

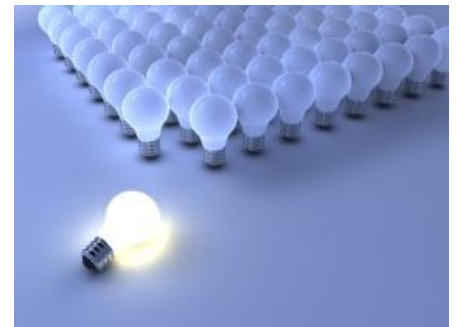
In This Issue

- Closing the Performance Gap
- Article by Prof. Dave Stevens: Why it's best to seek business assistance sooner rather than later.
- TOCICO Exam Dates
- Speaker Programme

CLOSING THE PERFORMANCE GAP

In many of our current projects we are faced with a simple dilemma – how to close the performance gap between where we are today and where we need to be.

So...how can leaders shed light on the performance gap? And then do something about it?



In recent weeks I have been able to visit a number of organisations of all types and sizes, and also to speak at various events on the subject of Leadership. What has struck me about this is the low level of importance given to the concept of leadership today. People seem to be very much aware of the importance of "management" but recognise that in terms of "leadership" there is a real and present gap. The number of people asking me for more information, books to read, courses to attend, indeed anything to do with leadership, is on the increase and is an indicator of the ever growing need for people who can actually lead.



Dr Ted Hutchin
Institute Director

www.toc-lean.com

Contact Us

TOC-Lean Institute
22 Digby Drive
Melton Mowbray
Leicestershire
LE13 0RQ

Tel: +44 (0)1664 502860

The Gap?

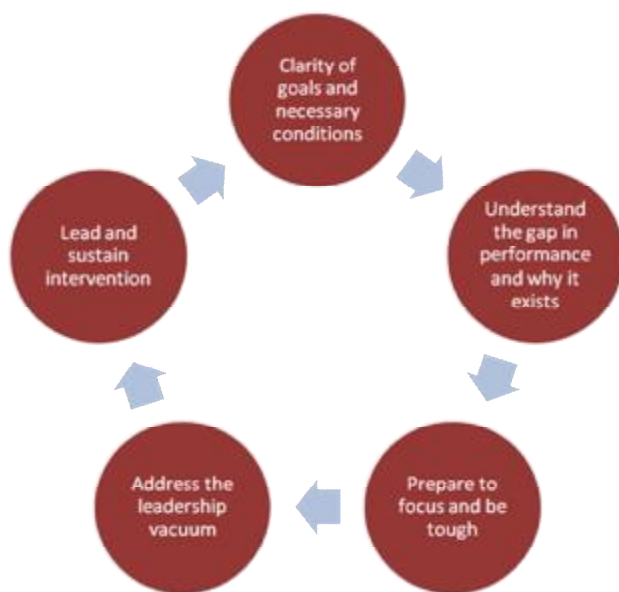
- Regular and common problems
- Excess costs of delivery or non-delivery
- Lost sales and contracts
- Lost opportunities for sales or inability to open new markets
- Failure demand
- People fail to own direction or take responsibility for problems
- Low morale and unhelpful behaviours
- Poor management of performance
- Poor leadership of change
- Lack of skills
- Sense of not being in control

I have taken this opportunity to capture many of the statements of those who feel they lack leadership skills and /or direction and they are listed in the box to the left. Although this list came originally from manufacturing companies, I have also found the same issues appearing in non-manufacturing

companies, public sector, voluntary sector and many other types of organisation. This leads me to the conclusion that what I am finding is much more universal than previously thought.

At the same time the need for someone to say clearly and simply “this is the direction we need to take” has never been greater and yet so often is missing altogether. I come across many people who are managing the status quo with great skill and experience and yet at the same time they say to me: “I’m not sure if this is the right direction!” It is as if, in the absence of any real direction, any direction will do! There is a clear recognition that there is both a performance gap and a leadership gap. This leads of course to another observation: how do you know there is a performance gap when the direction is not clear?! In most organisations I do find that there is a tacit understanding of the goal of the business, and even the necessary conditions (NCs) required to achieve the goal; what is missing is the clarity as to the goal/NCs and the strategy required to get there.

This is, to my mind, one of the key contributions of leaders. They inspire people to journey towards the goal; they inspire people to see their true worth rather than being seen simply as an expense item. They are able to communicate the goal, the direction, and allow people to innovate, to create, to try different ways forward, unconstrained by artificial rules and procedures that stifle the very creativity most organisations need right now. This leads to the process outlined below.



