Cases of people thinking in new ways about organizational excellence.

Volume twelve • Number two
Winter 2006-2007

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The Journal of Innovative Management

is a peer-reviewed quarterly journal for people who are improving the way their organization runs. The purpose is to facilitate increased learning and innovation by providing people with cross-discipline stories of transformation through participative planning, problem solving, and innovation. It is written to help leaders, managers, and workers to:

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Reader Services

The Journal of Innovative Management (ISSN: 1081-0714) is published quarterly by GOAL/QPC.

Bob King, Publisher
Laurence R. Smith, Editor
Jenny Donelan, Editor/Writer
Janet Ireland, Graphic Designer

Name or address corrections: Send address or other changes to:
Journal Subscriptions
GOAL/QPC
12-B Manor Parkway
Salem, NH 03079-2862.

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Single copies of the Journal are $25.00. Back issues of the Journal are $15.00. Please call for quantity pricing.

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Seeing Large Complex Systems and their Interdependencies

Life and work have never been easy. For most of us it is a constant struggle to balance our needs and wants with the kind and amount of effort it takes to get what we want in life. In today’s world there are over six billion of us, presumably trying to do the same thing, and a mantra for success is globalization.

I wonder how well we are paying attention to what is being globalized and what the impact of the prevailing style of globalization is on our lives, considering all the fighting and infighting, truths and lies and half-truths, wealth and poverty, innovation and degradation that’s going on? Do we ever look around to see what’s in our wake and realize that it’s coming from us? And then do we realize that while it is apart from us in one sense, it really is still with us—all around us—and that we’re living in it even if we don’t see it?

A good question we may ask is: “Are we really seeing what is really happening to the the lives of people, and our life-enabling planet?” Are we seeing the interdependencies within and among the large and complex, physical, biological, mechanistic, social, and metaphysical systems that we’re creating, manipulating, using, and/or abusing? As Joseph Sensenbrenner, the former mayor of Madison, Wisconsin, was fond of saying when managers complained about the way some things were, “Your existing systems are well designed to produce exactly what they are producing.” The message to managers was clear: go back and look at how your system is designed and structured, and see how it is producing what you are getting; then redesign the system so it produces what you want. And while you’re at it, create a climate in which employees may take joy in their work.

Some managers might think that creating that kind of system in government and business is impossible and can’t happen. If so, that attitude, that philosophy, that theory, becomes an input, part of the front end of system design, and the system will then be designed so that employees can’t take joy in work. That will not be the conscious intent, of course, but because management didn’t think it was possible, they won’t even try to do it, and so it doesn’t happen.

In some ways we clearly understand the systems and process nature of our lives. When we have a headache, for example, we don’t put an ointment on our head. We follow a process of putting an aspirin in our mouth and swallowing it with water, knowing that it will go into the stomach where it will dissolve and the active chemicals will be taken by the body’s internal systems to places where they will interrelate with the appropriate parts of the body to alleviate the headache. We trust that the aspirin will work to our benefit. We also know that there are other substances that are toxic to our systems and would kill us if we ingested them. We also know that the same kinds of things happen on a global scale because the Earth is one large complex body and we are a part of it.

For a long time, professor Ralph Stacey has worked in and studied business organizations as complex social systems. Finding that the prevailing economic and management systems didn’t lead to good outcomes, his research then led him to conclude that organizations are not “things” that can be improved, but are instead “complex responsive processes of relating.” In the U.S., Barry Oshry, a pioneer in teaching about social systems, conducts workshops that enable people to learn how to better see systems and power relationships in organizations. He lists four types of system blindness that we are prone to: spatial (seeing our part of the system but not the whole), temporal (seeing the present but not the past), relational (not seeing that in systems we exist only in relationship to one another), and process (in our blindness to system processes, we tend to politicize these processes—valuing some and devaluing others).
About the articles in this issue...
Laurence R. Smith, Editor ~ email: lsmith@goalqpc.com

Good Management Systems
Focus on Relationships

A system of management is evolving in the world, and Shoji Shiba is playing a role in this evolution. Shiba developed the basic business improvement course that is required in MIT’s Leadership for Management program. In addition, Shiba teaches business improvement methods to companies in many parts of the world, his current research interest is systematic methods of business breakthrough. He is also a co-founder of COM, the Center for the Quality of Management, an organization that GOAL/QPC acquired in 2006.

Dr. Shiba suggests that there are seven infrastructures that need to be attended to in organizations: The 7 Infrastructures, which is a central focus of Professor Shiba’s teaching, is a strategy for communicating with the entire organization. They are: 1. Goal setting. 2. A sub-organization that supports mobilization of the entire organization. 3. Education and training. 4. Promotion. 5. Diffusion of success stories. 6. Awards and incentives. 7. Diagnosis and monitoring.

Michael Luker, President of Sunny Fresh Foods, leads a case study presentation of this two-time Baldrige National Quality Award winning organization. He speaks about the importance of creating a sense of community to serve all stakeholders:

The jobs of raising awareness, learning, and recognizing success will never end. Over time these things become more and more important and valued by your team. You do this with ordinary people who together become very passionate about the business. By working together, these ordinary people achieve extraordinary performance. By trusting one another to do the right thing, and by sharing and communicating business plans and performance results, you can create a culture of distinctive ownership, and it will span beyond the leadership team to the entire organization. We have created a culture that drives engagement, that sustains a focus on performance excellence, and that is owned by all 620 stakeholders of Sunny Fresh.

Deborah Baehser, Chief Nursing Officer and Senior Vice President of Clinical Services, and Joyce Schwarz, Assistant Vice President for Special Care Services, from the Baldrige winning Robert Wood Johnson University Hospital Hamilton, presents their hospital’s focus on patient safety processes, noting that it is important to design community-building processes during planning:

As we worked through cycles of improvement, we found it important to focus on staff education and communication. So, as teams are rolling out new processes, one of the things that they do as part of the planning step is to specify what type of education and what type of communication they need to develop with regard to those processes.

Our quality journey has led to some amazing results. Employee and patient satisfaction scores, as measured by Press Ganey Inc., are consistently above the 90th percentile as compared with over 700 hospitals nationwide. RWJ Hamilton has been recognized with the Distinguished Hospital for Clinical Excellence Award for 2006/2007, for being among the nation’s top 5% of hospitals, according to HealthGrades, a national healthcare ratings organization.

Laurence R. Smith, from GOAL/QPC, takes us on a study of systemics and thought management as being necessary for modern leadership and management. He says:

Progress requires each person to know how to lead and manage in a complex world of organizations. This includes the ability to understand and manage processes, systems, thoughts, and attitudes—individually and in relationship with other people and the world’s ecology. A basic knowledge of how to lead and manage, in other words, is a foundation for effective living.

We need to understand our own thinking and thought processes and know that we can and must manage thought. And we need to learn how to orchestrate all of this (by leading and managing) to make our work lives and personal lives function well. After becoming competent in these basics, we can learn how to build upon that foundation, acquiring the more complex skills and know-how to lead and manage small and large enterprises.
Leadership and Breakthrough

Shoji Shiba, Professor Emeritus, Tsukuba University, Tsukuba, Japan, and co-founder of the Center for Quality of Management (CQM)

This article was originally published in the *Center for Quality of Management Journal*, winter 1998.

In the mid-1990s Shoji Shiba, then Professor of Business Administration and Dean of the School of International Studies at Tokiwa University, began an avid study of the issue of leadership in companies. With his TQM background (see his books, *A New American TQM* and *Four Practical Revolutions in Managements*), it was natural for him to think about leadership in terms of both incremental improvement and breakthrough improvement. He had seen over the decades an evolution of the skills required by business leaders—from skill at incremental improvement within a business, to skill with breakthrough improvement within the same business, and finally to skill at breakthrough improvement into a new business area.

Based on his studies of a number of organizations, Shiba derived his initial model for breakthrough as described in this article. Another strong influence on Shiba’s thinking about leadership was—consistent with his own leadership principle of seeking new perspectives from novel sources—his hobby of studying paintings. For context, some of his thinking in that area is also included in this article.

As Shiba’s exploration of leadership evolved, he gave a series of lectures on the subject, which provide the basis for the material in this article. Some of those lectures were given at MIT to the students in the Leaders for Manufacturing and in other programs at MIT’s Sloan School of Business, and some were given at various meetings of people from member companies of the Center for Quality of Management. I was present for six of Shoji Shiba’s lectures on leadership and at his request summarized them in writing in this paper.

Since this paper was originally published in 1998, Shoji Shiba has continued his intensive study of leadership and breakthrough, including in many companies in Europe and Asia. In 2004 his full-length book *Breakthrough Management* in Japanese was awarded the Nikkei QC Literature Prize. In early 2006 the book *Transformational Case Studies* (from GOAL/QPC) included chapters in which Shoji Shiba (and I as co-author) described and provided cases studies for Eight Principles For Leading Transformation. In a later 2006 book, *Breakthrough Management: Principles, Skills, and Patterns for Transformational Leadership* (again I was co-author), he expanded on those principles and added his latest thinking on specific skills and capabilities for transformation leadership and on common patterns of business organization and infrastructure that are effective for breakthrough management: http://www.walden-family.com/breakthrough.

In 2002 Shoji Shiba was awarded the Deming Prize for Individuals, based in part on his international teaching of methods to improve the quality of management in businesses and other organizations.

—David Walden was Editor of the *Center for Quality of Management Journal* from 1992-2003, and is a frequent collaborator with Shoji Shiba.

