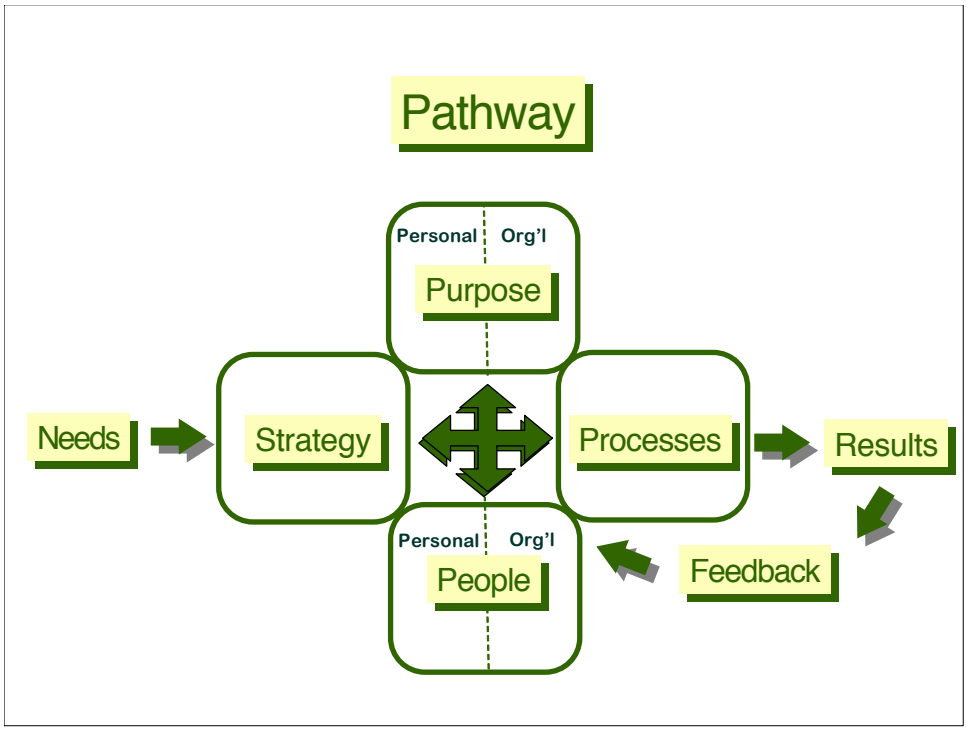
Pathway™

Get the results you want. Make it simple. Make it last.



Tame your leadership team's complexity

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Have you ever considered the fact that it takes a whole tree to grow a single apple? You can't get an apple from a twig, or from a branch, a trunk or a root. In fact, it takes more than a tree to get an apple. You also need soil, air, light, water, minerals, bees – a host of large and small inputs. If you're interested in producing apples over a long period of time, someone also has to tend to harvesting and pruning. If all those conditions are in place, apple trees can continue to bear fruit for a very long time.

Producing apples is an example of a natural system. There are also mechanical systems, such as those that generate and distribute energy. The key to taming business complexity and getting the results you want is to understand your business as a system, and then make the system as simple as possible. But systems can be tricky beasts to understand.

Both natural and mechanical systems are the subject of general systems theory, which can fill large books and entire post-graduate curricula. Fortunately, systems thinking can also be distilled into this simple one-liner.



Systems take resources that exist in the environment (input) and transform them (throughput) into desired results (output). An apple tree uses inputs such as light, water, carbon dioxide, pollen, minerals, etc., and transforms them into apples. It also creates leaves, wood, oxygen and other wonders in the process. A winning business takes inputs such as skilled people, raw materials, technology and deep understanding of the needs of customers and transforms them into products and services that delight customers and engender loyalty and even passion. It also creates other wonders such as return on investment, job security and community support.

People who are responsible for total results of organizations face system-based complexity. Often, these people functioned successfully in part of the organization and became leaders with wider scopes of responsibility. Others mastered a challenging set of professional skills and decided to create their own business. Linear thinking was often highly effective when they were responsible for a "subsystem" of the organization. But now that they are accountable for total results, the linear ways of working which made them successful threaten to become the seeds of failure in their new roles.