Here we lay out the five steps that good leaders are able to use in their engagement with the people within the organisation. It starts as you might expect with the promotion of the goal and necessary conditions. Then, using a measurement system that genuinely measures performance towards the goal, the performance gap is identified and the reasons why that gap exists are pinpointed. Of course in our experience this is where the use of the TOC Thinking Processes has

huge impact and where much of our training/coaching support is focused. This is where the need to be both focused and tough enters the equation. Leaders in this environment do not compromise on the pathway to the goal, they challenge the assumptions within the organisation and at the same time the rules and procedures that currently exist. If the existing rules and procedures help with the right behaviours then they leave well alone, but if they do not, then the leaders are not afraid to challenge them and change them if required.

“All improvement means change. Not all change is improvement.”

**Break through
= Break with
= paradigm shift**

My research and work over the last fifteen years has shown that it is at this stage that the need to challenge and often change is most crucial. This is where the change marks a paradigm shift. This is the field of “breakthrough solutions” which in almost all

cases demand a shift of paradigm and thus often create for many a real difficulty in carrying out the actions required to implement the change. This is precisely the point where the leader needs to address the potential problem of what we call “leadership vacuum”. The issue here is to help those stuck in the old paradigm break free, to achieve what they have never achieved before by doing things they have never countenanced before – this is true leadership to my mind. Now it is vital to keep the changes moving forward. Is the plan robust? Have we taken account of the reservations of the team? Have we developed a full, robust, logical, do-able



implementation plan, using a pre-requisite tree and CCPM to implement the plan? And once this is all done, then do it again!

In working with people who are trying to lead in this fashion we have developed the Coaching Quadrilateral, or “Quad” which contains four key aspects of any coaching process: Healing, Reconciling, Sustaining and Guiding.

These four aspects have been developed over many years and form the foundation of our work. There is no fixed starting point; that is determined through our use of the coaching cycle (see below). Therefore the starting point for any coaching assignment can be anywhere within the Quad.

Healing and Restoring: this might seem an odd title for this aspect but many of our coaching projects in the past have centred on the need to restore broken relationships, between individuals and between teams, and even between departments or divisions! Clearly if relationships are broken to this extent then the first step is to seek out a map that restores these relationships and move to a situation where win-win is the dominant outcome of all negotiations and engagements throughout the organisation. This is also about addressing the issues that are causing discomfort for people within the organisation, the team, or sometimes within themselves. Change itself can cause trauma, and once more we find ourselves helping people cope with the demands that change can create.

Reconciling and Mediating: this aspect is very much where we set out to address the conflicts and issues that cause all manner of disputes. These conflicts can be between people, between functions, and sometimes the conflict of subordinating to the changes being asked of the individual. Of course there is overlap with other aspects of the Quad, but dealing with conflicts is a major aspect of our work, reconciling differences and helping to create a win-win solution that restores a healthy balance within the organisation and/or the team.

Sustaining and Nurturing: this aspect is all about trying to help with the question “what happens next”? For many people the changes that take place are fully agreed, and any issues that arise as a result of the changes are overcome – but then there is a sense of “so what now”? The ability to sustain progress towards the goal is fundamental to any coaching activity. We have used this in both Rugby and

Sailing where even the best know that there is a need to maintain the current level of expertise and excellence, and then to move to the next level. This applies to Olympic Sailors and International Rugby players as much as to any person working in any organisation! This is all about journey, a walking alongside someone, perhaps even the team, to enable them to maintain progress for themselves.

Guiding and Mentoring: this aspect is about helping people recognise the direction they are taking today and a check as to whether this is the right direction! Many times we find people are working hard, but when we ask them about the goal they are striving to achieve, it becomes clear that they are working hard in the *wrong* direction! They might even be putting in more and more hours in order to drive themselves in precisely the wrong direction, and perhaps also driving their team in the same manner. Guiding starts with discovering the goal, and the necessary conditions that must be achieved for the goal to be achieved. Then, through a simple approach, we set out to determine if the current direction is the correct one. This is part of being able to paint a compelling picture of what the future might, or should, look like. This is where we ask, and try to help each person to answer, the questions “what?” and “why?”.

The Coaching Cycle

In addition to the Quad we have also developed a Coaching Cycle of five steps which we use for any coaching activity. The cycle is used at three levels; the first is that of the individual, the second that of the team, and finally the third is that of the organisation. At each of those levels the tools used to answer the five questions are the same, simply working at deeper levels of understanding and analysis.



Step One: what's holding us back?

This is the starting point for understanding why we feel stuck in our journey. What is holding us back? Why are we not making more progress? Why is life so difficult? The first step in our analysis involves LISTENING. We take time to sit with people, to listen to them and capture the issues and problems they are facing, the hopes and desires they have, or perhaps once had, and from that to start to paint a picture of the environment in which they are living and working, and which is possibly hurting them.

