of "architecture."

Example: Zachman, John A. "A Framework for Information Systems Architecture." *IBM Systems Journal*. Volume 26, number 3. 1987.

111. *[page 245]* More on standards within IT: Standards are not preferred products and models, like the currently recommended brand and model of PC. That's up to the individual entrepreneurs, in this example the PC group. In IT, standards are best defined by APIs and protocols — the way that various technology components plug together — for example, interfaces like the Windows API, or data-interchange protocols.

112. *[page 248]* In IT, "micro-services architecture" (a.k.a., "service-oriented architecture") designs systems with well-defined interfaces (like doorways), and other systems that want to interact with that system and its data come in through those doorways.

113. *[page 256]* This case example describes a former CIO of a global pharmaceutical company based in Switzerland.

114. *[page 260]* Profits from external sales belong to the enterprise, not the selling group. For the rationale, see Chapter 11.

115. *[page 266]* Sinek, Simon. *Start with Why*. New York, NY: Penguin Group. 2009. Page 228.

116. *[page 267]* Senge, Peter M. *The Fifth Discipline*. New York, NY: Doubleday. 2006. Page 192.

117. *[page 268]* "Bill Gates: The Importance of Making Mistakes." *USAir Magazine*. July, 1995. Page 48.

118. *[page 269]* Dalio views organizations as "machines," supporting the view in this book (Part 3) that organizations are ecosystems made of five systems that leaders can deliberately design. On page 483, Dalio said: "The most common mistake I see people make is dealing with their problems as one-offs rather than using them to diagnose how their machine is working so that they can improve it."

    Source: Dalio, Ray. *Principles*. New York, NY: Simon & Schuster. 2017. Pages 452-453.

119. *[page 269]* An unnamed manager (interviewee) quoted in: Huising, Ruthanne. "Can You Know Too Much About Your Organization?" *Harvard Business Review*. December 4, 2019.

120. *[page 270]* Beer, Stafford. *The Heart of Enterprise*. Chichester, England: John Wiley & Sons Ltd. 1979.

121. *[page 271]* Meyer, N. Dean. *RoadMap: how to understand, diagnose, and fix your organization*. Danbury, CT: NDMA Publishing. 1998.

122. *[page 272]* Dalio said: "You or some other capable mechanic needs to identify those problems and look under the hood of the machine to diagnose their root causes. You or whoever is diagnosing those problems has to understand what the parts of the machine — the

designs and the people — are like and how they work together to produce the outcomes."

Source: Dalio, Ray. *Principles*. New York, NY: Simon & Schuster. 2017. Page 449.

123. *[page 273]* Clear, James. *Atomic Habits*. New York, NY: Avery. 2018. Page 25.

124. *[page 276]* This anecdote came from Noel Thomas, then Vice President of R&D, Dofasco Steel.

125. *[page 285]* Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size*. Danbury, CT: NDMA Publishing. 2017. Chapter 45.

126. *[page 292]* Bridges, William. *Managing Transitions: Making the Most Out of Change*. Boston, MA: Nicholas Brealey Publishing. 1995.

127. *[page 294]* Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size*. Danbury, CT: NDMA Publishing. 2017. Page xxii.

128. *[page 296]* www.FullCost.com

129. *[page 306]* Ben Horowitz defined culture as "a system of behaviors that you hope most people will follow, most of the time."

Source: Horowitz, Ben. *What You Do Is Who You Are: how to create your business culture*. New York, NY: HarperCollins. 2019. Page 17.

130. *[page 307]* This case example came from Jim Hatch, then CIO of Case Tractor.

131. *[page 314]* David Teece, Gary Pisano, and Amy Shuen define an organization's "dynamic capabilities" as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." They suggest that competitive advantage rests on "distinctive processes (ways of coordinating and combining)…." They say this "depends in large measure on honing internal technological, organizational, and managerial processes." In a Market Organization, these processes include

walk-throughs (Chapter 8), demand-management (Chapter 11), and treating vendors as part of every group's staff (Appendix 2).

Source: Teece, David J.; Gary Pisano; and Amy Shuen. "Dynamic capabilities and strategic management." *Strategic Management Journal*. Volume 18, Number 7. August, 1997. Pages 509-533.