Companies everywhere are dealing with increased complexity (size of organization and geographical dispersion of organization, as well as increased financial, governmental, legal and regulatory issues). Companies everywhere are dealing with increased speed of change (shorter times between product introductions, increased demands for response from customers). Companies everywhere are dealing with unforeseeable shocks (such as, in 1998, an Asian financial crisis, and the sudden drop of the price of a PC to under $1,000).

With these sorts of challenges, companies need “leadership” more than ever, to declare needed changes in the organization, to provide a vision that the rest of the organization can align itself around, to articulate that vision in a way that everyone can understand. But as the need for clear leadership increases, it also becomes
increasingly evident that one person can’t do everything any more. Organizations are too complex, and the need for the right sort of involvement of people throughout the organization is essential. Highly skilled leadership is needed at all levels of the organization, leadership empowered to make high quality decisions. Thus, it is necessary to think of leadership as a system or process and a set of skills that can be seen and can be improved upon.¹

Shoji Shiba’s book with Tom Lee and Robert Wood² deals with the systems and processes leaders use: the emphasis of our discussion here is the skills of leadership.

Leaders require three sets of skills—technical, human and conceptual. Each of these is shown as a region in Figure 1.

As can be seen by the expanding areas of the regions in the figure, as one’s management level increases, the requisite amount of each leadership skill also increases and there is also a change in the type of technical skill needed. The rest of this paper has a section on each of these areas of skill. In the course of the descriptions of the three types of leadership skill, five principles of effective leadership are also emphasized.

1. A leader’s future skill for problem solving depends almost completely on skill with language.
2. Nothing can be done alone—create infrastructures to mobilize teams and the organization.
3. Don’t be afraid to jump into the fish bowl.
4. Focus on qualitative rather than quantitative data to achieve breakthrough.
5. Do not stick to surface phenomena; rather, jump-up out of the fishbowl to capture the structure beneath the surface.
Technical skill has two parts: (a) pure technical knowledge or functional skill, (b) skill to improve the efficiency of technology, that is, improvement skill or problem-solving skill.

As a leader gets to be more senior, he or she usually needs less pure technical skill and more improvement skill. Therefore, senior leaders need to focus on developing improvement skill. Since PDCA\(^3\) is the engine for improvement, PDCA is something every leader must understand.

However, a leader's concerns change over time, as does the data he or she has access to. For instance, early in one's career, one is typically concerned with doing his or her own job as reliably and efficiently as possible (what we could call process control). Later, the concern is more with improving existing work processes or products (what we could call reactive improvement). As a leader becomes still more senior, he or she is seeking to understand future business and customer needs in order to reengineer processes or products to meet those needs (what we could call proactive improvement).

The kinds of data one typically sees in process control, reactive improvement and proactive improvement are different\(^4\). Most important for senior managers, the data one inevitably must deal with when trying to proactively improve something is language or qualitative data (numerical data is typically supplementary). We hear from customers in the qualitative language of subjective likes and dislikes. We hear from investors in the qualitative language of subjective needs. We primarily hear from our employees and suppliers via subjective or qualitative language. This brings us to the first principle for effective leadership:

**Effective Leadership Principle 1:** A leader's future skill for problem solving depends almost completely on skill with language.

To make good decisions and take effective action one must ground opinions in concrete fact and one must abstract from concrete facts to new concepts. A primary tool for grounding is semantics\(^5\) and a primary tool for abstraction is the Language Processing Method\(^6\).

Here is an example of grounding using semantics:\(^7\) The leader hears an initial statement from someone stating, “The operations manager would not listen to the engineers.” By working to ground the statement, the leader discovers the more concrete fact, “Process engineers analyzed forging deviations and presented the details for a process change, but the manager did not implement the changes.” The second statement provides more information, and might well help the leader avoid a wrong conclusion or decision.

Now here is an example of abstraction. Suppose the leader hears the following two statements:

- Last year top management postponed self-assessment workshop two times giving the reason that there were higher priorities for the company
- Top management of X Company did not show up at the TQM kickoff meeting in May.

Both of these statements are quite concrete and factual, but what should the leader make of them taken together? Using his or her skill with the LP Method, the “key item” in each two statement is noted (indicated by the italics), and the leader might form the following hypothesis of what the two key items mean together: “… to initiate new activities.”

To recapitulate, the senior leader mostly deals with proactive improvement, which mostly deals with language or qualitative data, which demands language skill on the part of the leader, and the most powerfully useful language skills for the senior leader are grounding and abstraction.
Human skill, the second skill of leadership, is divided into three categories:

- Face-to-face human interaction skill
- Team communication skill
- Skill to communicate with the entire organization

The higher one rises in the leadership of an organization, the more important the third of these becomes. Unfortunately, the CEO cannot successfully communicate directly with all employees. It is difficult for the top leader or manager to actually access and truly communicate with more than a few employees in the organization, and then usually just the few nearest the top. The traditional idea of top-down communication throughout the entire organization doesn’t work well. Thus, various infrastructures or systems are needed to effect communication from the top throughout the entire organization. This brings us to the second principle for effective leadership:

Effective Leadership Principle 2: Nothing can be done alone — you must create infrastructures to mobilize teams and the organization.

Three good examples of infrastructures to communicate with and mobilize the entire organization are Shiba’s 7 Infrastructure Model, Disneyland, and books published external to the organization.

The 7 Infrastructures, which is a central focus of Professor Shiba’s teaching is a strategy for communicating with the entire organization. Its seven components are:

1. Goal setting
2. A sub-organization that supports mobilization of the entire organization
3. Education and training
4. Promotion
5. Diffusion of success stories
6. Awards and incentive
7. Diagnosis and monitoring

Two of the seven are particularly important for senior leaders: (1) Goal setting, and (2) Diagnosis and monitoring. However, all seven are used to communicate with the entire organization.

Disneyland has a superb infrastructure for communicating with the masses. All Disneylands are built on the same plan. There is one entrance so they can control the image people see going in. Once inside the entrance, people pass a happy policeman or a lovely young lady or Disney characters, all of which are intended to make people happier. Also as one goes down the main street, there is a very open feeling in the space between the three story rows of town buildings on each side: this openness comes from the fact that the first story of the buildings is built to 9/10 scale, the second story to 8/10 scale and the third story to 6/10 scale. The Disneyland infrastructure is aimed at giving the same image to everyone.

Another tool to communicate to the entire organization is to speak publicly (well beyond one’s own organization) so that what one says is reflected by the outside world back to the people in the organization. For instance, Andy Grove has written the book, Only the Paranoid Survive, which describes his image of how the company has to deal with listening more to their customers. This book became famous and was widely read in the world at large. Consequently people inside the company were motivated to read the book and thus know much more about what Grove thinks than they would ever learn from internal memos and presentations (imagine what would have happened had he sent a book length internal “memo” to all employees).
Dr. Koji Kobayashi at NEC did the same thing when he was trying to promote the convergence of computers and communications some years ago. He wrote three books that were widely read (and translated into English as well), and thus everyone in his own company also read them and knew what he thought needed to happen.

Returning momentarily to the seventh of Shiba’s 7 Infrastructures, diagnosis consists of both on-line and off-line diagnosis. The former kind of diagnosis should follow the 70/30 rule and address the dimensions shown in figure 2.

On-line diagnosis presents the tip of the iceberg. Off-line diagnosis addresses the volume below the surface of the water. This can be done using a system such as the 7 Infrastructures to ensure they integrity of alignment activities.

Conceptual skills, which comprise the third leadership skill set, are the source of creative thinking. We divide our description of conceptual skill, into three stages:

A. Exploration and formulation of a new concept
B. Boving from the past business to a the new business
C. Recreating organizational integrity.

Conceptual skill begins with an exploration process Professor Shiba calls “The Fishbowl Principle.” It has three parts as shown in figure 3.
First, one needs to “jump into the fishbowl”—for instance, go visit users of your product or service in their own work and use environment. Second, one “swims with the fish”—experiences their environment. Third, one “jumps up”—tries to see the user environment in a broader context—and analyzes what was going on in the fishbowl and what the essence of the fish was. One uses these three skills to create a new hypothesis.

The fishbowl principle is in contrast to standing outside the fishbowl looking in and measuring how well what is going on in the fishbowl matches a preconceived hypothesis (figure 4).\footnote{15}

Professor Shiba says that his fishbowl principle is derived from his hobby of studying the paintings of great artists. Consider these examples from the history of painting:

- Michelangelo used the perspective approach. If one looks at the painting of “The Last Supper” one can see it was done using perspective lines. The painter is using objective measurement to draw beauty from an outside perspective (something like standing outside the fishbowl and logically evaluating the hypothesis).\footnote{16}

- The impressionists, like Monet, jumped in and swam in nature and industrial society. They left the studio and went outside into nature. Thus, paintings show the steam of locomotives in the background of the scene and iron fences and bridges, steam and iron being symbols of modernity in the time of the impressionists.

- The abstractionists, like Picasso, used a jump out (jump-up) approach. They swam in nature and then jumped out and painted what they saw. The purpose of the painting was not to copy nature, but rather to show the viewer the sentiment, emotion and concept the artist saw in nature.

This brings us to the third principle of effective leadership:

Effective Leadership Principle 3: Don’t be afraid to jump into the fish bowl.

One aspect of jumping into the fish bowl is the skill of unlearning—there will be little benefit from gaining the fishes’ perspective if one if one cannot forget preconceptions, assumptions and cultural constraints. On the subject of unlearning, Nobel Prize Winner Leo Esaki (who won the prize for his work with transistor tunnel effects) offered these Five Things Not To Do To Be a Nobel Prize Winner:\footnote{17}

1. Do not allow yourself to be trapped by your past experiences
2. Do not allow yourself to be overly attached to any authority
3. Do not hold on to what you don’t need
4. Do not avoid confrontation
5. Do not lose childhood curiosity in everyday life.