Step Two: why is this holding us back?

This is not just a simple intuitive reaction; to answer this question, if we are really serious, we need to apply some real analytical tools. The reason for this level of rigour is that we have found, over the last twenty years or so, that in a complex situation, in an environment where there seems to be a very high level of complexity in everything, the need to find simplicity is paramount - the inherent simplicity that lies in all complex environments. We use the powerful analytical process rooted in

the Theory of Constraints (TOC) approach and which has been used in this field for many years with great success. This step asks a simple question – “what do we have to change in order to move forward?” When this step has been completed the key barriers to progress are known – but we are not done yet!

Step Three: what is the compelling picture going forward?

This is all about painting the picture of where we want to get to by answering the question “what to change to?” Looking at the description of the problems and issues involved we now develop a structured picture of what the future might look like if we can break free from where we are. This picture is then submitted to scrutiny in order to have confidence that this is actually the future state we would really like to have in our possession.

Step Four: how do we achieve the objectives set

So what is stopping us? There will always be obstacles to the achievement of the goal, so we need to surface them and deal with them. But we are not going to do this in an ad hoc manner, rather in a structured and logical manner that gives us confidence that when we start the journey we will arrive at the destination. We can also put in milestones that enable us to see progress, which in itself gives confidence that we are on the right pathway.

Step Five: review and reflect the journey

This is a crucial step. We need to look back and reflect on the journey. What have we learned along the way, did we have any problems and issues that arose during the journey that we did not anticipate at the start? Have we changed our view on the goal, is it still the goal or perhaps we now feel there is a larger goal that now lies before us? We invite those we are working with to keep a simple journal in order to help with this review, and thus quickly identify any constraints that appeared on the journey, and also the good points that were achieved.

So, in order to close the performance gap we have found the importance of having key leaders within the organisation whose role encompasses the following:

- checking the direction of the company, the goal and necessary conditions.
- examining the choices, the decisions and the changes that these require to be successful and developing clear strategies to do so, including metrics.
- working with the team, painting a compelling picture that they can adopt for themselves and creating win-win solutions to problems that people can readily sign up to.
- coaching those around them, working with them to determine what is needed to get them on board, addressing issues rather than running roughshod over them.
- being prepared to work with an external coach who can ask the awkward questions and who is not supposed to know, rather to ask why.

This is not a comprehensive coverage of the subject matter, but it does reflect much of what we have found on our own journey with clients drawn from around the world, and it may be of significance to you.

Thoughts from a Former M.D.

by Professor Dave Stevens

If you had something wrong with yourself or even your car, you would call on the experience of either a doctor or mechanic, although the two perform a similar role. Both will diagnose the problem - often with your assistance, apply their acquired knowledge and implement corrective action.

Why is your business any different or less important?

In a former life as Managing Director of an international company, I would steer the ship, rally the troops, enjoy the good times and fell into the common habit of managing around problems instead of fixing them along the way. When money is flowing in and the order book is full – why worry about little inefficiencies? Going back to the analogy of your car, putting a bit of oil in once a week is not a problem until you need to use the car in earnest for a long important journey – or in business terms when things are on the downturn.

Your business is important at many levels, your stakeholders, your employees, your Customers and not least yourself. This is why your business should have a health check while things are good. A dear friend of mind says “never ask a bank for money when you need it” and he is right. Leaving things the way they have always been actually means you are moving backwards, as your competition does not have to beat everyone to win – just beating you is enough today...

But what if things change? Businesses can be likened to organisms in Darwin's Theory of Natural Selection. Ironically Darwin was accredited with the phrase “survival of the fittest” but it was Herbert Spencer who first used the phrase – after reading Charles Darwin's *On the Origin of Species* (1864), in which he drew parallels between his own economic theories and Darwin's biological ones.

The sooner you seek assistance when you know things are going wrong the more chance you stand of recovery. You may not be the root cause, but you could be the reason the business fails through indecisive action.

Today we no longer have the luxury of jobs for life, stable economies or even predictable retirement dates. So what could happen, or has already started?

It is easy to think “things will change soon” but when they don't, it could be too late to steer the oil tanker you find yourself captain of. You may assume the direction is clear and understood, but what if it is not? The sooner you seek assistance when you know things are going wrong the more chance you stand of recovery. You may not be the root cause, but you could be the reason the business fails through indecisive action.

A recession affects most businesses, and when a business is in trouble the most expensive cost to most businesses is the workforce, which becomes an obvious starting point when cutting the cloth. However, the post downsize trauma resonates throughout the business, starting with you.

