SURVIVAL IS OPTIONAL:
Only Leaders With New Knowledge Can Lead the Transformation

by Marcia Daszko and Sheila Sheinberg, PhD
408-247-7757

Transformation has become a popular, overused and misunderstood word in organizations in the twenty-first century. Hundreds of organizations hear the mandate for transformation. The mandate comes from Congress, the Pentagon, government agencies, the senior military, corporate executives or school Superintendents. Leaders and their organizations are compelled to respond to the mandate. They attempt to "talk the language" and take action in pursuit of transformation. Often the response, however, is a reaction, actions and mere incremental changes that are neither sustainable nor systematic. Unfortunately, few individuals understand transformation or why there is an imperative for transformation, not merely incremental or transitional change. Often, people confuse transformation with *any* kind of change, technology breakthrough, innovation, process improvement or transition. However, few changes are truly transformational.

Management typically interchanges the words and thinking for changing and transforming an organization. But there are unique distinctions—and those distinctions, applied and realized, not only result in a competitive edge but in unparalleled leadership that is rare to find and that can make a difference for society. However, *while all transformation is change, not all change is transformation.*

To transform means to change in form, appearance or structure. Transformation in the context of the management of organizations and systems occurs first in individuals, and then, in the organization.

> **Transformation is the creation and change of a whole new form, function or structure. To transform is to create something new that has never existed before and could not be predicted from the past. Transformation is a "change" in mindset. It is based on learning a system of profound knowledge (see SoPK section) and taking actions based on leading with knowledge and courage. (1)**

Personal Transformation. The first step is transformation of the individual. This transformation is discontinuous. It comes from understanding *the system of profound knowledge.* The individual, transformed, will perceive new meaning to his life, to events, to numbers, to interactions between people. Once the individual understands the system of profound knowledge, he will apply its principles in every kind of relationship with other people. He will have a basis for judgment of his own decisions and for transformation of the organizations that he belongs to (Deming, 1993). The Greek word "metanoia" captures the meaning of transformation well. It literally means "beyond the mind." It's an idea of stretching or pushing beyond the boundaries with which we normally think and feel. It means a profound change in mind, a radical revision, a transformation of our whole mental process, a paradigm shift. As one company leader commented, transformation is two words, a "mind transplant."

Transforming an organization means having the courage to lead a journey into the unknown, with dedication and passion for learning and taking actions based on continual new learning. The end state of transformation cannot be described because it cannot be seen. How the ***organization*** will look in its next cycle of transformation is unknown and unknowable. People and organizations must continually be transforming. Transformation can occur in individuals, organizations, industries, societies, etc.

> **Transformation occurs when leaders create a vision for transformation and a system to continually question and challenge beliefs, assumptions, patterns, habits and paradigms with an aim of continually developing and applying management theory, through the lens of the system of profound knowledge. Transformation happens when people managing a *system* focus on creating a new future that has never existed before, and based on continual learning and a new mindset, take different actions than they would have taken in the past. (2)**

Beliefs, assumptions, patterns, habits and paradigms. Challenging assumptions, etc., is at the heart of transformation; it is critical because assumptions and paradigms drive policies, procedures and most importantly,

systems and structures, as Figure 1 illustrates. For example, if we assume that sales people are lazy, self-serving, and do not have the company's best interests in mind, then we will implement policies and a pay structure that compensates them based on individual performance and management will hold them accountable, predictably yet unfortunately, for the outcomes of the *system!*