A second aspect of jumping into the fish bowl is learning to take the time to do it. Everyone says they have no time. Alex d’Arbeloff is an example of a CEO who took the necessary time during Teradyne’s mobilization of TQM. D’Arbeloff said “the top person should spend one-fifth of his time on new tasks.” He continued to do that even when he was spending half his time as chairman of MIT.

As was already mentioned, the fishbowl principle is about creating a new concept rather than about validating an existing concept. Thus, it is not necessary to have
large amounts of quantitative data to statistically validate a concept. Rather, one needs to seek inputs from all possible sources, and this means collection of qualitative data. This leads us to our next principle of effective leadership.

Effective Leadership Principle 4: Focus on qualitative data rather than quantitative data to achieve breakthrough.

Collection of qualitative data involves seeking real, specific, personal cases. We want people to tell us their actual stories, rather than to give us their (frequently not well-founded) generalizations. Specific examples are typically rich in detail that can suggest many new possibilities.

In collection of qualitative data, diversity, not quantity is key. Again, during exploration we are not seeking statistically valid numbers of samples to verify a hypothesis. Rather, we are looking for as many different ideas as we can find, that can suggest new concepts to us. 18

Finally in collecting qualitative data, we do well to seek symbolic cases (images of real behavior). When we gather diverse real specific cases, we will hear lots of opinions and learn many facts. One must focus on that subset of cases that provides the most value in terms of providing graspable input (input images) and input that can be abstracted into useful concepts that can be conveyed to others (output images). Symbolic cases provide this value.

Symbolic cases or examples are those cases that are very specific and real but also represent an important class of situations. Two examples follow:

- When Shiba visited one company, someone was already waiting for him at the front door, and when he got to the meeting room people were on time for the meeting. From these symbolic cases Professor Shiba created his hypothesis that a core value of the company was that time matters. This was his way of grasping the invisible culture of the company.

- Another situation occurred at MIT’s Leaders for Manufacturing (LFM) program, a joint graduate program of MIT’s Engineering School and Sloan School of Management. One day, some executives and former LFM students now working at the company visited LFM to tell the current LFM students about their company. Professor Shiba noted that the most important impression he received came from that fact that the visitors were all dressed in dark blue jackets, with a white shirt and a dark red tie. For him this was the key symbolic case. Standing there in their identical dress they touted the importance of diversity of products and markets. From this Professor Shiba hypothesized that the company strongly needed diversity.

Of course, there is no single interpretation. Each person selects his or her own examples of symbolic behavior and creates their own hypothesis. Leaders must train themselves to be open to what images are telling them.

Professor Shiba suggests potential leaders can look at painters to help them understand the use of symbolic image. Painters are geniuses at showing symbolic images, such as “The Surrender of Breda” by Diego Velazquez. Nicknamed “The Lances,”19 the painting depicts one army in disarray surrendering to the other army with their lances standing tall all in a row. Other notable symbolic images can be seen in Edouard Manet’s painting, “The Railway,”20 showing a Paris scene with white vapor in the background (from steam locomotives, invisible in the painting) and an iron fence in the middle ground. For Manet, these images were symbolic of modernity in his age.

After exploration, a leader needs to formulate a new concept, and this leads to our next principle of effective leadership.
Effective Leadership Principle 5: Do not stick to surface phenomena; rather, jump-up out of the fishbowl to capture the structure beneath the surface.

After jumping out of the fishbowl, from above one can see many types of fishbowls and many types of fish. The ability to intentionally shift your perspective and way of thinking allows you to conceptualize a coherent hypothesis about what is truly taking place in the overall environment. There are three different dimensions to this kind of thinking, as illustrated in Figure 5.

**Time.** One can change the time scale of observation, for instance, looking month-by-month or year-by-year instead of day-by-day. In this way one may see longer term patterns. Alternatively, one might look minute-by-minute instead of day-by-day, to see details that might otherwise be missed.

**Space.** One can change the space in which, or from which, one observes; for instance, benchmarking in another country, or getting on the floor, on one’s knees, to see how the product is used by children.

**Point of view.** One can change the human point of view, for instance, looking at things from the customer or market point of view rather than from the company point of view.

Comparison is also a useful technique for a leader to use to understand, structure and create a hypothesis. Again, we look to art as an analogy. If one looks at a painting of a couple dancing (e.g., Pierre-August Renoir’s “Dance in the City”\(^1\)) one sees what it shows, and if one looks at another painting of another couple dancing (for instance, Renoir’s “Dance in the Country”\(^2\)), one sees what it shows. However, if one compares the two paintings of couples dancing one sees and understands more than either painting shows alone—from looking at one of the paintings one is better able to see what is going on (or is not going on) in the other painting.

In another example of comparison, Professor Shiba notes comparisons of two companies that visited and gave presentations to MIT’s LFM program one summer. In each presentation, the company listed its core values. The first company, Intel, listed its core values as “results-oriented, risk taking, great place to work, quality, discipline, and customer orientation.” The second company, General Motors, listed as its core values “customer enthusiasm, innovation, team work, integrity and continuous improvement.” We ask the reader to take a moment to think about and compare these two sets of core values and what hypothesis you would draw. Remember, each person needs to create his or her own hypothesis.

The concept Professor Shiba gets from these two different sets of core values is “different frequency of new product introduction.” For instance, Intel has no time for continuous improvement: they must “copy exactly!”

Figure 6, shown on the next page, graphically summarizes what has been said about conceptual thinking. Leaders will do well to develop skill in capturing an appropriate symbolic case, creating a hypothesis, proving the hypothesis with data (the hypothesis alone is just a hypothesis—one needs somehow to validate its plausibility), and finally broadcasting the hypothesis.
Once a leader has done the necessary exploration, the or she needs to decide where to go next. Such a juncture is represented graphically by what Professor Shiba has called “Andy Grove’s inflection curve” (as illustrated by the portion of figure 7 within the dotted box). A company can either stay on the arch AB that rises and then declines, or at the top of the arc (point E) they can begin a new upward turn into a new business and go on to new heights. (Inflection point F is a good place to begin to notice that something has changed and something has to be done.) Having chosen the new direction, one needs to focus mobilization on breakthrough in the new direction.

Shoji Shiba, for reasons that will become clear later, likes to think about these inflection points in terms of three questions, shown in figure 8, on the next page.

Professor Shiba provides three examples of companies making a breakthrough transition at this inflection point—Seiko, YHP and Teradyne.
Seiko

In 1989, Mr. Nobuyoshi Kambe was appointed Head of Seiko’s Sports and Leisure Products Division. At the time of his appointment, the division was in dire straits: sales were low ($30M/year), they were running a deficit ($3M/year), and they had high inventories and high costs. Mr. Kambe was told by Seiko’s CEO to recover the division’s profitability within three years.

Mr. Kambe got permission from the CEO to do something drastic to make the business turn around, even a change of business, and in the end they turned the business around by developing one of the most popular golf clubs in Japan (the “S-Yard”). Between 1993 and 1996 they sold half a million of these clubs with sales revenue in 1996 of $120M. The division’s journey to recovery involved three steps:

- Reducing personnel
- Setting an ideal future
- Swimming with the fishes.

Mr. Kambe began by shaking up the division personnel. As shown in figure 9, one-third of the division’s people were transferred to other divisions of the company, one-third of the people were encouraged to take early retirement, and that same number of people were newly recruited into the division.

When the personnel transition was done, there were two-thirds as many people in the division overall and only half of these had previously been employed in the division.

Next Mr. Kambe and his people decided that their ideal future was to develop original and attractive new products, breaking with their traditional business of selling imported sporting goods, particularly sports related clocks and watches. In other words, they decided that their ideal future involved freedom from traditional Seiko products (see figure 10).

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In breaking with traditional Seiko products, they looked at high volume markets, such as fishing, skiing and golf. They chose golf as their focus. They finally jumped into the fishbowl using voice of the customer methods to invent a special new type of golf driver from which they obtained the great business success already mentioned.

From their swimming with the fishes, they learned that the market could be divided into two important segments: golfers under 50 years of age and golfers 50 years of age or older (see Figure 11). The top three priorities (popularity) of these two market segments are shown in figure 11. Under 50 Japanese golfers cared about straight shots, distance and having a brand name club, while older golfers wanted the distance and accuracy that would let them compete with younger golfers but didn’t care about brand name.

This data from the fishbowl provided an opportunity for Mr. Kambe’s division, and a development team without significant golf experience designed a new type of golf club for 50 and older golfers. The characteristics of this club are shown in figure 12.
The key factors in Seiko’s breakthrough to a new business as Shoji Shiba sees them are shown in figure 13.

First Mr. Kambe’s group was in dire straits—they had a crisis that required them to make a real change. Next, the group broke free from Seiko’s traditional approaches. They then stirred things up by doing a massive personnel change and envisioned an ideal future involving original and attractive new products. With this motivation and ability to separate from the past (unfreezing of prior conceptions) and a vision of a new future, they had the discipline to use specific Voice of the Customer methods to discover a route to new business success.
YHP

In the past, YHP, the Japanese subsidiary of HP, had mediocre performance. Then Mr. Ken Sasaoka, Japanese Manager, said to the parent company, “Why don’t you let me run YHP? We really think we can do a better job.” Bill Hewlett and Dave Packard agreed. What followed at YHP is illustrated in figure 14.

After becoming a self-operated unit, YHP challenged the Deming Prize. Also, in a past part of his business career, Mr. Sasaoka been involved in a dip-soldering improvement effort where incomplete soldering was reduce from 0.4% to 3ppm, more than a 1000 times improvement. For Mr. Sasaoka, this experience with massive improvement of dip soldering was a symbolic case that gave him an image of how much improvement could be made.