Making people redundant always has an impact no matter how tough a manager you consider yourself to be. Whether as the managing director, owner or a senior manager, making these decisions about people you probably know is always going to be tough in itself. In most cases the reasons for downsizing are clear, but it is essential that decisions are based on a sound analysis of the causal relationships within the business and the market. At the same time, many whom the company would prefer to stay opt to leave at the voluntary redundancy stage, so how do you help those that remain to re-focus on your shared future?

This downsizing always causes issues, generating feelings of injustice, bitterness and resentment within the team at a time when you most need cooperation to move forward. But how do you gain the confidence of the team, help them re-focus on the goal and the pathway to achieving that goal? – this is a real challenge for many like yourself.

How do you gain the confidence of the team, help them re-focus on the goal and the pathway to achieving that goal? – this is a real challenge for many like yourself.

At the level of the organisation, assuming the issues of individuals and the teams are being addressed, what about the overall direction? It is necessary now to consider the importance of re-grouping, re-focusing the whole of the business to move towards the goal. What changes must now take place that provide a sound platform for moving forward? Are there new course changes that must be validated and implemented and what skills are necessary to achieve this?

So what next? When the first tranche of savings are made, the business is not fixed yet.

Not all businesses admit or know they have problems and it is only the good governance and scrutiny of the Board of Directors or Funding Providers that recognises that there may be a serious problem affecting performance. These businesses may need attention at senior management level to check these external demands for course change, and if such change is required, to develop the steps that enable recovery to be attained. Likewise - if a Customer is reliant on the continued supply of a niche product or service, they have a vested interest in the well being of that supply chain business. It may therefore be necessary for the Customer to advise the supplier that quality, price or delivery are no longer acceptable and remedial actions must be taken. The quality, price and delivery of output may not have decreased, but the expectation of the Customer may have grown.

Beyond the external needs of the business you may have goals of your own. You may recognise you are in a niche, declining or threatened marketplace, but it may not be obvious what to do about it. This is the time to consider diversification, which may not be immediately implemented, but at least "Plan B" will then have been considered. It may require further research, skills, knowledge or funding - but bear in mind that banks prefer to lend you money when you don't need it rather than when you do!

You maybe content with the level of turnover for reasons of working capital, workforce or market size, but you can still have an appetite for a greater bottom line return. There is a need to work "Smarter" with what you already have and review processes, skill levels, work flow, communication etc.... However, you may be ambitious and wish to increase turnover, market share and / or portfolio. This growth must be considered, regulated and realistic and ensuring this may call upon skills and experience not within the existing business.

This all sounds very daunting with so many things to consider... but help is available. You cannot know all the answers – especially in unknown territory. This is where I have found that coaching by experienced practitioners can clarify an effective and sustainable course of action for you and your business based on their own experience in this specific area. This is my experience, and based on that experience, recommend it to you.



TOCICO Examinations—Spring 2011



The next exams will be held at our training centre in Melton Mowbray on the following dates:

Project Management exam.....	17th May	8 hours
Thinking Process exam.....	17th May	8 hours
Supply Chain Logistics exam.....	17th May	8 hours
Financial Management exam.....	17th May	8 hours
Fundamentals exam.....	18th May	4 hours

For more information contact Diane Jeary on +44 (0)1664 502860 or e-mail dianej@toc-lean.com

Further information can also be found on our website:

www.toc-lean.com/TOCICO_Exams.htm and the TOCICO website: www.tocico.org

Speaker Programme

As part of our ongoing Speaker Programme, Ted has been delighted to accept invitations from a number of professional bodies recently. These include the Association for Project Management (APM), the Institution of Mechanical Engineers (IMEchE) and the Chartered Management Institute (CMI). Topics have covered issues such as Critical Chain Project Management, Turning your USP into Cash and importance of Leadership.

Coming up:

- **18th May 2011** - Ted will be speaking on the topic of 'Measurements & Making Money' (Throughput Accounting) for the Warwickshire branch of the Association of Accounting Technicians (AAT).
- **19th May 2011** - he will present to the Derby Chapter of the APM on the topic of 'New Product Development' (CCPM).
- **18th October 2011**, - Ted will be tackling the subject of presentations themselves in 'Making the Case - ensuring the presentation gets the buy-in' for IMechE's Derby & Nottingham Area branch.

If you are interested in attending these events, or wish to book Ted to speak at one of your own events, please contact:

Diane Jeary dianej@toc-lean.com Tel. 01664 502860

or visit our website for more details: www.toc-lean.com/Forthcoming_Presentations.htm