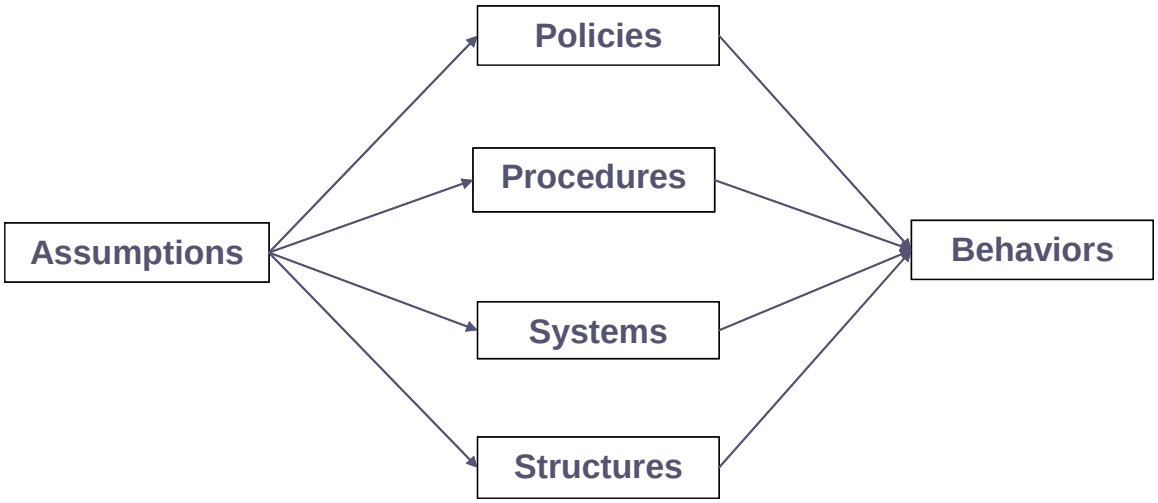


Figure 1. Assumptions Drive Policies that Drive Behaviors

However, even challenging one's habits, beliefs, assumptions, and paradigms doesn't lead to transformation or more permanent change unless there is *continual* challenge. Too often, a company will experience a breakthrough as a result of this type of challenging that propels them to the top of a market whereby they languish and lose their momentum. What managers failed to realize was that it takes new knowledge and a *system* of challenging assumptions and thinking differently.

URGENCY TO CHANGE:
Transformation. Transformation is what happens when people see the world through a new lens of knowledge and are able to create an infrastructure, never before envisioned, to the future. *Transformation is motivated by survival,* by the realization that everything needs to change or the organization will die; that *a significant breakthrough in mindset* is needed in order to pursue new opportunities. Another motivator is a leader's *urgency* and drive to envision and create the future. From either motivation, the entire mind-set and organization's paradigms are forced to shift. The challenges to those who embark on and choose to lead a transformation journey are many; they lead in a direction where the "destination" is not known. The challenge to those who travel with such leaders will be to trust and support the vision and the system. There is a vision of transformation, but the specific systems and processes emerge and are created through continuous learning and taking new actions, actions never before taken.

Another View: Tradition, Transition, Transformation

So what does it take to transform? Simply stated, our thinking is mostly what it is today. And then we have a choice. If we want to hold on to our *tradition,* (see Figure 2.) we will make incremental process improvements and not "rock the boat." In this mode we are content, complacent, arrogant, or unaware. If the world is changing in any significant way, it's only a matter of time before we do not survive. The timing of irrelevance (death) depends upon our industry or competition, whether that be global terrorists or another company. But we will not know if we have three months, three years, or 30 years to survive. If we want to move to the next level of change, yet be safe, we make *transitions* and change from State A to State B. We know where we are going (we go from manually taking inventory to bar coding.) There is comfort in certainty. In transition, we can plan the change and work the plan. But if we want to create a better future, we have to let go and reach for the unknown. We need *transformation*. We adopt the most difficult and challenging strategy because we must.

THREE TYPES OF CHANGES

	Traditional	Transitional	Transformational
Motivation for Change	Better, Faster, Cheaper	Fix a problem	Survival,Environment,World Changes, Breakthrough needed
Degree of Change	Incremental improvements	Transition from old to new; A to B	Revolutionary, Necessary
Thinking	Improve	Change management; strategic planning	Radical shifts in mindset/thinking/actions
Actions	Manage and control processes	Design the plan; implement the plan	Whole system change, complete overhaul of mindset, paradigms, culture, communications, strategy, structure, actions, systems and processes, use of data, System of Profound Knowledge, cycles of Plan Do Study Act (PDSA)
Destination	Improvements; can be limited to improving the wrong things	Projects completed	Continually transforming; no end state
Change Requires	Improvement of skills, practices and performance; often limited to focusing on individual performance rather than the Whole system to make significant differences	Controlled process / projects managed / assigned	Senior leadership committed to new thinking, learning and actions; coaching from outside: “a system cannot see itself.” Courage
Outcomes	Improvements, limited	Changes, limited	Sustainable change (with leadership and continual learning and new actions) new system: agile, adaptable, flexible, intelligent, emerging, connected, involved, creative, moving forward; ability to sense and respond

A Theory of Transformation

Theories are often shunned in the real world of work. People are not interested in the conceptual when the day to day focus is on what you DO, what you measure, who is accountable and winning, and the bottom line results. People are so busy doing, they have no time or energy for thinking about what they are doing, why and for whom. Yet to have an organization that can sustain over time, theory must be understood. Theory is the foundation for the future. Often, we read about business schools dropping the theory classes and focusing on delivering one-year MBA programs. Students will learn best practices for the problems of today, but they will lack the theories to be able to solve the problems of tomorrow.