132. *[page 316]* Drucker, Peter F. *The New Realities*. New York, NY: Harper & Row. 1989. Page 227.

Full quote: "Not to innovate is the single largest reason for the decline of existing organizations. Not to know how to manage is the single largest reason for the failure of new ventures."

133. *[page 320]* This actual experience with an acquisition came from Sergio Paiz, CEO of PDC.

134. *[page 321]* There are three ways a company can utilize a principle-based approach to structure (Chapter 7) to facilitate acquisition integration:

- **Acquisition ready:** By applying the principles to a company, it's ready for future acquisitions with easy mapping of every function in the acquired company.
- **Tuck-in:** To merge an acquisition into the company's existing structure, the Rainbow Analysis identifies lines of business in the acquisition (and in the company if it isn't yet structured by lines of business). Then, the mapping is straightforward and fact-based.
- **Design a new structure together:** If a company has not yet structured by lines of business and an acquisition is large, the structure process (Chapter 27) is an ideal way to merge the two entities — as per the old saying, "When a couple gets married, they shouldn't move into his house or hers; they should build a new home together."

135. *[page 325]* Christensen, Clayton M. *The Innovator's Dilemma: when new technologies cause great firms to fail*. Boston, MA: Harvard Business Review Press. 1997.

136. *[page 326]* O'Reilly and Tushman labeled a separate group for breakthrough innovations, linked to the rest of the organization through senior management, an "ambidextrous organization."

Their research correlated success at both innovation and ongoing

business operations with this structural form; that is, it does better than traditional functional organizations (which haven't addressed their root causes), cross-functional teams that may not be funded, and "skunk-works" completely disconnected from the mainstream organization. But, of course, they had no way to compare performance with a Market Organization that has built its structure on principles, its resource-governance processes on market economics, and its culture on entrepreneurship.

Source: O'Reilly II, Charles A.; and Michael L. Tushman. "The Ambidextrous Organization." *Harvard Business Review*. April, 2004.

137. *[page 329]* Drawn from a case study that documents the dysfunctions of a separate innovation group in: Meyer, N. Dean. *Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size*. Danbury, CT: NDMA Publishing. 2017. Chapter 24.

138. *[page 340]* This actual experience with a bank came from Sergio Paiz, CEO of PDC. He said, "Our banks now view us as a model of excellence in leadership. As a result, we're getting better rates and lesser guarantees."

139. *[page 341]* McCormack, Ade G. *Beyond Nine to Five: your career guide for the digital age*. Buckinghamshire, UK: Auridian Press. 2015.

140. *[page 343]* Hawk, Steve. "We Bring Stanford to You." *Stanford Business*. Stanford, CA: Stanford Graduate School of Business. Spring, 2021. Page 38.

141. *[page 343]* Mackey, John; and Rajendra Sisodia. *Conscious Capitalism: liberating the heroic spirit of business*. Boston, MA: Harvard Business Review Press. 2014.

142. *[page 343]* Conscious Capitalism (a.k.a., stakeholder capitalism) has four fundamental tenets:

- **Higher purpose** than just profits. The purpose of an enterprise — its *raison d'être,* and its corporate social responsibility — don't come directly from the Market Organization. What the Market Organization provides is the machine that can

achieve that purpose and afford those contributions to the community.

Beyond that, the business-within-a-business paradigm gives everybody an individual higher purpose.

- **Stakeholder orientation** tasks a firm with satisfying the needs of all its stakeholders, including shareholders, employees, customers, suppliers, and the community. This is rooted in the renown Johnson & Johnson "Credo" authored by the company's co-founder, Robert Wood Johnson, in 1943.

  The Market Organization makes an organization a supplier of choice to its customers, and employer of choice to its staff. It treats vendors as part of its team (Appendix 2). And it builds value for shareholders.

- **Conscious leadership** builds a focus on purpose and stakeholders throughout the organization.

  The Market Organization gives Conscious Leaders the mechanics to align everybody with the company's value-creating goals, e.g., walk-throughs, the internal economy, and Coordinator functions.

