Sustainable Success: Leaders Who Transform

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The foundation of sustainable success in any organization is leadership and rapid organizational learning. The success of any strategic or project management initiative depends on effective, courageous leadership. A vice president for clinical development who is responsible for project management at a global pharmaceutical firm, Dr. Debra Vallner, stated, "Project managers may execute well, but the success of the organization is essentially based on how effective leadership is."

What is the role of leadership? How can a leader ensure that projects are optimally delivered to meet the business needs of the organization and serve customers? What philosophy of leadership do leaders need today and in the future to achieve a competitive edge? What leadership thinking and strategies accelerate progress and success, and what thinking or strategies lead to organizations' demise? This chapter will address those questions and deepen your understanding of organizational and project management success.

You will discover that the foundation for success of any strategic or project management initiative is leadership's commitment and ability to rapidly learn and adapt. In addition, you will discover:

- How leaders can think and lead differently to optimize the enterprise (a system) and ensure that major projects interdependently work toward the success of the organization

- That a leader's knowledge and effectiveness defines whether the organization and its projects can be managed and succeed

- How an organizational strategic compass (OSC), a tool that is too infrequently used in strategic and operational efforts, can help leaders set direction toward the effective management and implementation of projects.

Unfortunately, organizations rarely engage in systems thinking, the kind of thinking so desperately needed for sustainable success. Executives and managers try to maximize rather than optimize, but optimization is the difference between long-term success and failure.

Defining Leadership

Many organizations have too many projects, too few resources, internal competition for rewards, too little focus, and most critically, little understanding about how all the parts of the organization need to work *together*. Projects are the work that supports the direction a company is going in and helps accomplish the strategic goals and compelling purpose of the organization. But without a clear purpose and a methodology to accomplish it together, it doesn't matter how great the projects and people are, how hard the people work, how efficient the processes are, what "best efforts" and "best practices" are used, or how many defects Six Sigma analysis—a well-known application for statistical process control—reveals.

Leadership must create a system and optimize it. If not, the parts of the organization can all be great, yet the system (the organization itself) can easily fail.

A *system* is a network of functions or activities (processes) within an organization that work together toward the aim of the organization. How the parts *interact*—not how the parts *act*, separately or independently—is critical.

Leadership is not easy. It requires an ability to inspire people and to communicate effectively to engage them and harness their commitment to a purpose larger than themselves. It requires executives to have a new way of thinking, knowledge, and traits that are often uncommon in today's workplace, including:

- The courage to challenge bad practices like short-term, bottom-line thinking or slow, fear-based decision-making
- The knowledge to base decisions on data observed over time and in context
- The patience and commitment to focus on innovating, to sustain the long-term health of an organization
- The compassion needed to create jobs instead of cutting costs through layoffs, grabbing the annual bonus, and abandoning the company.

Leadership requires knowledge that challenges what is currently being taught in many of the "best" universities by the "best" professors churning out the "best" job candidates with the highest GPAs.

In reality, if we buy into the "best" mentality, our achievements will fall short and we will create win-lose strategies in work and life. Why do the "best" job candidates, "best" schools, "best" efforts, and "best" practices often lead our organizations, our projects, and our cultures into decline and dysfunction? Lack of leadership, simply and fundamentally. We need leadership with systems knowledge that is rarely understood and practiced today. Without this knowledge, executives and managers manage individual departments, silos, and divisions without understanding that the whole is larger than the sum of many parts.

Let's think about a car. If we take the "best" parts from the Volvo, Mercedes, Lexus, Mini Cooper, and BMW and put them together, will we have a car that works? Of course not. This is why many organizations and projects fail. We think that if we bring the "best" candidates from the "best" schools and use the "best" practices, we have the recipe for success. Instead, we have a sure recipe for failure.

The systems and statistical knowledge needed in organizations is rarely taught in our schools and universities. But if the knowledge that is needed for organizational success was common, we would have people working collaboratively, doing good work (any work with committed people working together with a common aim and supportive resources), a strong and healthy worldwide economy, health care and education systems that serve people well, and a vibrant, sustainable environment.

Challenging the Status Quo

It is time to challenge our current leadership thinking. In a commencement address I recently gave to a group of naval intelligence officers who had just completed an intense two-week leadership class, I said, "Much of what I will share with you in the next 40 minutes will be in direct conflict with what you have just been taught; my aim is to provoke your thinking so that you will not adopt this status-quo learning or the practices that are commonly being used in corporate America, but have no common sense."