A theory of transformation means there will be a profound change in structure that creates something new. The system of profound knowledge provides the *method for transformation*. Transformation occurs through a system of continual questioning, challenging, exploration, discovery, evaluation, testing, and creation of an organization's management theory and application; beginning with the realization or revelation that the organization's current thinking (i.e., management theory) is incomplete, limiting, flawed, or even worse – destructive. In transformation, there is no known destination, and the journey has never been traveled before. It is uncertain and unpredictable. It embraces new learning and taking actions based on the new discoveries.

A Method for Transformation: A System of Profound Knowledge

> **For leading transformation, Dr. W. Edwards Deming offers the system of profound knowledge as our new lens. It includes appreciation for a system, knowledge about variation, theory of knowledge, and theory of psychology**.
>
> **(3)**

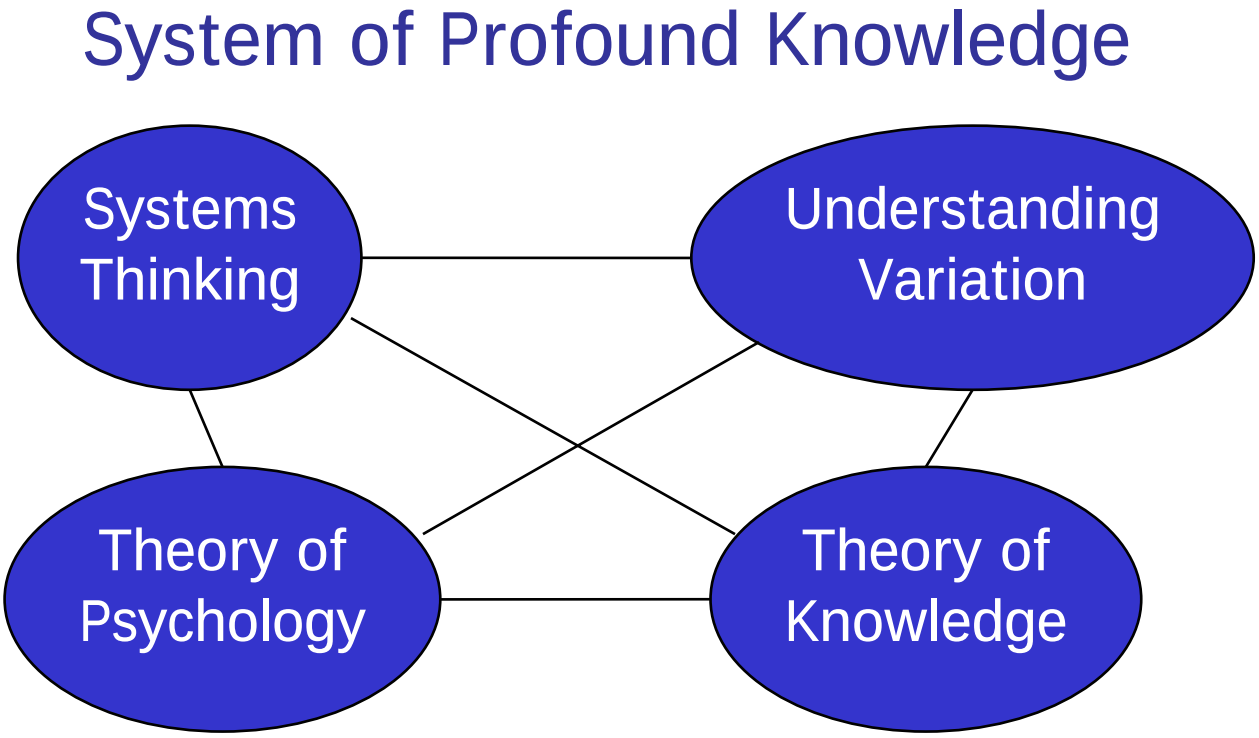


Figure 3. System of Profound Knowledge

These four bodies of knowledge are inter-related and together can produce system optimization. Courage comes from within and natural leaders can be found throughout organizations. Also critical to the transformation is Deming's point number eight of his fourteen points, "Drive out fear." Fear must be identified, acknowledged, discussed and reduced so that people have tie courage to transform themselves and their organizations.