With the push and pull and challenging for the Deming Prize, and knowing that improvement methods worked (from the dip soldering experience), YHP had the motivation to use the scientific methods of Hoshin Management and 7 Steps to do the improvement. A few years later YHP won the Deming Prize.

Teradyne

Teradyne in the late 1980s was in crisis, as was documented in *A New American TQM* and *Integrated Management Systems*. So CEO Alex d’Arbeloff decided that they would break free of the restrictions of TQM as they had been trying to use it and build their own management system (see figure 15, on the next page). Some people might say that Teradyne implemented TQM, but this understates what they did. They did not implement a TQM system that anyone else could have taught them; rather, they have implemented their own system, customized to their specific needs, and fully integrated with how they managed the company.

As was also described earlier in *A New American TQM* and *Integrated Management Systems*, Alex personally explained to the sixty or so top people in the company why they had to change the way they managed and that they were going to do it. He and the other top managers of the company also personally demonstrated the use of PDCA, improving their TQM implementation. Finally, they adopted the scientific methods known as the 7 Steps and PDCA as their improvement methods.
A Model for Breakthrough

Professor Shiba sees the same pattern in each of these cases. This pattern comprises his model for breakthrough, as shown in figure 16:

1. Some event brings about a commitment to breakthrough.
2. There is an unlearning of past tradition or practices.
3. Creative chaos is created to push mobilization along.
4. A symbolic mental model (success) is available to pull the mobilization along.
5. The scientific method and tools are used to make the change. The scientific method is capable of great change—it is the most effective and efficient method of understanding what is going on in real life and transforming it—if we can enable ourselves to use it. Steps 1 to 4 of this model provide the motivation and unfreezing of previous methods that enable the discipline of the scientific method.
And then you get the breakthrough.

Figure 17 is a comparison of the three examples given above with this 5-step model for breakthrough.

Professor Shiba sees steps 2-5 of this figure as a new breakthrough cycle—the UCMT cycle (Unlearn, socialize creative Chaos, externalize symbolic mental Model, methods and Tools), as seen in Figure 18. UCM is about creating a new mental model in yourself. T is about getting a technical breakthrough.

Breakthrough takes place in two phases: a mental breakthrough, and a technical breakthrough (see Figure 19, on the next page).

The U, C, and M quadrants of the cycle are about mental breakthrough. The T quadrant of the cycle is about technical breakthrough. Mental breakthrough precedes technical breakthrough. You can’t use the methodology of breakthrough if you are hung up in a non-breakthrough mentality. For instance, Teradyne’s division in Nashua, NH, is world class in applying the 7 Steps to typical processes. However, because of their focus on typical processes, they have a hard time seeing how to apply the 7 Steps to big problems in the organization.

Professor Shiba sees the UCMT cycle as taking its place along side the SDCA and PDCA cycles in an evolution from control through incremental improvement to
breakthrough, as shown in figures 20, below, and 21, on the next page.

**Three Theories of Human Behavior**

A word about the “human aspect” referenced in figure 21: Leadership is about people, so a leader needs a theory about how people behave—their human nature. Theories X, Y and W are each the kind of hypothesis about human behavior that is necessary to design an integrated management system.

Theory X says that people want stability and to be led. It suggests the power of standardization and control of workers in the pursuit of mass production.
Theory Y says people seek self-determination and innovation. It suggests the accrual of knowledge, continuous improvement, and worker development and empowerment in pursuit of creating something new.

Professor Shiba proposes a new Theory W that embraces the duality of the nature of people: people want both a stable, controlled environment and to create something new (and in many ways these two are in conflict). We want strong clear leadership that tells us what to do and makes us secure. However, we also want to contribute to something new that changes our present existence and makes us feel uncomfortable.

The new Theory W was suggested to Shoji Shiba by his study of the famous painting by Paul Gauguin entitled “Where do we come from? What are we? Where are we going?” This masterpiece symbolically represents the questions all leaders must answer to successfully lead their organizations to sustained (“eternal”) existence.

The painting is divided into three parts, and there is arc of representative narrative that flows from right to left. The right side of the painting illustrates a baby and its growing up—this represents the question “Where do we come from?” The middle of the painting illustrates adults in the fullness of life—this represents the question “What are we?” The left side of the painting illustrates the decline of old age—this represents the question “Where are we going?”

However, the top right and the top left corners of the painting are in a light color and have a shape that matches in a way to indicate a cycle from the top left back to the top right of the painting. It is as if the left side of the painting was connected back to the right side in a cylinder. This representation of a cycle is indicative of possibility of “eternal life” of the human species. As the old generation passes, the possibility of a new generation exists.

Parallel to the theme of Gauguin’s painting, business also needs “eternal life.” The three questions of Gauguin are similar to the questions we must ask as we move along Grove’s inflection curve (see figure 8). We came from somewhere (Where did we come from?), we must decide what we want to do next (Who are we?), and we must then figure out how to get there (Where are we going?).

We are all faced with the duality indicated by Gauguin in his painting. We know we cannot sustain ourselves if we allow no change; but we like working on clear goals and we are uncomfortable with change. We recognize that if we are to continue
to survive, our identity must evolve, but denying our existing identity temporarily leaves us without identity. Breakthrough requires unlearning and chaos before we settle into our new improved situation. Thus, to continue our existence, each organization and each individual in the organization (in their professional and personal lives) must grapple with the eternal questions: Where do we come from? What are we? Where are we going? Successfully answering these questions can bring enlightenment and transformation, and move both a corporation and the people within it through a threshold to a place where all kinds of masterpieces can be created. Leaders who can demonstrate and catalyze this will not only achieve breakthroughs, but also enable people to understand and become “Who they are.”

All three theories, X, Y and W, must be present in different situation in a real company: Theory X is for control, Theory Y is for continuous improvement, and Theory W is for breakthrough.

Once a leader has explored the situation broadly and formed a hypothesis of what must be done, once a leader has found the commitment to break with the past and has generated the creative chaos and symbolic example that push and pull the discipline to apply scientific improvement methods, once the organization has undergone breakthrough change and broken into the new business area, then the leader must see that a new organizational integrity is created. It is as important for an organization as it is for a person to “be what you are.”

Professor Shiba tells the story of Mr. Mitsutake Teratoto, an executive with a Japanese tire manufacturer who was asked to create a new business. He was sick with anxiety about what new business to choose. Then one day he listened to his emotions. What he really cared about was golf. Without golf, life would not be complete for him. Therefore he chose golf as his new business. Success was not easy. The new part of the tire company didn’t have technology for making golf equipment nor marketing relating to golf. However, Mr. Teratoto kept working, and after ten years he eventually achieved great success.

This is a fundamental principle of business, leadership and life. Each organization and person must find their unique place. We must listen carefully and respond honestly to what our emotions tell us. Throughout our lives we become no one else but who we are. You might say the sixth and overarching principle of effective leadership is: “We only live once; let us be who we are.”

1 These two introductory paragraphs paraphrase the introductory remarks of Fred Schwettmann to a CEO roundtable on leadership at COM’s West chapter in August 1998 at which Shoji Shiba presented the content of this paper.


3 PDCA stands for Deming’s famous Plan Do Check Act cycle for improvement.

4 See, for instance, the description of the WV Model in Chapter 6 of Four Practical Revolutions in Management by Shiba and Walden, Productivity Press, Portland OR, 2001.

5 See Four Practical Revolutions in Management.

6 For a sketch of the LP Method, see pages 209 of Four Practical Revolutions in Management; for more details see the Concept Engineering Manual, Center for Quality of Management, Cambridge, MA, 1997.

7 Four key concepts of semantics are: the dual function of language and distinguishing report language (to convey logic) and affective language (to convey emotion), differentiating between opinion and fact, moving up and down the “ladder of abstraction”; and using multi-valued rather two-valued data.
For instance, skill with the LP Method of having a team of people understand and organize a body of qualitative information or skill with the Concept Engineering method of having a team of people gather and understand the qualitative voices of the market and from them derive and agree on new product and service concepts.

One model for communicating with an entire organization is the 7 Infrastructures (see page 426 of *Four Practical Revolutions in Management*).

Koji Kobayashi was president and later chairman of Japan’s giant NEC Corp. in the 1960s to the 1980s. He foresaw the convergence of computers and communications, and strongly promoted convergence as NEC’s corporate mission and “C and C” (computers and communications) as NEC’s corporate slogan. To this end he wrote and had published books entitled *Computers and Communications: A Vision of C&C* and *The Rise of NEC: How the World’s Greatest C&C Company Is Managed*.

Where 70% of the commentary is positive (about how the parts of the process that were relatively well done) and no more than 30% deals with (a selected few) problem areas. See Chapter 6 of *A New America TQM*.

The discussion of this third skill, conceptual skill, is much more extensive than the discussions of the other two skills, because conceptual skill is the key skill needed by leaders seeking breakthrough.

This figure is taken from page 231 of *Four Practical Revolutions in Management* by Shoji Shiba et al., Productivity Press, Portland OR, 2001.

Perhaps even more relevant to figure 4 is an art piece by Albrecht Durer that shows a woman model on lying on a bed on the left side of a vertical grid work of transparent small squares; and on the right side, looking through the grid work and using it to estimate relative relationships in the tableau of the model, an artist copies what he sees through the grid work onto a large piece of canvas also marked off in a grid of squares. (The literal English translation of the Japanese translation of the title of this print is “Diagram of Drawing a Nude.”)

Professor Shiba states that Japan needs this guideline, but notes that many people in the US companies may already have sufficient skill in this area.