During my address, they began to think differently, to question, converse about, and challenge the idea of unquestioningly accepting current ways of thinking and leading. The status quo is based on too many managers being complacent or acting on autopilot. These behaviors don't challenge managers to question their current beliefs and assumptions; rather, they lead to poor decisions and outcomes and very dissatisfied customers.

The Essential Qualities of a Leader

So what exactly are we missing? Leadership requires:

- Knowledge, based in a theoretical foundation of management
- Systems and statistical thinking
- Knowledge about people and how they learn, interact, and are motivated
- The understanding that management is prediction; data are presented over time and in context for better decision-making
- A genuine commitment to rigorous and continual learning, especially at the executive level
- Patience with chaos and upheaval and the ability to facilitate solutions and manage the chaos and upheaval
- Dedication to articulating the organization's direction well and repeatedly
- Listening deeply, with perseverance and tenacity
- Respect, understanding, and care for people
- Courage and humility.

Leaders with these qualities can discern the difference between management fads and powerful transformation and can identify supporting projects and tools that can accelerate their organizations' progress. So how are you doing? Are you a leader? What is the legacy you will leave? What will your employees and customers say about your leadership and the ease of doing business with your organization?

Among other things, leaders must transform their organizations; help build a solid organizational foundation; and engage the customer to understand what the customer really needs, today and in the future.

Leaders Transform

Focused leaders work tirelessly to transform their organizations. They are adept at devising strategies to continually improve, innovate, focus

on delivering quality, and commit to adding value and serving customers. They create leadership and communications as systems that everyone must work to continually improve. Leaders build and guide a portfolio of interdependent projects and operations that lead to system optimization and a culture that delivers continual learning (the only hope for a competitive edge), progress, and success. They ask, "What? What if? How?" They never accept the status quo. They never fall into complacency, arrogance, or greed. They strive to be responsive. They identify fear in the organization and work relentlessly to reduce it and build trust.

"Old thinking" in organizations often means relying on business and management models that fundamentally don't work. We know they don't work. They create silos, finger-pointing, blame, cultures full of fear, and analysis paralysis, and they lead to poor decision-making and results.

Leaders Build

Project portfolio management and product development succeed when an organization has built a foundation with a clear purpose and strategies, optimized systems and processes, and a culture of collaboration. Leadership creates the strategies and operational planning, defines key business issues, and forms project and process improvement teams to do the work that will deliver the business needs and serve customers.

What happens when the organization, including the project managers and teams, do not understand the purpose they are trying to achieve together? Projects drag on and are late and over budget; employees become tired and frustrated; management panics and forces out "something" that doesn't meet customers' needs. The business suffers from higher costs, greater inefficiencies, and poor quality and is sent into a spiraling decline.

Leaders Engage the Customer

A Fortune 500 company recently lost a major contract with a client it had had for more than 25 years. Project teams had diligently used project

management metrics to track progress, but the company was lacking engaged leaders who understood what the customer needed today and in the future. Even though the project metrics reflected the specific characteristics of the project, they didn't support the strategic goals of the company. You can't substitute metrics-tracking for leadership.

A project group can, for example, track the number of technical manuals and documents it writes and the percentage of projects completed on time, but these metrics don't tell us if the team is writing the content the customer needs or writing it in a way the customer can easily use. What's more valuable: tracking the schedule or spending time visiting the customer to understand how they use the product and what they will need in the future? (Keep in mind that it is our job to innovate, not the customer's.) Leadership must create a system that links project work to supporting and serving customers.

The Organizational Strategic Compass

Organizations are more successful if their leaders understand that their role is strategic and synthetic, not analytical. They should ask, "How do all the elements of the business weave together?", not "How do we break the whole into parts—and then try to understand or micromanage the parts?" This kind of analytical thinking is the most common kind of dysfunctional leadership thinking today and is the cause for the rapid failure of American businesses.

An organizational strategic compass (OSC) is a model that guides leadership thinking and helps leaders develop a cohesive business strategy (Figure 10-1). Leaders don't use road maps, which are useful only when you know you are going straight from point A to point B. Rather, leaders use a compass to guide their journey into new and unknown territory, the future. The OSC can help leaders determine where they want to go. It encourages them to look closely at the terrain, the barriers, and the

Organizational Strategic Compass (OSC)
The five parts of the OSC must work interdependently together.

PURPOSE and DIRECTION

- In what direction are we going, and why?

- How do we create an organization in which everyone can contribute to this direction?

PRINCIPLES

- What principles and behaviors do we want to exhibit?