TRANSFORMATION: A PROCESS STRATEGY

Awakening. Transformation begins with the awakening by individuals within the organization. It may come from the outside—and individuals take heed. The awakening begins with a challenge, a question, (or a 2x4 upside the head!). It brings questions – not answers. It is not a new way to do business; it is a new way to develop thinking about how to think, manage and lead. It is the realization on the part of the individual that, in spite of best efforts, they could do better – much, much better. Furthermore, there need not be shame or negative repercussion to the individual because they were not transforming or did not recognize the need to transform sooner.

Intention. Transformation occurs with intention. This intention provides constancy of purpose. Intention is the conscious choosing of a course of action. In "*The Four* Agreements," the first agreement is to be impeccable with your word (Ruiz [1997]). The author points out that the root of the word 'impeccable' is the Latin *pecatus*, meaning "sin." Therefore, 'impeccable' means without sin. Ruiz suggests that only by understanding your own intentions can one be impeccable with their word. Too often, we do things with no thought to intention (and, for some reason are then surprised by the unintended results and consequences!). Intention is not "going along for the ride." It is not something that happens to someone (or to an organization) without its knowledge and consent. It is commitment – deep and thoughtful commitment.

There is no such thing as a transformed organization. First, there is no ***transformed*** (past tense) organization because transformation is ongoing. It would be a mistake to consider the acceptance of the initial awakening as ***the*** point of transformation; even though, without the awakening, transformation is not possible. The awakening is the provocation for the transformation. Secondly, there is no transformed ***organization*** because the organization doesn't exist apart from the people and other systemic parts it comprises. However, for the sake of conciseness, the terms "organization" or "transforming organization" will be used to refer to the individuals within.

A "transforming" organization is not one that is thinking differently; its leaders are thinking differently *with a direction*. Because it requires an awakening, not all individuals in the organization will begin their transformation concurrently. Some will not begin a transformation at all. 'Leading *with courage*' is almost redundant. Consider the observations of the following authors:

Heifitz and Linsky [2002]: "Leadership would be a safe undertaking if your organizations and communities only faced problems for which they already knew the solutions." Rodin [1999]: In introducing the transformation at Marshall Industries, Rodin stated, "Six years ago we bet our company on a radical experiment, tearing our healthy $500 million business down to the bedrock."

Leaders have to ask questions. However, a system cannot see itself. That is, if knowledge existed within the organization to solve a problem, then the problem wouldn't have occurred. Great leaders are those who ask for help. They do not chase the "flavor of the month" – the latest management fad; but they go through a rigorous process to find coaches with profound knowledge.

A testable hypothesis is that most managers do not have a theory of management with which they seek to lead their organizations. What they have is a tradition, handed down from supervisor to subordinate, of unguided best efforts. In the absence of theory, there is control and autocracy. There is luck. There is an accepted norm of "if things look OK, don't rock the boat, just make the numbers."

A system diagram for creating Transformation is shown below:

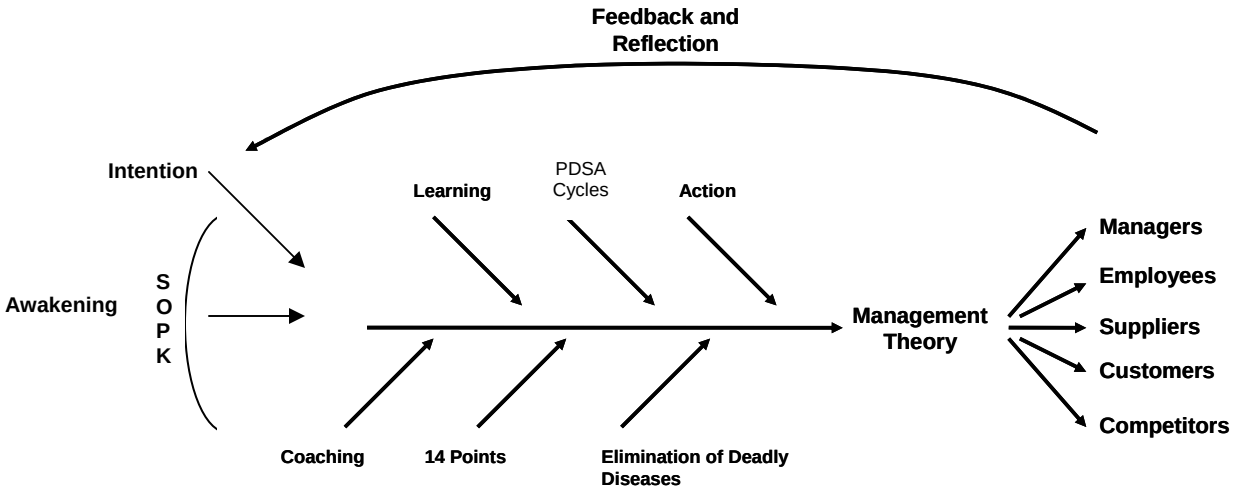


Figure 4. A System for Creating Transformation

"A system is a network of interdependent components that work together to try to accomplish the aim of the system." (Deming [1993]).

Intention. The system begins with an awakening ("an awakening to the crisis" as Deming [1986] described it). The aim of the awakening is to impress the importance of the need to change. Without an awakening, the person can, at best, learn many important lessons. However, they are abstractions and hypothetical.

Without intention, there can be no transformation. (4)

Without intention, transformation is reduced to change. This thesis is similar to the difference between memorization and learning, only more profound. Deeply motivated intention occurs after the awakening. The awakening creates a new "mind set" to see the world anew. The new view is not present yet, just the openness to accept a new view. It is possible that someone can have good intentions to transform and to work to learn without the awakening, but the learning and transformation will be gradual. Once the awakening occurs, even if it occurs after the start of learning, the transformation will have an explosion and previously "learned" lessons will have greater significance, even in retrospect. For that individual, there will be a context to which they can relate.

Learning. Deming [1986] once said that the role of management is prediction. Prediction without information and knowledge is guessing. Knowledge is obtained through learning. Several authors (Deming, Senge, and Joiner) have noted that knowledge for transformation must come from the outside (i.e., external education and coaching).

Learning must be continual. (5)

The "S-shaped learning curve" (see figure 4, below) illustrates the need for transformation and new learning for the next level of growth. If the organization does not transform when it needs to and go to the next level, it will not survive.

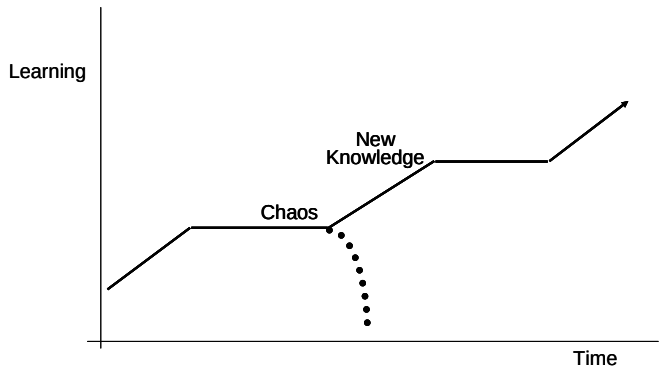


Figure 4. S-Shaped Learning Curve

Each introduction of new knowledge brings an element of chaos; an increase in fear and a temporary loss in productivity as people adjust to the new knowledge. At some point, however, the absence of another introduction of new knowledge will result in personal and organizational stagnation and then decline. The only way to continue the transformation is to obtain feedback and to reflect, and then to repeat the loop (in the systems diagram).

Action. Knowledge without action is the accumulation of trivia. Action is the application of new learning (the theory of knowledge.) New learning occurs when the PDSA cycle (Figure 5) is rigorously adopted and multiple cycles (Figure 6) bring new learning. Leadership requires action. Action, however, must be managed. This can be accomplished through Plan-Do-Study-Act (PDSA) cycle, illustrated below:

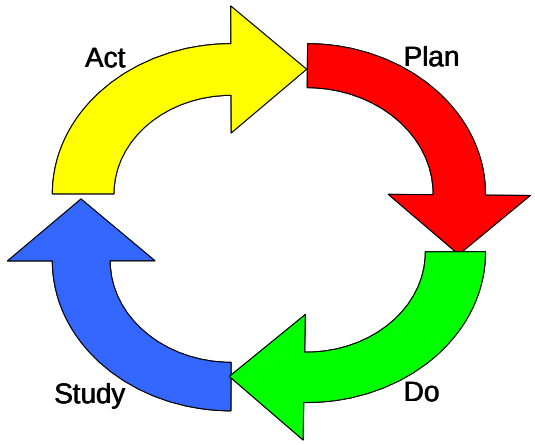


Figure 5. PDSA Cycle

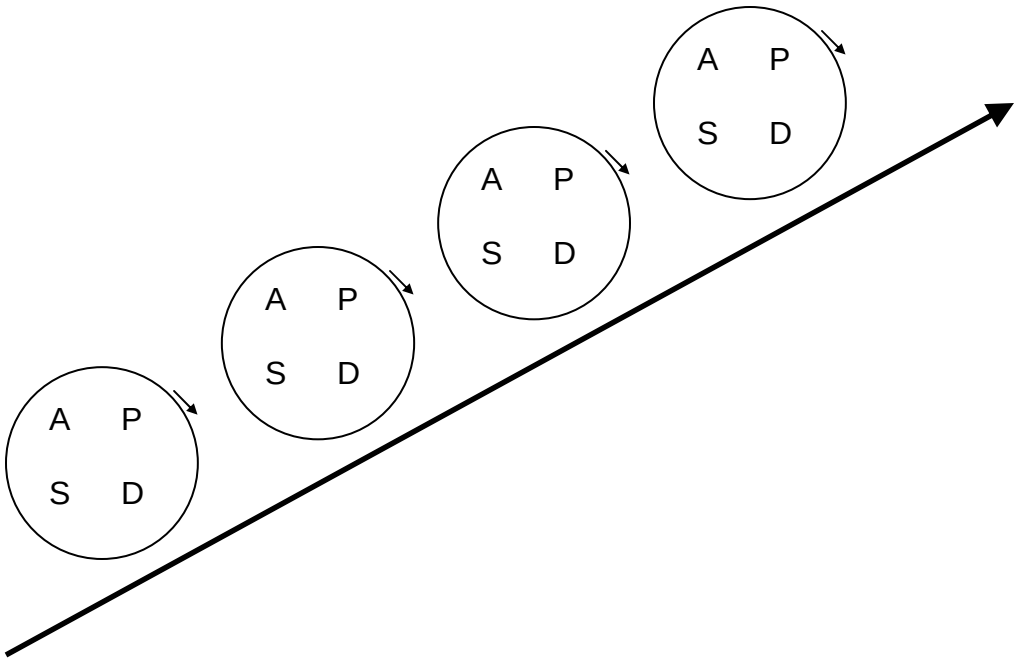


Figure 6. PDSA Cycles of Learning

Coaching. As was mentioned above, a system cannot see itself. If the knowledge to solve a problem was at hand, then it would have been employed to avoid the problem. The dilemma for managers is finding qualified outside help.

The 'output' of the above system is the theory and method for transformation. The SoPK provides the knowledge that leaders need to lead a transformation. It is through the lens of the system of profound knowledge that people can work on transformation; new thinking, new learning and new creating in the organization. The 'customers' of this process are, first, the managers and employees of the organization; then, the customers and suppliers with whom the organization does business; and then the organization's competition.

The presence of a feedback and reflection loop represents that the process is ongoing. It is this cyclical element of the system that makes it so powerful. That is, transformation is a never-ending process of continually choosing and learning and taking action. In some ways, the end-result (i.e., the development and application of a theory of management) is not as important as the process by which the result was developed. It is the difference between a solution and an answer. The trap will always be to think that you have "arrived."

Why Transformation Fails

The aim of this section is to discuss the psychology of transformation and the frequent barriers to successful transformation. Transformation fails when there is a lack of leadership with profound knowledge, vision and courage. Transformation demands all of these elements. The personal journey of transformation can be both frightening and exhilarating. It demands energy and a deep commitment to learning and significant change.

Consider the following guide for successful transformation.

$$\textbf{Success} = \textbf{A} \times \textbf{V} \times \textbf{M} \times \textbf{L} \times \textbf{I} \qquad \textbf{(6)}$$

where

A= **A**wakening,
V= **V**ision,
M= **M**ethod,
L= **L**earning, and
I = **I**ntegration.

While each of the elements is interdependent, the elements occur sequentially with feedback loops. Awakening gives rise to envisioning the future; which in turn, provides a sense of vision, and so on.

Awakening. We have discussed the concept of awakening. The awakening will be motivated by profound dissatisfaction with the current state and/or the vision of the future state should the current approach to management and leadership remain. If you are comfortable and perceive no threats then there will be little intrinsic motivation to do things differently. The dissatisfaction has to be substantial.