See pages 334-335 of *Four Practical Revolutions in Management*.

Museo del Prado, Madrid.

National Gallery of Art, Washington, DC

Le Musee d’Orsay.

Le Musee d’Orsay.


Shoji Shiba acknowledges that he developed this model for breakthrough as he worked to understand Russell Ackoff’s concept of Idealized Design; see *Creating the Corporate Future*, John Wiley & Sons, Inc., 1981.

Museum of Fine Arts, Boston.

Notice the parallel with the left to right arc of business rise and fall in figure 8.

Chris Bergonzi, Tom Lee, Robert Wood and Kevin Young provided help with preparation of the manuscript.
Sunny Fresh Foods
2005 Malcolm Baldrige National Quality Award Winner

Organizational Profile

Mike Luker, President—At Sunny Fresh Foods we process eggs—lots of them. We’re the second largest egg further processor in the United States. We have five plants and 620 stakeholders—that’s how we refer to our employees—across three states. Our plants are located in Monticello, Minnesota; Panora, Iowa; Lake Odessa, Michigan; Mason City, Iowa; and Big Lake, Minnesota. In 1999, we received our first Baldrige award.

Sunny Fresh is a subsidiary of Cargill, Inc, an international marketer, processor, and distributor of agricultural, food, financial, and industrial products. Our senior leadership team is divided into two groups. The first is our management team, which includes myself and my direct reports, and is based in Monticello. This team is responsible for overall business performance, as well as the day-to-day management of all our different departments. The second group is our business leadership team, which is made up of an additional fifteen managers. While each of these managers has significant areas of responsibility across Sunny Fresh, as business leadership team members, they also act very much like a board of directors. They meet quarterly not only to monitor business performance, but to provide strategic direction and leadership for the business.

We have a flat organizational structure because we believe that levels of extra management make a company slow and unresponsive, and often do not add value for the customer. Our structure works through empowerment, and through a team approach to continuous improvement. We also strive to maintain a highly engaged, high-performing, and innovative organization.

Who are Sunny Fresh stakeholders? We’re truck drivers, customer service representatives, engineers, food handlers, food scientists, sanitation workers, production supervisors, salespeople, line operators, technical services specialists, and more. We are hourly and salary employees. Some of us work the day shift, some the second shift. Others work while most people are sleeping. Together we work to safely run
five plants twenty-four hours a day, seven days a week.

We are four generations working side by side, from high school graduates to PhDs. For some, English is a second language. We are a diverse and high-performing team that draws on all of our work and life experiences—620 people with a shared vision, all focused on the customer.

For some of us, this is our first job; for others, our careers might span more than twenty years with Sunny Fresh. We are all passionate about our work, and we continually strive for improvement. Our stakeholders bring not only their hands to work—they bring their minds and hearts as well. Together, we share our talents to contribute to our business success. We challenge each other to strive for excellence. We support and recognize each other’s contributions—and we also share a lot of laughs along the way.

The products that our stakeholders make and market across the US include pre-cooked frozen and refrigerated omelets, French toast, breakfast wraps, and egg patties, as well as precooked scrambled eggs, diced eggs for salad, and hard-cooked and peeled eggs. We also offer a full line of pasteurized and homogenized liquid eggs, both frozen and refrigerated. In all, we make more than 160 items from eggs.

Perhaps even more important in our customers’ eyes are the services and support that we offer along with our products. Such services include new product development. Of those aforementioned 160 items, only about sixty are on our price list. The other 100 are proprietary solutions for our customers. No new flavor, no new challenge is too big for our product enhancement and redesign process. We create menus, provide new recipes, and also supply full nutritional information for our customers. Our research and development group not only comes up with the latest technologies for our processing plants, it also develops new preparation techniques for our customers’ kitchens. We provide product assistance through our 1-800-USA-EGGS phone number or we will provide help face to face, if that’s what the customer wants. With Cargill’s experience behind us, we are able to provide numerous risk management programs that allow us to meet any customer’s pricing objectives.

We have a “farm to fork” supply chain approach, which means that we take our best food safety programs, our best practices, and all of our knowledge, back to the family farms that supply us with our raw materials.

Our customers include QSRs (quick service restaurants), which are more commonly known as fast food restaurants, and schools—forty-one of the fifty states contract their breakfast items from Sunny Fresh. We also serve companies that manage or contract food service operations, perhaps for a corporate headquarters or office complex. Family restaurant chains are our customers, as well as convenience stores, and healthcare institutions. We’re very proud to note that we are providing breakfast products for our brave servicemen and women. We also serve the institutional food service industry. And we cater to the industrial segment—companies that buy our value-added egg products as components to other products that they will assemble, brand, and then sell to the consumer through retail.
Our mission statement was written in 1993:

Sunny Fresh Foods will be the preferred supplier of quality, value-added food products serving primarily the food service industry. We will be a best-cost producer, and a leader in developing and implementing innovative products, processes, and services to meet the needs of an evolving global marketplace.

Over the years since 1993, this statement has changed only four times. Where the statement refers to “food products,” it used to say “egg products.” Then we added the word “primarily” before “food service.” We changed “least cost” to “best cost” and we added “global” to “marketplace.” These four changes have actually caused the mission statement to grow as our vision of Sunny Fresh has grown.

Our core purpose is:

To be the supplier of choice to our customers worldwide

We have five core values:

- Customer focus
- Stakeholder focus
- Safety (personal and food)
- Quality (products, processes, services)
- Ethics

Our purpose and values were developed in 1996, and they haven’t changed. We really don’t see them changing because they’re the basis of our culture, a culture that will live long past all of us in the business.

Figure 1 depicts our leadership system:

**Figure 1. Sunny Fresh Foods Leadership System**

1. Determine and balance stakeholder expectations and requirements
2. Establish and communicate clear values: core values, core purpose, mission
3. Set direction: strategies and goals, operating plan, PMP, KRAs
4. Monitor and guide performance: key indicators, balanced scorecard oversight
5. Analyze organizational performance: balance value, resource reallocation
6. Recognize, reward, improve: stakeholder development and recognition, process improvements
7. Continuous business process improvement

Communicate and reinforce values

Communicate results and review findings

Align

Engage

Communicate
Our leadership system begins with the customer and allows us to support the following attributes:

- Sustain our distinctive culture.
- Focus on values, link to creating value for the customer.
- Integrate business processes.
- Transparent results: It's very important that this system is totally transparent to all of our stakeholders.
- Engage all stakeholders, engaging and empowering our workforce.

Behind this leadership system is governance, which is very important. We start with ethics, both at Cargill and at Sunny Fresh. Ethics is a core value. We also have Cargill's guiding principle statement, which we all review and acknowledge each year.

The structure of our governance starts with Cargill oversight. I report to a corporate vice president. The business controller, or the HR manager, for example, has a functional reporting relationship within their job family at Cargill, so that they're reporting to the vice president of their function. Cargill also audits for personal safety, environment, food safety, finance, and risk assessment. Above and really around this governance is our leadership system, which is again transparent to the stakeholders. This system is reinforced by our core values.

Along with our corporate accountability also comes a community accountability, or our corporate citizenship position, within each of the key communities in which we operate. Our 2010 vision, which was developed by sixty-five stakeholders across Sunny Fresh, is to be the recognized leader within Cargill and our industry for communities that are enriched by our presence, our involved stakeholders, and our financial support.

At the end of each process, we as leaders and as an organization ask how we can get better. Continuous improvement is also very much a core value. Ongoing evaluation and continuous improvement are a way of life. And whether it's a significant challenge we're facing, or one of our best processes, we still know we can do better, and we keep asking ourselves how. How to innovate? How to improve? That's the way we run Sunny Fresh. We measure performance, and communicate that measure to 100% of the organization. We recognize those stakeholders who are adding the most value, and those who are role models for our culture.

Strategic Planning

Scott Dattalo, Assistant Vice President, MBU Manager, and Norm Stocker, Procurement and Risk Management Director—Our leadership system ties to strategic planning through the following planning processes.

1. Determine and balance stakeholder expectations and requirements. First, we determine the requirements and expectations of our customers, stakeholders, suppliers, and communities. When you consider a strategic process in planning for your busi-
ness, it all has to begin with the customer. At Sunny Fresh, we say that we are all salespeople. All 620 of our stakeholders are salespeople. And we continually stress that the only reason any of us has a job is to take care of the customer. So it only makes sense that when we begin with our planning, we start with the customer. For example, we have identified that many of our customers value diversity in the supply chain, so diversity figures into our strategic planning.

2. **Establish and communicate clear values:** core values, core purpose, mission. Sunny Fresh’s core purpose is to be the supplier of choice to our customers worldwide. As a result, the more Sunny Fresh increases its diversity spend, the further we are toward achieving this core purpose.

3. **Set direction:** strategies and goals, operating plan, PMP, KRAs. Next our leadership aligns our organizational direction and long-range strategic plan, as well as the more tactical annual operational plan, which flows into our individual PMPs or performance management processes. To continue with our minority purchasing example, Sunny Fresh’s annual operating plan includes a critical action to develop our minority supplier network. Stemming from the PMP are KRAs, or key results areas, for individuals. In terms of diversity, key stakeholders, including myself in the procurement department, will work to update and achieve the goals in our supplier diversity strategic plan.

4. **Monitor and guide performance:** key indicators, balanced scorecard oversight. Sunny Fresh leadership monitors and guides performance, making sure we are closely linked to and aligned with our strategic plan. Leadership uses a weekly key indicator report as well as a monthly balanced scorecard for monitoring. Our monthly scorecard does have a measure that shows how the organization is proceeding with minority purchasing, and the amount of purchasing dollars spent year-to-date.