STRATEGIES

- How will we get where we're heading?

CUSTOMERS

- To whom will we deliver our strategies?

SUCCESS METRICS

- How will we measure success?

Figure 10-1 Organizational Strategic Compass

opportunities (markets and potential markets) and make necessary shifts in response. Guided by this compass, leaders can adjust, adapt, and be agile, responsive, and flexible in serving their customers.

An OSC has five foundational and interdependent parts. Using an OSC is essential for management teams, and it is often helpful for project teams, though project teams may also use road maps, process maps, and other tools.

Strategic thinking means asking more questions and deeply involving everyone in a challenging learning process. When you use an OSC, brainstorming hundreds of ideas is replaced with a more important activity, brainstorming the *questions* that must be asked and answered. (Isn't that a novel idea—and a departure from many managers' obsession with brainstorming ideas for quick fixes?)

An OSC replaces the traditional and often static strategic planning process that includes setting strategies, objectives, targets, and numerical goals; doing a strengths, weaknesses, opportunities, and threats analysis (SWOT analysis); defining individual competencies; and creating dashboards. An OSC guides leaders to a higher level of thinking.

The OSC comprises five parts:

1. *Purpose and direction:* Where are we going and why?
2. *Strategies:* How will we get where we're heading?
3. *Principles:* What do we stand for, and what behaviors illustrate our principles?
4. *Customers:* To whom will we deliver our strategies?
5. *Success metrics:* How will we measure success?

All five parts are interdependent and must work together for success.

As they say at the circus, "Don't try this at home"—or, in this case, don't complete the OSC alone. Make sure to work with a facilitator who has transformation and systems knowledge. In addition to providing vital expertise, the facilitator has another essential role: to ask questions from an outside perspective and to challenge your thinking so you experience profound ah-ha moments and do not fall into groupthink.

The point of the OSC is to achieve different—better—results based on new insights. Too often groups are so busy patting themselves on the back for their successes that they don't focus on strategy for the future and don't see the grenade that a competitor is tossing at them, often a competitor they either didn't see coming or did not take seriously.

Project Management and the Organizational Strategic Compass

Strategic leadership and project management are linked when leadership develops and communicates the OSC to the organization, the major

subsystems and processes of the organization have been identified, and project teams are formed to work interactively to support the optimization and aim of the enterprise. Continual communication, guidance, and feedback will allow the cooperation and information-sharing necessary for progress and success. Ongoing improvement processes will accelerate learning, and the rapid acquisition of knowledge will expedite the enterprise's race toward a competitive advantage.

The Management Principles of W. Edwards Deming

Organizations are facing pressure to compete like never before, and many leaders are confronting new challenges. Leaders who can draw upon a foundation of management principles that promote system optimization can adapt, respond, survive, grow, succeed, and create a new future. Most leaders do not have this knowledge or much experience.

The management principles that W. Edwards Deming introduced in Japan to help businesses recover after World War II are still not well-known and are rarely implemented. Auto industry executives adopted these leadership principles in the 1980s to renew the American auto industry, but they were abandoned when the focus of the auto industry and then big business in general became the bottom line and stock prices, rather than the health of a sustainable enterprise. Focusing on the bottom line destroys organizations.[1]

Deming's principles offer organizations anywhere in the world the strategic and operational foundation to transform themselves and the focus necessary to compete in our global economy. Though they were developed decades ago, these principles foreshadowed the evolution of business models and strategies that are important today: the relentless integration of customer feedback into creating a more effective, innovative system; the evolution of the modern, information-based supply chain; and collaborative, interdependent connectivity within organizations that demands people work, learn, improve, and innovate *together*.[2]

Deming's writings on teamwork, collaboration, rigorous training, and working closely with suppliers were among his most controversial and groundbreaking. He emphatically stated that the customer is the most important part of the production line, that fear inhibits cooperation and leads to the creation of false data, and that management by objectives (especially numerical goals and targets) creates organizational misalignment.[3]

When leaders truly understand these principles, among others, there is a huge opportunity for them, along with project managers and employees, to make profound changes happen. Leaders using leadership theories based on systems thinking have fundamental insight into the changes in structure and strategy that organizations must make as they pursue the strategic imperatives of innovation, speed, flexibility, quality, and creating value for customers and future markets.

Deming asserted that the greatest leverage for unleashing the potential for human performance in organizations (and project teams), and thus for improving organizational performance, lies in rethinking the way we construct organizational reality.[4] Many of the barriers to quality, improvement, and innovation are of our own making. Letting go of the assumptions that underlie prevailing business models is the key to removing artificially created obstacles to improvement and innovation. This approach raises organizational performance to new levels. We can, for example, improve and improve the buggy whip, but that improvement will never get us to a horseless carriage, an automobile, or a hybrid car.