The most challenging scenario is to be dissatisfied when, according to conventional measures (e.g., revenues and profits), the organization is successful. This is what makes the story of Marshall Industries (*Free, Perfect, and Now*, Rodin [2000]) amazing. Marshall Industries was very successful. But they chose to transform and to create a new future.

Only when the awakening becomes great enough, will you be motivated to do things differently. Significant dissatisfaction coupled with envisioning a compelling vision places the individual and the organization at the doorways of change and transformation. With an awakening, the choice will be transformation. Without an awakening, the choice will be change. The best time for an organization to transform is when they are healthy; however, many approach transformation when they are in a crisis situation and don't know what to do.

The challenge with each of these components is communication to others. One person's dissatisfaction has to be effectively communicated to others. The consequences of maintaining the status quo have to be compelling. The communication of dissatisfaction can have two faces. On one hand, the dissatisfaction can be presented and developed in others by articulation of vision (see below). That is, by having a sense for what the future looks like, individuals realize that their world could be better and they are dissatisfied with the thought of settling for the current state. On the other hand, dissatisfaction can be presented that creates fear in others. That is, presenting the consequences of the status quo that demonstrate that the status quo is suicidal; that the current path leads to extinction (that we have been rearranging the deck chairs on the Titanic).

Because not everyone will accept transformation, the leaders need to prepare people for the journey. Leaders need to acknowledge the fears that transforming an organization will create. People fear losing their jobs, making mistakes, speaking up. There will also be strong resistance to change. Transformation invites criticism. When the organization needs to do things differently, it is often implied that it is because ***you*** have been doing things wrong!

Because it is common, unfortunately, to have a "management theory" of criticism and blaming, this response to transformation is not unreasonable. Common practices have become synonymous with best practices, however, and enterprises are dedicated with best intentions and efforts and hard work. Unfortunately, too many leaders are not taking the time to think about what they are doing and the impact of their actions and the "best practices" they are imposing. In their aggression for lean, six-sigma, accountability, and other recent fads, they are creating stress, internal competition, sub-optimized systems, and loss. Leaders begin to lose control of their organization and do not understand why. Therein lies the need for transformation, a new view of seeing the world and business.

Vision, Vision is an ever-evolving picture of the future. At the beginning of the transformation process, that vision can include an exciting sense of the "better way". It can also include a terrifying view of what can happen if things remain unaltered. Once on the transformation path, it is an ever-evolving flood of opportunities. The vision must be collaborative because one person will not be able to articulate everything. The journey will be difficult. Fears will abound: the fear of change, of loss, of the unknown, of making mistakes, of failure, of "not getting it," etc. On the other hand, as others awaken and join the transformation process, barriers and "silos' will break down, collaboration and synergy will be incredible; the creativity and innovation will be staggering.

Method. The method for transformation is the system of profound knowledge which include the specific thinking Deming gave us: fourteen points, the elimination of the deadly diseases, and the PDSA cycles. It would be easy to think of "method" or "next steps" in the traditional 'strategic plan' mindset. Unfortunately, the path of transformation is not predictable; it is iterative and predicated on learning. In a transformation journey, the next steps will be to think about thinking (see *Six Thinking Hats*, DeBono [1999]). It requires thinking through and about feelings, data, process, creativity, caution and optimism. The aim of the "journey" of transformation is to create the journey using the system of profound knowledge as the lens.

Learning. We have discussed learning extensively, too. Learning and using the system of profound knowledge as a lens through which beliefs and paradigms, systems and processes, language and tools are developed and evaluated is the core of creating transformation.

Integration. Transformation is not required of the entire organization instantaneously and simultaneously. As will be discussed in the next section, individual psychological resistance to transformation will be present. However, because the organization is a system, eventually transformation will have to be integrated throughout. The feedback and reflection loop is critical, and it represents that transformation is a progressive and iterative process.