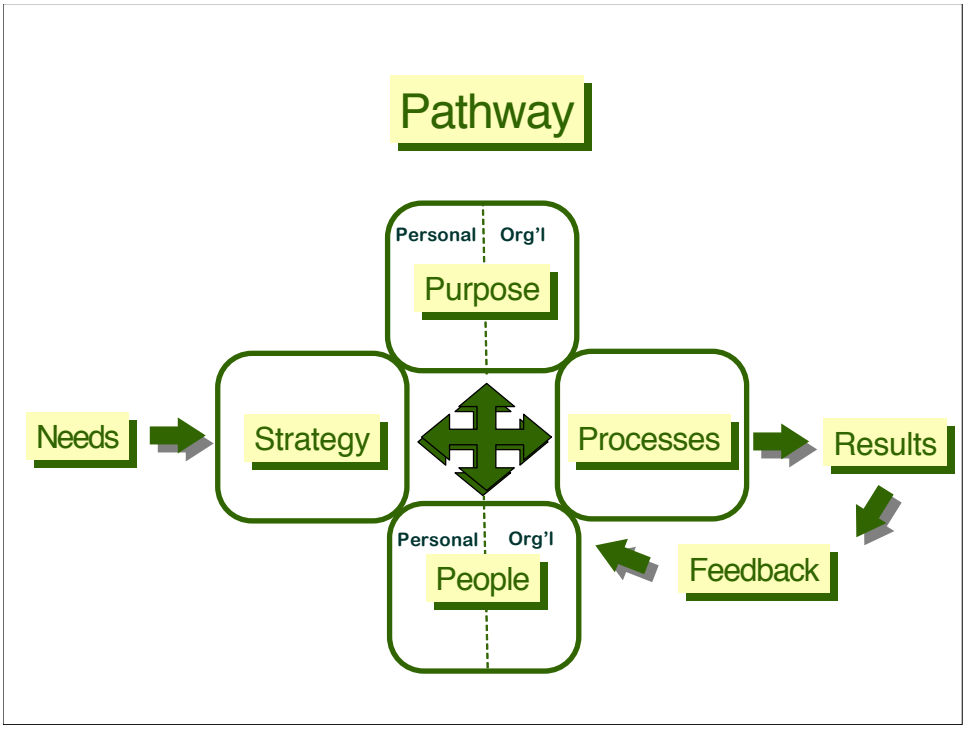
Most people find systems thinking to be extremely difficult for several reasons.

- The fact is, systems thinking, by its very nature, takes lots of data and synthesizes it. Most people find that, at some point, their brains hit overload.
- Systems thought is often expressed in sets of differential equations which most people don't comprehend.
- The early thinkers, brilliant theoreticians, were seldom oriented to explaining their insights to normal mortals.
- While systems thinking is non-linear (it goes around and around constantly), most people value thinking "straight".
- We tend to like simple, single explanations; "Just give me the bottom line!" Systems perversely taunt us with the assertion that there is never just one cause; results of systems stem from the interaction of multiple causes.

The competitive global economy is a complex network of systems. To compete effectively, firms must understand the way these systems interact to be able to carve out their own sustainable position in the marketplace. But if the systems nature of a single organization is daunting, how much greater must the challenge be to comprehend turbulent competitive relationships?

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If you, as an individual or a team, are responsible for leading your organization to achieve total results, *Pathway* can help. This model combines the key system elements that produce organizational results. It does it in a way that you can actively keep in mind. It provides a sequential (yes, linear) way to make sure you don't overlook a key component of lasting, system-wide success. *Pathway* expands the general systems model (input ➔ throughput ➔ output) just a little.



Needs – of individuals, organizations, communities, the environment, you name it – are the Inputs. Purpose, Strategy, People and Processes are the elements of Throughput that interact (through the characteristic of systems called Feedback) and create the output known as Results: the satisfaction of customers' and other stakeholders' needs.