5. **Analyze organizational performance:** balance value, resource reallocation. If areas need additional resources or focus, Sunny Fresh leadership will allocate those as needed.

6. **Recognize, reward, improve:** stakeholder development and recognition, process improvements. At Sunny Fresh, we definitely have a culture that likes to recognize our stakeholders. We have numerous individual and team awards, as well as recognition meetings at all locations to do this publicly. Individuals in the procurement group have been recognized with Sunny Fresh’s Eagle award, as well as Cargill’s Above and Beyond Award, for efforts with increasing minority purchasing. There have also been team awards at Sunny Fresh for efforts in this area, which include Cargill’s Chairman’s Award for Customer Focus, and Cargill’s Corporate Procurement Award, recognizing Sunny Fresh as one of the leading businesses in Cargill’s minority purchasing efforts.

7. **Continuous business process improvement.** We review all the above aspects of our leadership system integration as part of our continuous improvement process.
ties in which we work, and our parent company, Cargill. Through the process, the
strategies become owned by all 620 Sunny Fresh stakeholders, so that ultimately,
everyone knows their specific roles, and how they affect our short-term strategies,
as well as the long-term vision of Sunny Fresh.

For example, our core purpose is to be the supplier of choice to our customers
worldwide. This is really why Sunny Fresh exists. That core purpose is a simple state-
ment, but if it has been developed correctly, and if it truly captures the essence of
why a company exists, it becomes a purpose that outlives any president, any man-
agement team, or even the shareholders in the business. It’s something that will be
the driver for what Sunny Fresh is today as well as where we want to be in the future.

This purpose, along with our core values of customer focus, safety (both personal
and food safety), quality, stakeholder focus, and ethics; then combined with our
mission, becomes the foundation of our long-range strategic plan, our Vision 2010.
As a group we discuss, decide, and ultimately support this vision, continuously re-
ferring back to our foundations. This system keeps us on track and prevents us from
going in the wrong direction.

Our goal as a business is always to be looking five to seven years into the future.
We go through our formal planning process every two to three years, or more often
if an event occurs that necessitates going through it sooner. The long-term strate-
gic planning process lasts several months and encompasses a large number of our
stakeholders. In fact, in the last cycle, we included about sixty of our stakeholders.
This group obviously included our management committee and our business lead-
ership team, but also a large number of stakeholders who were not in leadership
positions. This approach brings diversity of thought. It encourages ownership at all
levels, and also provides development opportunities for many of our stakeholders.
Everybody must play a role to ensure that we achieve our milestones and ultimately,
our Vision 2010.

We seek many inputs in the development of our long-range plan. Often we’ll create
subteams that focus specifically on one or a few of those inputs. These teams or
subteams are responsible for the research around inputs, as well as presenting back
to our larger planning team.

One example of obtaining inputs involves customer needs and expectations. With
one of our large strategic partners, we created a cross-functional team consisting of
members who may not necessarily touch that customer day in and day out because,
again, we think it’s important to bring a fresh, diverse, outside perspective to our
research. Among other duties they performed were a number of very formal inter-
views across the customer’s senior-level positions. The team’s goal was to find out
where the customer was going in the future, and how it was planning to get there.
And most important, how were we, at Sunny Fresh, going to enable that customer’s
success into 2010?

Back in 1999, when we received our first Baldrige award. Sunny Fresh had about 380
stakeholders. Our vision at that time, Sunny Fresh 2005, included significant and
sustainable growth. But it also included a more technologically advanced processing environment, one that would enable us to move down the path of additional further-process egg products that would subsequently enable us to add more value to offerings for our customers. We recognized that to meet these aspirations, we needed a strong bench, and also one that was more technologically savvy. This goal helped focus our short-term strategies as well as our milestones around staffing, and played a part in shaping our overall HR philosophy.

The outcome of our long-term strategic process is clarity. With that comes integration and, ultimately, alignment around what drives value for key customers in our market and in the industry as a whole. It also helps define what Sunny Fresh is good at—our core competencies, as well as our sustainable competitive advantages. And it helps to answer what we need to do to build competencies to better align with the needs of our evolving marketplace.

Our many inputs are integrated with our annual business plan and budget. This planning process starts in March, and is developed for our fiscal year, which begins June 1. The annual plan involves developing the anticipated business environment and key strategies. As previously mentioned, this is the point at which we identified that our customers value diversity in the supply chain.

Our key strategies are designed to address our business environment and to allow us to continue to move toward our long-term strategic goals and vision. Specific strategies around minority purchasing are designed with regard to our 2010 vision, which includes being the recognized leader within Cargill and our industry for diversity in our supply chain.

The next outcome is our financial plan, the anticipated result of executing on all key strategies. Once we have finalized our key strategies and financial plan, we then move on to the detailed operating plan. As mentioned before, the procurement department at Sunny Fresh is taking the lead in developing actionable items to help us achieve objectives in our operating plan regarding minority purchasing spend.

Our operating plan is a document that details more specifically what actions we will take to achieve our key strategies. We also use our key indicators, or balanced scorecard, on a weekly basis to monitor our progress toward key strategies.

As soon as we have developed our one-year strategic plan, and ascertained that it is aligned with our 2010 vision, it becomes absolutely critical that everyone’s efforts, the things we’re working on day in and day out, are aligned with this plan. Everyone needs to work on the right stuff. To ensure this, we use KRAs, or key results areas. Each stakeholder in our business has KRAs. As an example, our production stakeholders have a chance to tie their individual efforts into the company’s operating plan. These KRAs are reviewed twice a year, but ideally they become part of our individual everyday work plans.

Additionally, the critical actions from our operating plan are formally reviewed as part of our two-day quarterly leadership review sessions. Then the accomplishments of these critical actions, or in some cases the lack thereof, are integrated back to
our planning cycle as inputs to the next planning cycle. Ultimately, what is probably
the most powerful key to our alignment is that all 620 stakeholders, and all of their
compensation, are directly linked to the achievement of their KRAs, which are again
aligned with our one-year tactical plan, which was developed from the milestones
and the key strategies of our 2010 vision. The ultimate goal is that all 620 stakehold-
ers are working on the critical activities necessary to drive Sunny Fresh toward our
long-term vision.

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Once our operating plan is developed, it is critical that it is communicated to all our
stakeholders to help ensure deployment. To begin with, having everyone’s KRAs link
to this operating plan creates an automatic level of awareness. In addition, key indi-
cators are emailed to a broad group within Sunny Fresh. For those stakeholders who
do not have email access, we post key indicator reports and charts in our plants. In
addition, the management committee of Sunny Fresh presents the business plan to
all stakeholders in multiple sessions at all locations. Typically each of the manage-
ment committee members will present two to four sessions to groups of twenty to
thirty stakeholders to talk about the business plan for the upcoming year.

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After he had just finished visiting one of our management facilities, Cargill’s presi-
dent and chief operating officer said that not only are Sunny Fresh stakeholders
engaged—they're engaging. Our stakeholders not only understand how their job
affects the customer and the goals of the organization, they’re also looking for a
means to do even more to ensure that we achieve our vision of what the company
will be in 2010.

This attitude results in a tremendous competitive advantage in our marketplace. As
a result, our market share year-in, year-out, is gradually increasing.

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**Customer and Market Focus**

Dale Jenkins, Assistant Vice President, Sales and Marketing Director, and Teri Trullinger, National
Food Service Sales Manager—The first step of our leadership system is determining
stakeholder requirements. To simplify, a stakeholder is anyone who has a stake
in our business. Stakeholders are employees, customers, and the communities in
which we are involved, to name a few.

In 1989, Sunny Fresh made a strategic choice to focus our energy and resources on
the value-added category of the egg market rather than go on producing eggs. The
decision to participate in this segment of the egg further processing industry was a
very purposeful one, and we have focused there ever since.

At the same time this decision was made, Sunny Fresh decided to use the food
service industry’s approach to market segmentation. These segments are made up
of fast-food restaurants, full-service restaurants, schools K-12, and also healthcare,
such as hospitals and extended care facilities, just to name a few. We also sell to
other food service customers, including convenience stores, as well as to manufacturers that incorporate Sunny Fresh products into retail items such as a breakfast pizza or sandwich. Sunny Fresh targets market segments and in almost all cases, specific customers and competitors’ customers within segments, where our core competencies and competitive advantages align with the value drivers of the target segment or customer.

Value drivers for value-added egg products include food safety, ease of use and convenience, cost management, product design and innovation, nutrition, and taste and freshness, among others. Sunny Fresh targets the market segments and often those key customers within those segments where again our core competencies and value-added products align with the value drivers of that segment and/or customer.

Step one of our targeting process involves gathering market and customer information. This is core to ensuring alignment with the rest of our process. This step involves both listening to our customers, and to the marketplace. We do this through both formal and informal methods, and both processes are ongoing and occur on a regular basis. The information that we gather becomes our key inputs to the strategic planning process. Formal listening occurs through many different methods. Relationship building with customers is also key to our formal learning processes. Relationship building occurs at all functional levels, between our customers and our organization. Everyone is a salesperson at Sunny Fresh. In addition, Sunny Fresh uses customer and broker advisory councils to learn about and validate trends in the industry. These councils also provide feedback on new product development, marketing efforts, and our sales performance, and focus against competition in the marketplace. Participation in trade associations also gives us feedback on new market opportunities.

An example of informal listening is knowledge of customer food safety practices at the restaurant level. All Sunny Fresh sales, marketing, quality assurance and operations stakeholders are required to be certified in ServSafe™, the National Restaurant Association’s certification program for food safety in restaurants. Other examples of informal listening are through trade periodicals and magazines and also visiting restaurants.