Most business models that fail do not appreciate the degree of connectedness between elements of the organizations: between department silos, between customer-supplier relationships, between organizations and their customers, between the flow of process improvement and project teams, and between measurement systems and behavior. In too many organizations, there is a disconnect between the direction the leadership team is taking the organization and the project teams' work. Each project team or department works alone without understanding the aim of the larger

whole or how the team or department fits into and contributes to it. Often, teams are unaware of the project work being done by other teams. Leadership does not guide the optimization of all the work or link it to the value it offers customers.

Individuals and project teams can work hard and make their best effort, but the enterprise may still fail. Leadership is responsible for creating the system and optimizing it so that everyone is working *together* toward a common aim. Project teams can work interdependently toward that aim and the strategic goals of the organization.

Leadership and Systems Thinking

Executives must lead and optimize the entire enterprise. All the parts (e.g., people, materials, projects, resources, operations, branding, ideas) must work well together. Unfortunately, many management models and tools are really just parts of a tool kit, and the parts don't work together. How can executives, managers, and employees effectively measure progress and success? How can project teams learn how their work contributes to a larger whole? This section will help leaders answer these critical questions.

In 1987, Deming articulated a "system of profound knowledge" comprising four interdependent elements, including appreciation for a system, knowledge about variation, theory of knowledge, and psychology.[5] Here, Deming's concepts are expanded upon to include systems thinking and system optimization; understanding variation; theory of knowledge; theory of people, learning styles, and motivation. Figure 10-2 shows how these elements interrelate, and the following section describes each of the elements in detail.

- *Systems thinking and system optimization.* A *system* is a network of interdependent components that work together to serve its purpose. Systems thinking must be applied for projects *and* for organizations
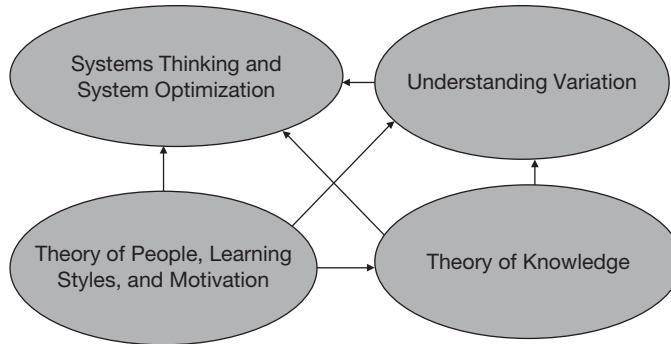
Figure 10-2 A Systemic Approach for Applying Leadership to Organizations and Project Management

to succeed because project and organizational success depend on each other. Overemphasizing certain parts of the system breaks it down. A common example: dividing companies into departments without understanding their interdependencies or how the work flows.

Another example comes from Brenda Wright, Director of Technical Training for a Fortune 500 storage company:

> System optimization doesn't always refer to automation or computers either. We had a challenge to break down cross-organizational barriers and define a simplified workflow. Many teams wanted a one-click solution, yet each team had their preferred approach. Using the OSC model, they shared their perspectives and then created a unified system that worked and flowed well for the entire organization.

- *Understanding variation.* Variation comes from many sources: the environment, subsystems, processes, resources, and culture. Too often, managers tamper with systems that are in control, making things worse. Or they blame individuals for problems that are actually attributable to the other five sources. It is the system that delivers the outcomes—and only management is responsible for the system. Common-cause variation is normal, and people are only

a small part of that equation. It is crucial for leaders to understand theory of variation and statistical thinking; otherwise, they react, make poor decisions, and create chaos and more waste and inefficiency.

- *Theory of knowledge.* Deming wrote that the theory of knowledge (TOK) "helps us to understand that management in any form is prediction."[6] We need a theory, a plan, a prediction to manage and to learn. Even simple events require a plan. For example, when we plan to go to a baseball game, we make assumptions about transportation and weather; we predict how our plan will go; and we discover whether our assumptions, plans, and predictions work out in the end. Based on our experience, we adjust our assumptions, plans, and predictions in the future. It's the same in business: Measuring our progress and achievements helps us determine whether we are going in the right direction to accomplish our organization's strategic purpose, but we must be careful not to get caught up in measurement mania—trying to measure things that can't be quantified.