- **Conscious culture** builds into the organization the practices that support purpose and stakeholders. Culture (Chapter 12) is one of the five organizational systems that are deliberately designed. Ethics, integrity (trust), empowerment, teamwork, cooperation, customer focus, interpersonal relations are all Themes within culture.

  Of course, the Market Organization addresses all five organizational systems (Figure 32), not just culture.

Conscious Capitalism is a philosophy and a goal. The Market Organization provides pragmatic tools to implement it.

143. *[page 344]* Block, Peter. *Stewardship: choosing service over self-interest*. San Francisco, CA: Berrett-Koehler Publishers. 1993. Page 48.

144. *[page 344]* Peters, Thomas J. *The Excellence Dividend*. New York, NY: Vintage Books. 2018. Pages xvi-xvii.

145. *[page 346]* Senge, Peter M. *The Fifth Discipline*. New York, NY: Doubleday. 2006. Page 42.

146. *[page 347]* Dalio, Ray. *Principles*. New York, NY: Simon & Schuster. 2017. Page 451.

147. *[page 348]* McChrystal, Stanley. *Team of Teams*. New York, NY: Penguin Publishing Group. 2015. Page 226.

148. *[page 348]* Dalio stressed the importance of spending time with one's staff: "The greatest influence you can have over intelligent people — and the greatest influence they will have on you — comes from constantly getting in sync about what is true and what is best so that you all want the same things."

Source: Dalio, Ray. *Principles*. New York, NY: Simon & Schuster. 2017. Page 466.

149. *[page 349]* Senge, Peter M. *The Fifth Discipline*. New York: Doubleday. 2006. Page 328.

150. *[page 350]* Peter Senge said: "In a learning organization, leaders… require new skills: the ability to build shared vision, to bring to the surface and challenge prevailing mental models, and to foster more systemic patterns of thinking."

Source: Senge, Peter M. "The Leader's New Work: Building Learning Organizations." *Sloan Management Review*. Boston, MA: MIT Sloan School of Management. Fall, 1990. Pages 7-23.

151. *[page 350]* Senge, Peter M. *The Fifth Discipline*. New York, NY: Doubleday. 2006. Page 328.

152. *[page 350]* More of this famous quote from Peter Drucker:

"Bucky Fuller and Marshall McLuhan exemplify to me the importance of being single-minded. The single-minded ones, the monomaniacs, are the only true achievers. The rest, the ones like me, may have more fun; but they fritter themselves away. The Fullers and the McLuhans carry out a 'mission', the rest of us have 'interests'. Whenever anything is being accomplished, it is being done, I have learned, by a monomaniac with a mission.

"The monomaniac is unlikely to succeed. Most leave only their bleached bones in the roadless dessert. But the rest of us, with multiple interests instead of one single mission, are certain to fail and to have no impact at all."

Source: Drucker, Peter F. *Adventures of a Bystander*. New York, NY: Harper Row. 1978. Page 255.

153. *[page 357]* Meyer, N. Dean. *Outsourcing: how to make vendors work for your shareholders*. Danbury, CT: NDMA Publishing. 1999.

154. *[page 358]* Economist Ronald Coase hypothesized that entrepreneurs form organizations to reduce the transactions costs inherent in outsourcing (procurement, legal contracting, taxes on transactions, government interventions such as quotas and rationing, and the difficulty of specifying deliverables in long-term, non-commodity contracts).

Nonetheless, some people prefer vendors over internal support staff, even if they're more expensive, because they're more customer focused and responsive. The easier it is to do business with internal support staff, the lower the internal transactions costs and the less the incentives for outsourcing.

Source: Coase, Ronald H. "The Nature of the Firm." Blackwell Publishing: *Economica*. Volume 4, number 16. November, 1937. Pages 386-405.

155. *[page 358]* A Market Organization makes internal service providers easy to do business with. As economist Oliver Williamson describes, reduced internal transactions costs make outsourcing less cost-effective.

Source: Williamson, Oliver E. *Markets and Hierarchies: analysis and antitrust implications*. New York, NY: Free Press. 1975.

156. *[page 376]* Meyer, N. Dean. *Culture In Action Reference Library*. Available under license from N. Dean Meyer and Associates Inc. See: www.ndma.com/culture

157. *[page 377]* The full set of meeting behaviors can be found in: Meyer N. Dean. *Meyer's Rules of Order: how to hold highly productive business meetings*. Danbury, CT: NDMA Publishing. 2001.