Both informal and formal listening are key to our strategic planning process.

Taking into account the considerations of the market segment or the customers that we are targeting is the second step of our process. These considerations are interfaced with our leadership system, and our strategic planning process. We review how the opportunity aligns with our core values, and our core competencies. Does the target market or customer have similar goals and will they value our core competencies? And finally, does the opportunity fit with our strategic goals?

In addition to these considerations, we also review how a target customer is performing in its industry. Is it increasing its purchases of egg products? Is it moving up the value chain? These are all targeting considerations that we make before we pursue an opportunity.
Case Study • Sunny Fresh Foods: 2005 Malcolm Baldrige National Quality Award Winner

Step three: refining strategies

The next step of our process is to take the information we have gathered, and refine our strategies by reviewing how and where we will bring value to the customer or the segment. We create a value proposition for the market segment or the customer we are pursuing. Out of this plan, we develop a solicitation strategy based on our learning to date. This strategy will determine whom we target for initial contact.

Step four: approaching the customer

The fourth step of this process involves approaching the customer with an initial communication. From this first contact we will determine what opportunity may or may not exist. In this phase of the targeting and value creation process, we are starting to demonstrate our value to the customer or market segment we have targeted. This step generally involves an initial communication and an opportunity analysis. It is at this point that this process may interface with our new product or new service development process. Depending upon how the meeting went, we may generate a new project. And the customer will evaluate and make refinements to that product. Then we'll proceed with some negotiations and then hopefully there will be a commitment to buy. All these steps and our approach to targeting markets and customers interface with our strategic planning process and leadership system.

Relationships are key at Sunny Fresh

What makes Sunny Fresh who we are is building and strengthening relationships. Creating customer intimacy begins in the front lines with our sales representatives, but the entire Sunny Fresh internal support staff, including customer service, technical services, R&D, purchasing, risk management, accounting, and distribution, are vital to strengthening and maintaining our intimate customer relationships.

We build our relationships by continuously following up with customers, as well as through ongoing learning via direct customer communication, industry meetings and conferences, trade shows, our monthly sales and conference calls, and collaboration among other Cargill business units.

We measure and communicate our performance both formally and informally through the weekly key indicator report; weekly orders-in-the-system report; and weekly, monthly, quarterly, and annual sales reports. We informally communicate our performance in our monthly sales and conference calls, and through general feedback from our sales representatives and our brokers. In all of these steps, Sunny Fresh uses systematic methods to communicate our customers’ needs and expectations to our stakeholders.

We continue to build more and more intimate relationships, until, over time, we share strategic information and enter into a partnering relationship with a customer. Characteristics of a partnering relationship include long-term commitments from both parties as well as trust and multiple touchpoints between both companies.

Multiple inputs are necessary

An organization cannot progress very far in building relationships without paying close attention to customer satisfaction. We obtain direct feedback through customer scorecards that we receive on a regular basis from certain customers, as well from as regular surveys that we conduct on an annual basis.

We also have listening and learning methods, starting with our sales representatives, but including our customer service reps, our brokers, and even our drivers.
Satisfying customers means prompt follow-up to problems. All product and service complaints are immediately entered into our database, and distributed via email to appropriate parties. Our customer service department is empowered to take action to resolve customer service complaints. If further action is necessary, the appropriate parties will follow up in a timely manner.

The weekly key indicator report is another measure of our customer satisfaction. Every customer gained and lost is recorded, and if a customer is lost, the reason why is recorded as well, in addition to which products this customer purchased, and the customer's annual volume. All this is reviewed, discussed, and analyzed at the weekly management committee meetings. We evaluate our performance and use feedback to make improvements on an ongoing basis.

We take our customer feedback very seriously, and use it to improve products, processes, and services. Our most important performance assessments are those we receive from our customers.

Measurement, Analysis, and Knowledge Management

Todd R. McAloon, Vice President, Technical Services Director, and Bruce Schmidt, Vice President, Controller—The measurement and analysis category is vitally important, because it ties together all the other categories. How you gather data, analyze it, and effectively communicate it to your team members so they can effectively run their department or business is critical. This category is essential for maintaining alignment of goals and for measuring progress toward goals, both short term and long term. And it is also an important factor in benchmarking business performance.

A note: As we all know, data is everywhere, and if we’re not careful, we’ll suffer from “paralysis by analysis.” It’s vital to sort through and choose the data that will best help us understand our business performance, then summarize the indicators so that we can communicate this information clearly to all stakeholders.

At Sunny Fresh, we strongly believe in the idea that what gets measured gets improved. To do this, we took the balanced scorecard concept and modified it to best serve our needs. We identified our key business drivers—things we must do well in order to succeed.

1. Customer focus and satisfaction. We measure this in many ways: Customer claims, comments, or complaints may be received by any of Sunny Fresh's customer contact personnel. All claims, comments, or complaints are forwarded to customer service representatives and entered into a database, which allows for easy analysis of complaint data, as well as time-to-complaint resolution. In addition, complaint data is segmented by product type to facilitate tracking of trends. Sunny Fresh monitors customer satisfaction and dissatisfaction through the use of an internally generated survey, which is correlated to customer claims.
2. **Stakeholder focus and high performance.** Worker safety is a way of life at Sunny Fresh. All stakeholders are acutely aware of the need to work safely. From orientation to monthly department meetings, to the yearly safety dinner, safety is emphasized and continually rewarded. Safety incentive programs, part of our yearly “Share the Success” incentive plan, encourage safe work practices, and an awareness of overall company results.

Sunny Fresh conducted its first stakeholder survey in the fall of 1996, and we continue today. All survey results are analyzed and compared to previous years’ data. Results are reported to all stakeholders, and opportunities for improvement are incorporated into the strategic planning process.

3. **Work process improvement.** Key indicators include our high-volume product line efficiencies and product yields. Line efficiencies are a measure of our pasteurized liquid egg production lines and are measured on a daily basis, reported on the weekly key indicator report, and compared to similar production lines and previous years’ results.

Yields for liquid egg production lines are based on actual vs. theoretical yield for each product. Cook & Thurber is an external food safety auditing organization that provides us with a third-party assessment of our food safety practices, and the audits are also used as a benchmark to the food industry.

4. **Supplier relationships and performance.** The measurement of supplier performance is separated into egg and non-egg suppliers. Since egg purchases represent more than 75% of our ingredient purchases, we have developed very close relationships with our egg suppliers. All raw egg specifications, including attributes like time received, solids, total plate count, and pH, are entered into a database to facilitate data analysis.

Non-egg ingredients include meat, cheese, bread, and milk. Each ingredient has written specifications. A non-egg supplier claim is completed when ingredients and documentation do not meet specifications. Supplier information is shared with suppliers on an ongoing basis by the procurement department.

5. **Competitive advantage.** Our industry is fairly small, with only two national egg-further processors, and about twenty regional processors. When we made our strategic decision in 1989 to focus on the value-added category of our industry, it enabled us to target markets where our core competencies could address the value drivers of the customers in those categories. Sunny Fresh continues to grow in share of market. Beginning at number fourteen in 1988, Sunny Fresh is now the second largest egg further processor in the world.

Under each of these key business drivers are our key indicators. Key indicators are selected because they have the greatest financial, operational, or human impact on Sunny Fresh. Our key indicators are used to plan, implement, or evaluate the impact of quality improvement, innovation, and organizational performance. Because of the integration of these key indicators, key linkages among operational, employee, customer, and financial performance metrics can be quickly evaluated.

A unique feature of our key indicator report is that out of twenty-five key indicators, only one deals with profit. It is the fundamental belief of the entire organization that if we do well on all our other key indicators, profit will take care of itself. Value-based management is used to assess the overall health of the organization through.
a series of measures that focus on creating value for our stakeholders. Return on gross investment or ROGI, is a key to efficient use of limited corporate resources. ROGI measures cash return as a percentage of cash invested, and how it compares with our competition.

Our weekly key indicator report is distributed every Wednesday morning, and includes twenty-five measures in the areas of customer focus, food safety, operations, stakeholder well-being, supplier performance, and risk management. The weekly key indicator charts are updated and distributed via email, as well as posted at all the facilities. Hand-written comments by Sunny Fresh managers explain trends, congratulate stakeholders on improvement trends, and make notations where opportunities for improvement exist.

When the organization was small, each one of our management committee members kept track of his or her specific set of measures to determine how well the organization was doing. As Sunny Fresh grew, a need was seen to be able to react more quickly and throughout all levels in the organization.

Weekly key indicators are therefore charted as trend or bar charts. This enables everyone to tell, at a glance, how the week's results compare to the previous week and the previous year. Stacked bar charts are used for many monthly financial results where compared to goal and previous year's results.

Within the egg further processing industry, benchmarking opportunities for production processes are minimal. Sunny Fresh has only one national competitor. Other egg further processors are not appropriate for benchmarking because of their limited product offerings and/or limited distribution. As a result, we have developed benchmarking processes between our plants that produce the same types of products on the same equipment. Because of the highly competitive nature of Sunny Fresh stakeholders, each plant is driven to outperform the other. We also benchmark with other Baldrige recipients to compare results and best practices.

It is vital to continually adjust to meet changing business needs. Once we have made an improvement, we then designate new measurements to focus on for new continuous improvement.

In order to keep data and knowledge sharing current, our IT steering committee implements shared responsibility for information technology, strategic planning, and priority decisions. The committee handles funding decisions for new software and services, and promotes collaborations and communications in the area of IT among all departments.