- *Theory of People, Learning Styles, and Motivation.* Psychology helps us to understand group dynamics, different learning styles, human interaction and behavior, and intrinsic and extrinsic motivation, as well as fear, trust, communication, resistance to change, individual and organizational learning, and barriers to improvement.

This framework illustrates the leadership thinking and foundation that are necessary for effective, successful project management. Each of the four elements is detailed below.

Systems Thinking and System Optimization

Leaders must understand how systems work. The role of each part of a system is to contribute to optimizing the whole system. It is not to maximize itself. It is to create cooperation, not internal competition. Think of an orchestra, a human body, a car—how well would they work if their

parts were competing with each other? Would the orchestra play noise or music? Would the body function well or go into shock? Would the car go down the road or sputter and stop? The greater the interdependence between parts, the greater the need for cooperation between them. It is the job of leadership to make sure the parts work together—and this job cannot be delegated!

When a leadership team develops an organizational strategic compass (OSC) and defines where the enterprise is going and some ideas for how it will get there, it begins to define its major issues and opportunities. It can then determine which projects must receive focus and resources. The success of the organization depends on how those key issues, projects, and processes are managed interdependently so that they all work toward the success of the whole organization (Figure 10-3).

In *The Fifth Discipline: The Art & Practice of the Learning Organization*, author Peter Senge describes the automobile industry's awakening to systems thinking.[7] When American automobile manufacturers began to take Japanese competition seriously, they dissected engines from their cars and
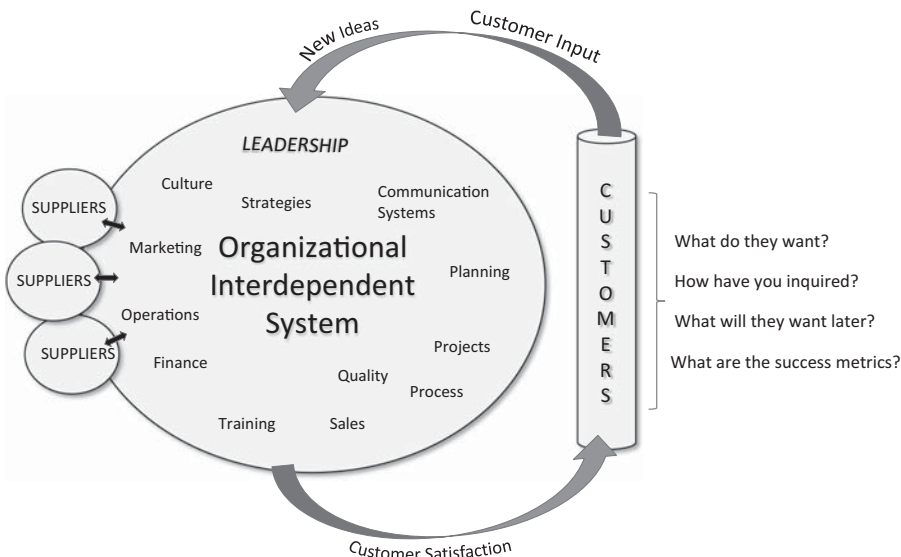
Figure 10-3 System Diagram

from Japanese cars. They found that three subassemblies in the American car engine used three differently sized bolts. This necessitated three sets of tools, three sets of inventory, and so on. The Japanese car used the same-sized bolt throughout. The conclusion was that each American subassembly was intended to be independently effective. In the Japanese production system, someone was responsible for making sure that the entire assembly was *interdependently* effective.[8]

All parts of an enterprise are connected: systems, subsystems, processes, projects, materials, resources, people, teams, products, and services. All contribute. But when the *system* doesn't deliver the results we want or need, what do we do? We blame people. However, only leadership is accountable for the success of systems because leaders create the systems. Individuals are responsible for contributing their part, but cannot be held accountable for a system they did not create or its outcomes, contrary to common practice in America and other countries that have adopted Western-style management.

It is important to remember that the optimization of a system does not necessarily result from the optimization of individual pieces. For example, Marian Hirsch, a senior technical editor at a global bioscience company, had an opportunity to help her team save a project and optimize the system. She explained:

Last week I was in a department meeting to kick off a project that was a small part of introducing an updated version of a product (Product A). This introduction has important strategic implications for our business sector. We have a modernized format for manuals, and we are revising older ones to match this new format as products change.