If this model appears painfully simplistic, be aware that there is a wealth of resources embedded in each component. *Pathway* tools (which will be discussed in another document called Strategic Leadership[) give you a place to start and milestones with which to measure progress. The model gives you a simple way to think about your organization as a system. It integrates timeless principles of effectiveness which are common to all organizations with specific practices which are unique to your business or profession. It places as much weight on honesty, trust and vision (Purpose and People) as it does on execution excellence (Strategy and Processes). It focuses on applying the disciplines of world market leaders to small and medium-sized professional practices, not-for-profit organizations, and knowledge-intensive businesses. It is designed to be accessible and useful for you since you never have the luxury of seeing inadequate results and saying, "Someone else has a problem." *Pathway* is for people where the buck stops. Consider each component.

NEEDS

- *No organization has any intrinsic right to exist.* The reason for any business or professional practice to exist is to meet the needs of all stakeholders: customers, employees, suppliers, investors, sponsors, distributors, regulators, the

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leadership team, etc. Anyone who cares about the organization's results holds a stake.

- Needs of each category of stakeholder frequently seem to conflict with each other. Customers' desire for rapid delivery may appear to be at odds with investors' preferences for maintaining low inventory levels. However, the most effective systems and organizations are those which best meet all the legitimate needs of all their stakeholders. All the needs of all the stakeholders are the input that stimulates the business system.

PURPOSE, STRATEGY, PROCESSES AND PEOPLE

- Customer satisfaction, as well as other results that are important to stakeholders, come through the interaction of all four "throughput" components: purpose, strategy, processes and people. How well the parts work together is as important as how excellent any single part is.

- **Purpose** answers the question ***why***. It is frequently called mission or vision. Organizational purpose statements identify what set of stakeholder needs will be satisfied. Purpose statements define what system the organization chooses to lead what constellation of needs seeks to satisfy. A purpose statement answers the question, "Who speaks for the needs of the whole system?" Purpose articulates ideals and longing, and provides something bigger-than-self for people to commit to.

- **Strategy** clarifies ***what*** the organization will actually do. If purpose, the preceding component, is about capturing hearts and minds, strategy is about capturing market share. Strategy specifies the core competence of the business, identifying the set of skills in which the business seeks to be "best in world." Strategy defines which market segments the organization will pursue, based on shared needs of sets of customers and the abilities of the business. It identifies what competitors try to satisfy the same needs, and how well they do it. Products and services, with specific, measurable performance objectives and a well-integrated incentive system link strategy with the other components of *Pathway.*

- **People** are, of course, the ***who*** of the organization. People are much more than a mere collection of competencies. They also embody character and are the source of creativity, innovation, adaptation, trust, caring – all the essential elements that produce partnership and commitment in any successful business. When leaders effectively align purpose, strategy and processes, people have a legitimate shot at partnering in a way that satisfies all stakeholders. When people understand purpose and strategy, they can use the processes of the organization to satisfy customer and other stakeholder needs.

  People's willingness to commit themselves to purpose, to implement strategic plans and to integrate processes is the indispensable condition of producing results. Willingness to make that commitment depends as much on the value leaders hold for people as it does on the loftiness of purpose or the cleverness of strategy. Leaders can't simply talk about the importance of people; they have to act it. There is a profound difference between organizations where leaders genuinely honor people and empower their ability to satisfy stakeholder needs, and organizations where leaders focus on controlling people and extracting value from them. Linking People and Purpose is how corporate social responsibility gets achieved in the real world.

- **Processes** say ***how*** the organization will achieve its objectives. Every business has *core* and *support* processes. Core processes create the primary products and services that meet customer needs. Support processes make it possible for the core processes to continue functioning and also verify that all other stakeholder

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needs are satisfied. If you think of an automobile as a system whose purpose is to move people from one place to another, its core processes would be the engine, power train, axles, wheels and the steering wheel. Oil in the crank case would be an example of one of the support processes. No one starts up a car for the privilege of circulating oil, but just try running one without oil. Core processes are not more important than support processes, just different.