158. *[page 378]* George S. Patton is widely attributed as saying, "Lead me, follow me, or get out of my way."

Later, Scott McNealy said, "Agree and commit, disagree and commit, or get out of the way."

Source: Southwick, Karen. *High Noon: the inside story of Scott*

McNealy and the rise of Sun Microsystems. John Wiley & Sons, Inc. 1999. Page 39.

This quote is also attributed to Thomas Paine, without evidence. It may, in fact, have originated in an early motorcycle magazine cartoon: "PUSH! If you can't push, PULL — if you [can't] pull, please get out of the way."

Source: *Motorcycle Illustrated*. Volume 4, number 17. June, 1909. (Attribution by: *Dictionary of Modern Proverbs*. New Haven, CT: Yale University Press. 2012. Page 273.)

159. *[page 389]* Meyer, N. Dean and Mary E. Boone. *The Information Edge*. Danbury, CT: NDMA Publishing. 1987, 1995. Chapter 13.

160. *[page 389]* Dixon, Matthew; and Brent Adamson. *The Challenger Sale: taking control of the customer conversation*. New York, NY: Portfolio, Penguin Group. 2011.

161. *[page 392]* The term "critical success factors" was coined by: Rockart, John F. "Chief executives define their own data needs." *Harvard Business Review*. March, 1979. Pages 81-93.

162. *[page 392]* Meyer, N. Dean and Mary E. Boone. *The Information Edge*. Danbury, CT: NDMA Publishing. 1987, 1995. Page 316.

163. *[page 394]* I'm grateful to Jonathan Maurer for his help with Chapter 21 and Appendix 7.

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Other Books by N. Dean Meyer

Principle-based Organizational Structure: a handbook to help you engineer entrepreneurial thinking and teamwork into organizations of any size. 2017. (book)

Internal Market Economics: practical resource-governance processes based on principles we all believe in. 2013. (book)

An Introduction to the Business-Within-a-Business Paradigm. 2002. (monograph)

RoadMap: how to understand, diagnose, and fix your organization. 1998. (book)

Fast Track to Changing Corporate Culture. 2003. (monograph)

Meyer's Rules of Order: how to hold highly productive business meetings. 2001. (pocket book of behavioral principles)

Outsourcing: how to make vendors work for your shareholders. 1999. (book)

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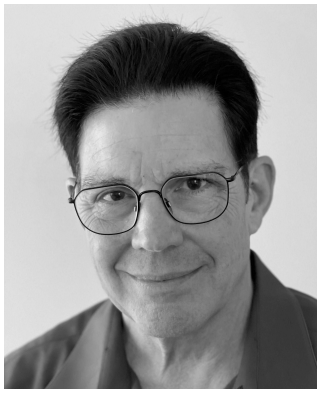
Downsizing Without Destroying: how to trim what your organization does rather than destroy its ability to do anything at all. 2003, 2008. (monograph)

The New Lexicon of Leadership: dictionary of terms used in leadership and organizational design. 2012. (report)

The Information Edge with Mary E. Boone. 1987, 1995. (book)

About the Author



In the field of organizational design, Dean Meyer is both a visionary and a pragmatic engineer. His vision is based on the *businesses-within-a-business paradigm,* where every group is an entrepreneurship that produces products and services for customers inside and outside the firm (the Market Organization). He has implemented this vision in corporate, government, and non-profit organizations through *principle-based design of an organization's ecosystem:* its structure, resource-governance processes, culture, and metrics.

Dean has written eight books, and numerous monographs and articles.

His book, *Principle-based Organizational Structure,* defined a new science of organization charts and cross-boundary teamwork processes.

His book, *Internal Market Economics,* applied principles of market economics inside companies to design non-bureaucratic, business-driven resource-governance processes.

And he developed a behavioral approach to corporate culture that leads to meaningful change in less than a year.

This book is the capstone of his career. In it, he presents a clear picture of how organizations should work, and explains how to implement that vision through participative change processes.

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For more, see <www.ndma.com>.