The writer assigned to this new project was assigned to update the format of a manual for a different product (Product B), the content of which wasn't scheduled to change for awhile. The manager wanted to slap some minor changes in the manual for Product A. I introduced the group to the system and its interactions: the product life cycle,

company strategy, impact on customers, etc. Together we discovered and learned that it was a better investment to completely update the manual for Product A; [the quality] would be better for customers, [and it would] have a longer life and make more sense for the investment of time and money. We could do the manual for Product B a few months down the road with no negative consequences. We just needed to look outside of our project as a team, look at the entire portfolio and marketing strategy, and understand how we fit in and were contributing toward it.

If top management focuses on creating systems in which people can collaborate on projects, continually improve processes, and innovate, then transformation is possible. If a company works on transformation and strives to make a difference internally and in society, won't financial success be a natural result?

Understanding Variation

Variation is normal. Numbers go up. Numbers go down. The trick is knowing how to manage variation (not just reduce it) and knowing when to act. Knowing when to take action and when to be hands-off is important for the successful implementation of project work. Otherwise, things that aren't broken get "fixed" (tampered with), and things that are broken are left unattended.

Six Sigma is a well-known application for statistical process control. Organizations using it attempt to improve processes so that there are only 3.4 defects or mistakes per million. However, many managers do not really understand what Six Sigma is or how to use it. They have rolled many dysfunctional practices into it, actually sub-optimizing their organizations in the process. The focus has been on defect detection rather than on quality process improvement, innovation, and system optimization.

Six Sigma has become one of the decade's most popular management fads, replacing sound management thinking. Six Sigma is only a tool,

one that is often improperly used because many users do not understand statistical thinking or the theory of variation.

Understanding variation is key to reading any measurement of a process and, in turn, understanding how to optimize the enterprise. If data are interpreted improperly, managers will be very likely to react inappropriately and make poor decisions.

For example, Figure 10-4 shows a graph of data from the human resource department for a major client. The graph shows statistics for the amount of time the department takes to fill a critical hiring requisition. The data are useful to the company because they suggest uncontrolled conditions and show the average time it will take to fill hiring requisitions.

If managers analyze the data by comparing a single point in one year over a single point in another year, it can lead to over-adjustments. For example, comparing statistics from November 2007 against those from
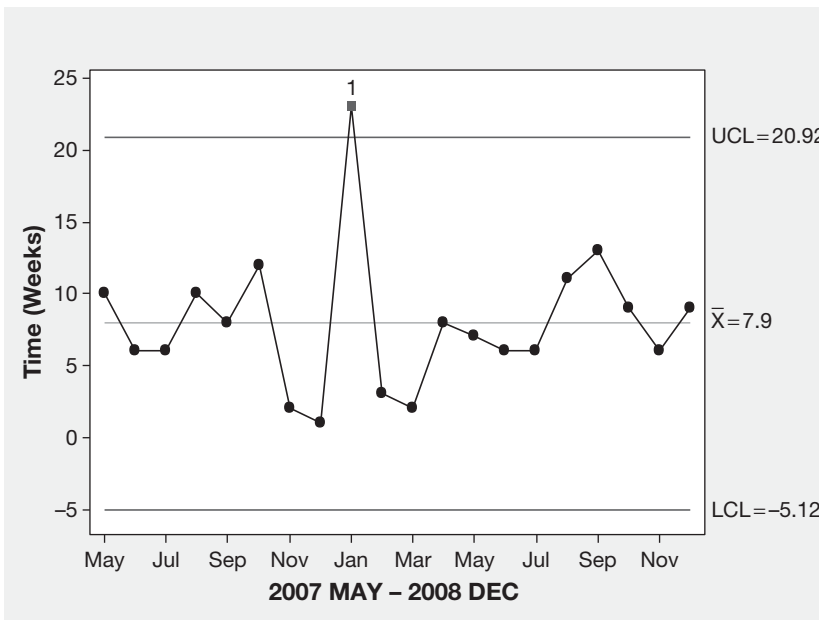

Figure 10-4 Time to Fill a Critical Hiring Requisition

November 2008 shows that the hiring time for that month was longer in 2008 than in 2007. While this is true, managers shouldn't extrapolate that minor variance to mean a significant, negative trend in hiring practices is occurring. Natural variances occur in any system; managers should look for long-term trends when deciding whether process-improvement initiatives are needed. The data point for January 2008, however, shows a clear outlier. Management should investigate what caused this divergence from the other data and ensure that control mechanisms are in place to prevent it from happening again.