Professionals frequently underestimate the significance of purpose, strategy and processes other than the ones learned in professional school. Doctors and dentists assume that mastery of treatment procedures is sufficient to have a successful practice. Software designers assume that conquering the intricacies of code *alone* will produce successful products and businesses. This is not terribly surprising, since it typically takes six to thirteen years of college or practical experience to become competent and credentialed in key professional processes. Malcolm Gladwell asserts in *Outliers* that it takes 10,000 hours of deliberate practice to master a discipline. But it is a sobering fact that the procedures and technologies whose mastery qualifies us as professionals constitute one *part* of the *core* processes of our practices or business. Other essential processes that we don't necessarily learn when we become technologically competent include selling, hiring, training, earning trust and commitment from people and managing money.

Organizations achieve integration around their processes. Processes pull all resources – human, technological, financial and other – together and make them work as a system. Think of your body's circulatory system. We are prone to consider the heart its most important part. Indeed, if the heart shuts down, nothing else works. But doesn't the real value lie in the fact that the circulatory system is, in fact, a *whole* system with heart, lungs, arteries, veins and blood? And have you ever considered that all the metabolic work of the circulatory system, the nourishment and cleansing of the body, takes place in the capillaries, one cell at a time? In like manner, customer and other stakeholder satisfaction with your organization grows one interaction at a time, moment of truth by moment of truth, when people implement processes to accomplish purpose and strategy.

RESULTS

Stakeholders define results as the degree to which their legitimate needs are satisfied. Results derive from the interaction of purpose, strategy, people and processes. It's typical for leaders who seek to improve results to emphasize either the "east-west" *Pathway* axis of strategy and process, or the "north-south" *Pathway* axis of purpose and people. Those who are more comfortable with rational analytical thought tend to focus on strategy and process; those who feel that results come primarily from human motivation and commitment lean towards purpose and people. We assert that each component is indispensable and carries approximately equal weight in producing desired results.

FEEDBACK

Feedback is how components of systems interact with each other. It makes desirable results such as growth and goal attainment possible. This system meaning of feedback differs from the common perception that feedback is information on how well we're doing. Indeed, blending the ordinary idea of feedback as information with the system meaning of feedback as interaction implies that it is critical to have information about how the key drivers of your system interact.

An initial feedback tool is the Trailhead Report™. As leaders of your business, your view of why you get the results you do is compared with the perspectives of customers,

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employees, suppliers, distributors, investors – any stakeholder group who cares about your business's results. You learn not only ***where*** you are on your journey, but also ***why*** you get the results you do. The key system drivers of your business come clearly into focus, along with measures of trust, leadership effectiveness, systems alignment and competitive strength. The Trailhead report is the most powerful tool available to focus on your organization's current ability to meet everyone's expectations. The guarantee with the report is that if it does not supply your leadership team at least one high-impact, unexpected insight, there is no charge.

SO WHAT?

Pathway helps technically competent leaders get the results they want by taming the complexity in their businesses. Grounded in true principles, *Pathway* offers you a way of thinking (described in this paper) and a rucksack of tools (applicable when you want them) that you can take with you as you lead your business where it hasn't been before. It tames the natural complexity of leading, permitting you to understand and influence the dynamic interactions that produce your results, often in surprising, counterintuitive ways. *Pathway* illustrates your business at any level in a single image; as a result, shared vision among leadership teams and employees becomes a reality instead of a catch phrase. It helps you get clear about why your organization exists, what you must accomplish and how to do it. And it leads to commitment and partnership among your employees, suppliers, distributors, investors and even your customers.

When you lead your team on the *Pathway*, you can produce remarkable results. We began by pointing out that it takes a whole tree to grow a single apple. But when you have the whole tree, you don't get just one apple. Some of the trees planted by John Chapman, known to folklore as Johnny Appleseed, in the early part of the 19th century, are still producing fruit in the 21st. In like manner, *Pathway*'s contribution to your organization is just this: Make it simple; Make it last.

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