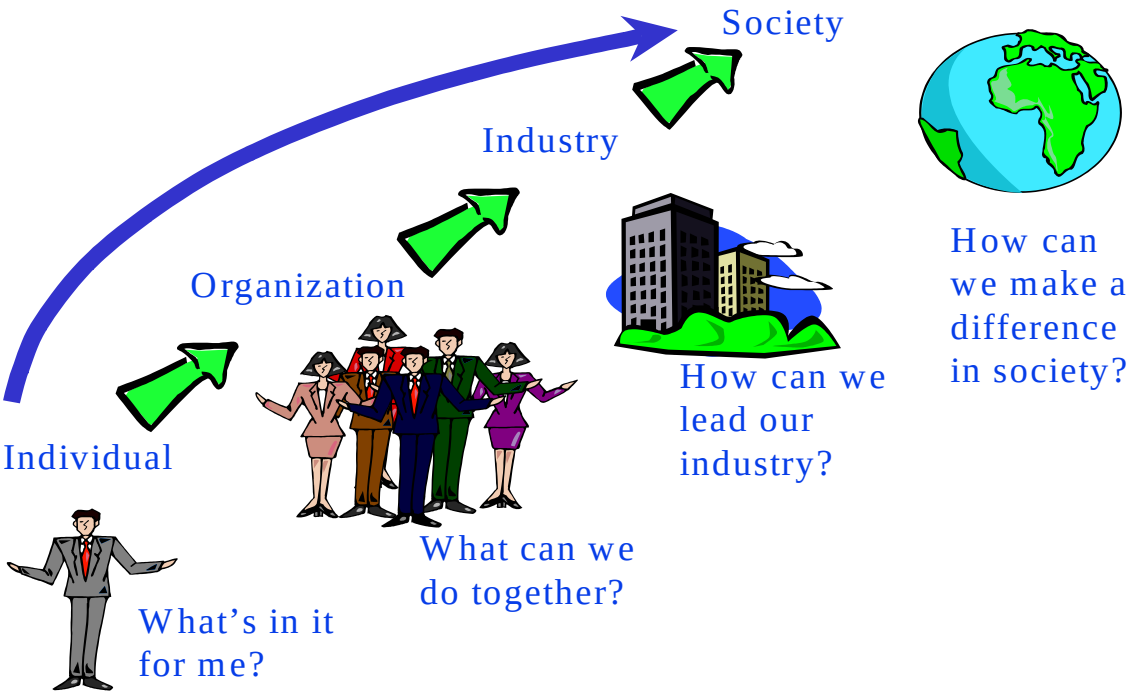
Conclusion

We must transform, not merely change or improve if we are to create a viable future. It will take leadership with profound knowledge and courage to have the stamina and commitment that transformation requires. Transformation is not easy, but it is critical to the health of our families and global society. Transformation is not for the other person to do, but for every individual to take personal responsibility to help create new futures, to ask questions, to take risks, and to make a difference.

Marcia Daszko
www.mdaszko.com
408-247-7757
Marcia@mdaszko.com

Sheila Sheinberg
www.sheilasheinberg.com
360-876-2399

Do you make a difference?



References

Ackoff, Russell. Creating the Corporate Future, John Wiley & Sons, Inc., NY: 1981.

Adler, Alfred. Understanding Human Nature, Hazelden, Center City, MN: 1998.

Argyris, Chris. Overcoming Organizational Defenses, Allyn and Bacon, Boston: 1990.

Cheaney, Lee. Contributed the first introduction to the BOHICA curve. 1992.

Covey, Stephen R., The Seven Habits of Highly Effective People, Simon and Schuster, New York: 1989.

De Bono, E., Six Thinking Hats, Little, Brown, and Co., 1999.

Deming, W. E., The New Economics, MIT Press, Cambridge: 1993.

Deming, W. E., Out of the Crisis, MIT Press, Cambridge: 1986.

Gharajedaghi, Jamshid. Systems Thinking, Butterworth – Heinemann, Boston: 1999.

Heifetz, Ronald A. and Linsky, Marty, Leadership on the Line, Harvard Business School Press, Boston: 2002.

Joiner, Brian L., Fourth Generation Management, McGraw Hill, New York: 1994.

Keirsey, David and Bates, Marilyn. Please Understand Me, Prometheus Nemesis, Del Mar, CA: 1984.

Miller, Lawrence M., Barbarians to Bureaucrats, Potter, New York: 1989.

Rodin, Robert. Free, Perfect, and Now, Simon and Schuster, New York: 1999.

Rodin, Robert and Backaitis, Nida. Beyond The Sounds Of Silence (unpublished monograph): 1995.

Ruiz, Don Miguel. The Four Agreements, Amber-Allen Publishing, San Rafael, CA: 1997.

Scholtes, Peter R., The Leader's Handbook, McGraw Hill, New York: 1998.

Senge, Peter M., The Fifth Discipline. Doubleday, New York: 1990.

Senge, Peter M., The Dance of Change, Doubleday, New York: 1999.