As statistician and project logistics manager Diana Hagerty explained,

Most management has no clue about variation. Project managers are forced to work with poorly designed tools and standard operating procedures that make things worse. Project management software cannot even deal with common-cause variation. It's useful for tracking progress, but completely useless for making predictions. Garbage in, garbage out—and people rely on it without asking any questions, much less pertinent ones! It doesn't tell you if the process is stable. One example is when one of my technical leads tried to trim our team's schedule to fit a more aggressive product launch—the software added six weeks to the project!

Theory of Knowledge

People managing systems and working in them need to work together to develop methods by which processes can be continually improved and results achieved. The most critical question for improvement is, "What are we trying to accomplish together?" (The question "What are we trying to accomplish?" is not sufficient; adding the word "together" encourages people to look at a larger aim, not just their own part in it.) The next question should be, "By what method?" In other words, what will the process be? Finally, we must ask, "What measures of improvement will we use so that we can identify change and know if it is significant?"

Company leaders cannot merely set numerical goals, objectives, and targets without also simultaneously discussing the plan and methods by which progress toward those goals might be achieved. Setting numerical goals alone causes the first major crack in the system and its connections. The oft-repeated axiom "If it can't be measured, then it can't be managed" is one of the most ludicrous beliefs about measurement. What are we thinking when we say this? (Or are we thinking at all?)

There are hundreds of examples that refute this nonsense, but here's a commonsense example: Let's say we asked parents, "Do you feel that it is important to play with your children?" Most people would agree that playing with children is very important; it encourages their creativity and learning and offers other benefits. What if we asked, "Do you measure the time you play with them?" Most parents would say, "No, why would I do that? I know it is important, and so I spend time with my child whenever possible." We might reply, "Then why not measure it?" After all, the common belief is that if it is truly important, it can and must be measured. But what would we measure: the number of minutes we play? The number of activities? The number of times the child asks a question about the rules of the game?

Metrics aren't always meaningful, and not everything can or should be measured. Deming attributed this insight to Dr. Lloyd Nelson, director of statistical methods at Nashua Corporation: "The most important figures for management of any organization are unknown and unknowable."[9] Measurement mania has thrown many of our systems into decline. Our education system, for example, focuses on measuring, testing, and rewarding teachers with merit pay rather than on building a *system* that encourages joy in learning and develops lifelong learners and responsible contributors to society. How do we measure the joy of a lifelong learner or the contributions one makes to society as a result of that joy of learning? The most important measurements are unknown.

The purpose of measurement is to help us determine whether we are going in the right direction to achieve our organization's strategic goals.

For every decision we make, every project and process we work on, will our work and the metrics we track help us get closer to our goals or further away?

Theory of People, Learning Styles, and Motivation

Results—such as financial results, sales quotas, and customer satisfaction— and variation in results are caused by the environment, by processes, by equipment, by material, and by people. Most of the time, we attribute all results (and variation) to people, particularly the people who are closest to the results.

- We tip a waitress less because the food was improperly prepared (variation in the process) or the service was slow (variation in the environment because two other waitresses called in sick).

- A project manager, whose results are compared to budgets, quota, or goals, is considered successful or unsuccessful based on how well the negotiations went during last year's budgeting meeting.

- Salespeople hold or accelerate sales or sales returns, thus distorting the figures, to meet goals and quotas. For example, if a sales rep meets his or her quota for the period five days early, he or she might hold new sales orders until the next period begins to help ensure that he or she will meet the next period's quota.

Remember, top management is responsible for the system. Employees and project teams work in the system, and while they are responsible for their own behavior, they cannot be held accountable for the results of the system, with its many interdependent parts that often fail to connect.

If an organization and the project teams within it succeed, it is because top management has made a significant commitment to transform the company into a thriving, dynamic, developing, learning organization with a management philosophy grounded in theories, not management fads.

Transformation Is Not Just Change

To *transform* means to change in form, appearance, or structure, or to create something new that has never existed before and perhaps could not have been anticipated. Organizational transformation happens when leaders develop a vision of transformation and a system for continually questioning and challenging beliefs, assumptions, patterns, habits, and paradigms. Leaders who understand this will ask challenging, cutting-edge questions, using the OSC and system diagram, and strive to continually apply management theory through the lens of systems and statistical thinking.

Pak Fresh CEO Joyce Musil-Condon explains it well:

Becoming a transformational leader is not easy. It's hard to stop doing what you've always done; ask the tough questions; challenge the status quo; admit that you don't know the answers; and focus on delivering value to the customer wants while sustaining the organization.

Organizational transformation occurs first in individuals, then in the organization itself. It requires a change in mindset. It requires leaders to understand systems thinking, statistical thinking and variation, prediction, and the psychology of people and culture. It also demands that leaders take decisive action. Transformation means leading an organization into the unknown. This is why communication, collaboration, rapid learning from projects, and working together toward the aim of the organization are fundamental.

Transformation is the real key to a business's survival and leadership position. An organization that is unable to achieve its potential must transform, which means that first, its leaders must personally transform themselves. To change the organization and to achieve better results, leaders need to think, do, question, and feel differently, not just measure differently. They must challenge their current beliefs, assumptions, and practices.

If leaders succeed in transforming their thinking and actions, their companies may survive, even innovate. If they do not, their organizations'

decline and failure is imminent—no matter how hard people work, how brilliant their new ideas are, how efficiently processes flow, or how well project teams collaborate.

Survival, even for Fortune 500 companies, is not guaranteed. In fact, more than half of the companies that appeared in the first Fortune 500 list in the early 1950s no longer make the list.[10] They do not exist as they did 60 years ago. Current success guarantees nothing in the future.

In the 1980s, IBM was floundering. Management guru and author of *Everyday Heroes*, Dr. Perry Gluckman, keenly observed, "IBM is like a big dinosaur; it will just take longer to come to its knees." IBM survived because its new leadership is committed to making transformative, sustainable changes in thinking about and questioning its philosophical approach.[11]

Unfortunately, few individuals understand transformation or why it is an imperative. They don't understand why incremental or transitional change is not enough. Often, people confuse transformation with *any* kind of change, such as change management initiatives, technology breakthroughs, innovation, process improvements, or transitions. The truth is that all transformation is change, but not all change is transformation. Real transformations result in a competitive edge and unparalleled leadership that can make a difference in our society.

Final Thoughts

Leaders can give project managers clear direction by answering three questions:

- What purpose are we trying to accomplish in this organization, and where are we going?
- By what methods will we accomplish our purpose?
- Who are we serving, and how will we know how well we're doing?

It seems as if these few questions should not be too difficult to answer. They are pretty straightforward. But too often, leaders do not do their job. They either do not understand it or they delegate it. A leader's job is to answer these questions clearly and specifically so that all employees understand their roles in the organization. Leadership must be open to learning and listening to their employees and their customers and then adapting and redesigning their organization systematically to deliver better results for today and for the future.

The system diagram and the organizational strategic compass are two leadership tools that are foundational for the communication and clarity needed for all parts of an enterprise to work together to help achieve project and organizational success. Without strategic thinking and regular and effective communication regarding strategy, the organization as a system will struggle to succeed.

Adaptive leadership thinking establishes organizational learning that fosters successful project management and a competitive edge. Implementing a new way of leading takes courage. But an organization cannot succeed without effective leadership guiding project management. Leadership and project management are interdependent. Only together can they deliver profound value to customers!

Notes

1 Nida Backaitis and Marcia Daszko, "Still Ahead of His Time: The Management Philosophy of W. Edwards Deming in the Internet Era," (Santa Clara, CA: Marcia Daszko & Associates, 1995). Available online at http://www.mdaszko.com/articles_01.html (accessed February 6, 2010).
2 Marcia Daszko, "Innovate or Evaporate: How to Create a Sustainable Future," research paper presented at the Deming Research Conference, Fordham University, New York, 2002. Available online at http://mdaszko.com/Article3.pdf (accessed February 20, 2010).
3 Nida Backaitis and Marcia Daszko, "Still Ahead of His Time: The Management Philosophy of W. Edwards Deming in the Internet Era," (Santa Clara, CA: Marcia Daszko & Associates, 1995). Available online at http://www.mdaszko.com/articles_01.html (accessed February 6, 2010).

4 Ibid.

5 W. Edwards Deming, *The New Economics for Industry, Government, Education, Second Edition* (Cambridge, MA: The MIT Press, 2000), 92–115.

6 Ibid., 101.

7 Peter M. Senge, *The Fifth Discipline: The Art & Practice of the Learning Organization* (New York: Doubleday, 2006), 18.

8 Ibid., 19.

9 W. Edwards Deming, *Out of the Crisis* (Cambridge, MA: The MIT Press, 1986).

10 See Fortune 500, "Database of 50 years of Fortune's list of America's largest corporations." Available online at http://money.com/magazines/fortune/fortune500_archive/full/1955/401.html (accessed February 20, 2010).

11 Louis Gerstner, Jr., *Who Says Elephants Can't Dance?* (New York: Harper Collins, 2002).