Sunny Fresh 2010 is our vision of what Sunny Fresh will look like four years from now, from the number of manufacturing facilities to the types of products we will produce, to the volume of egg products our plants will produce. In 2003, when we established Sunny Fresh 2010, we also established the milestones along the way.
A vision for improvement and innovation, continued

specific targets we needed to achieve in order to realize our vision. These milestones are incorporated into our key strategies. Our operating plan is our yearly roadmap to accomplishing our key strategies. And each functional area has specific critical actions, action plans, and performance measures to ensure that we meet our milestones.

All stakeholders are on an incentive plan

At Sunny Fresh, 100% of all stakeholders are on an incentive plan. The largest percentage participates in Sunny Fresh’s Share the Success incentive plan. This plan has produced incredibly positive results in plant yields and efficiencies, where approximately $5 in company savings has been realized for each dollar spent on the incentive plan.

Measuring stakeholder engagement

Sunny Fresh stakeholders are a highly productive and highly engaged workforce. For example, 86% of stakeholders said they received valuable information about what is happening within Sunny Fresh. In response to the statement, “I am able to adjust easily to changes that Sunny Fresh has introduced,” 91% of stakeholders agreed. And remember, what gets measured, gets improved.

Information is shared, but also protected

Information management at Sunny Fresh consists of two basic concepts: how to make information available to all stakeholders and at the same time, how to protect the information so that it stays within the business.

As a business, we want to be as transparent as possible for all of our stakeholders. People like to know how they’re doing so they can help their business achieve its goals. The information therefore needs to be understandable, meaningful, and timely. Sharing information at Sunny Fresh has evolved over time just as it has for the rest of the world. Today about 20% of our internal stakeholders have email, so many of our key indicator charts and information are distributed that way.

For those stakeholders who do not have email, charts are posted in the plant in locked display cabinets. If information is very confidential, senior business leaders will show it as part of a discussion session in small group meetings.

Our information management system works. In our 2005 survey, 83% of internal stakeholders agreed that the information they receive helps them to do their job better. This is up percentage-wise from previous years, when we had almost half as many stakeholders.

Data analysis is done weekly and monthly

Data are shared daily within the plant, but analysis and data summaries of key indicators are done weekly, with further detailed information charted monthly. For example, customer complaint information is shared and followed up on the same day it’s received. We then track overall customer satisfaction weekly, then break down this information to evaluate specific customer satisfaction monthly. Similar approaches for sharing information are done with customer and supplier stakeholders.
All data generated has an owner to control access to database systems. Owners are also responsible for ensuring that data are accurate and up to date. The IT department supports information management by assisting with software selection, along with in-house application development. Other procedures are in place to protect the information, such as network firewalls, backing up PC systems daily, and use of confidential statements on printed documents. In the event of computer systems being down, key operational documents and information are still available in hard copy format.

We have a great IT department, because not only can they set up systems and fix problems, they are patient with their customers and can explain things in a language that the rest of us understand.

To assess its process and customer satisfaction, IT sends out surveys related to the IT help desk and also for feedback on specific IT project support. The whole process of information management is reviewed as part of our yearly strategic planning process, and specific actions are incorporated into our yearly operating plan.

We have information that is valued by all stakeholders, both internal and external, so we take steps to identify, catalog, and protect it. We start by placing intellectual capital into three different classifications, depending on how valuable the information is to our business. The leader for each functional area is responsible for keeping the list current. Internally, we require that all confidential information be put away during non-working business hours. When information is shared externally, a process is in place to implement and manage confidentiality agreements.

In addition, walk-through audits are conducted quarterly to ensure that all stakeholders are properly handling intellectual capital. This process is reviewed annually, with specific IC-training conducted by our R&D department and intellectual capital coordinator.

**Human Resources**

Elle Grothaus, Human Resources Manager, and Dennis Darnell, Vice President, Business Development Manager—With stakeholders a core value at Sunny Fresh, our human resources department has undergone dramatic changes in recent years, going from an administrative function tending to payroll and benefits, to a critical player emphasizing the needs of customers, safety, quality, compensation, recognition, and stakeholder training and development, all in support of Sunny Fresh’s long-term goals.

Here’s how our HR processes integrate with our leadership system:

1. **Determine and balance stakeholder requirements.** Our first and best source of information from stakeholders are open and frank discussions with our supervisors and managers. We also have surveys, problem-solving teams, and regularly scheduled department meetings.
2. Establish and communicate clear values. The management committee ensures that our core values, as well as the core purposes and the mission statement, are reviewed annually and regularly communicated.

3. Set direction. Here is where strategic planning occurs. Our performance review process helps deploy our strategic plan.

4. Monitor and guide performance. Our balanced scorecard includes measurement analysis and business performance reviews. Individual performances are formally reviewed twice annually, as are training, development planning, and work design.

5. Analyze organizational performance. We use our processes for monitoring, analyzing, and adjusting organizational performance to help ensure that the strategic plan is achieved.

6. Recognize, reward, improve. These are important aspects of our culture.

7. Continuous improvement. Continuous improvement is facilitated by new process design, process management, and new product development activities.

We’ve learned a most important lesson regarding the organization and management of work. Don’t do it in a vacuum. Managers, supervisors, and stakeholders from across the business must contribute. Human resources and environmental health and safety, as well as engineering, tech services, IT, administration, and accounting, key partners, customers, suppliers, and Cargill corporate functions all contribute to safe and efficient work systems. The systems are challenged and changed all the time so that we can maintain an agile and responsive work environment.

Sunny Fresh has been innovative in the development of several new work systems designs:

- Our ramp-in schedules for new employees minimize the potential for injury. A lot of our jobs are physically challenging, and you can’t expect new folks to come in and work a full day at that new job initially. So we give them a chance to ramp-in to those jobs.
- Each new stakeholder gets a buddy for the first three weeks to ease his or her transition into the workplace. Where are things? Who do they need to see for benefits explanations? How to feel and get comfortable in the new work environment they’ve entered?
- In order to keep “mind on task” and prevent injury, we rotate positions every twenty minutes. Just changing to the other side of the line, moving to another end, or standing next to someone helps eliminate boredom.
- Our hourly stakeholders now come to Sunny Fresh through contract agencies. For ninety days, they can evaluate Sunny Fresh and vice versa. This is a good way to determine whether we have a good fit.
- Cross-functional work teams foster communications and the sharing of knowledge and skills.

All these processes contribute to healthy, motivated stakeholders, who tend to stay with Sunny Fresh.

The stakeholder review process is aligned with the business planning cycle, and includes a mid-year review. Behavior counts, not just results, and while our performance management process is not unique, our emphasis on culture and behavior...
do differentiate Sunny Fresh from many other companies.

Key results areas, or KRAs, are aligned with the operating plan and are linked to individual incentive plans. Everyone knows how his or her job fits into the big picture at Sunny Fresh. One of the outcomes of our process is input to long-term career development for each and every stakeholder. We truly believe that when Sunny Fresh wins, everyone should win.

We want to attract risktakers who are comfortable with a strong performance and incentive-based pay culture. Every stakeholder at Sunny Fresh is on an incentive plan. Our incentive plans are designed with a clear line-of-sight to ensure that stakeholders understand what they need to do to win. These incentive plans have been continuously refined since 1999.

Our compensation philosophy is based on a model of total compensation, so in addition to an incentive plan with significant upside potential, we have competitive base pay and Fortune 100 benefits.

A key aspect of managing performance is recognition and rewards. Recognizing and rewarding is an important aspect of our culture and can be for an individual, a team, or for the entire organization. Celebrating successes comes easily at Sunny Fresh, and each award or event is designed to reinforce our core values, high performance, or role model behaviors.

We use a three-part model for recognition, and strive for balance among each part: formal, informal, and day to day. Examples include celebrating a retirement, reinforcing a safety culture through a spring fling cookout, or our president serving a turkey day dinner to all 620 stakeholders. Celebrating milestones and achievements such as Baldrige is important, and so is day-to-day recognition from peer to peer.

Our belief is that the right people, with the right behaviors, in the right positions, provide us with a competitive advantage. That said, hiring new stakeholders and developing current stakeholders are critical processes.

On at least an annual basis, we conduct an assessment of skills and knowledge needed to sustain continued business growth and accomplish strategic business growth. This assessment is used to develop and refine our strategic staffing plan. This plan defines both short-term and long-term requirements. We use the requirements as inputs to how we hire, train, and develop stakeholders for growth and sustainability.

We have a philosophy of growing our own talent, and so we have a heavy emphasis of college recruiting, both for full-time hires and for interns.

Our hourly transition-to-hire program has resulted in lower turnover. As mentioned, this ninety-day trial allows potential new hires a thorough review of not only the position but Sunny Fresh, and vice versa.

The leadership talent management process and the career development plan processes are new since 1999. Leadership talent management is part of our succes-
Hiring and developing stakeholders are critical functions, continued

Four areas of focus for education, training, and development

Processes are used to keep education current

Hiring and development process and the career development plans enable individual development. The leadership development program or LDP, is for hourly stakeholders and is currently being deployed throughout our organization.

Our leadership development processes are key strategies to ensure that we have the talent we need. Our parent company, Cargill, expects us to be a net exporter of talent back to the organization.

To make sure our shareholders’ skills are up to date, we focus on:

- Training and development in all business processes
- Individual skill development plans
- Impact mapping
  - Department/function specific
  - Aligned with organizational objectives
- Sunny Fresh University

To ensure that we tap into the skills and talents of our workforce, we seek input from all stakeholders in developing and evaluating education, training, and development programs.

Individual skill development plans, or ISDPS, are part of the individual performance management process, and are used to focus on skills needed in the short term. The ISDPS are customized with continuing education or on-the-job assignments intended to address the needs of stakeholders.

Impact mapping is really a 40,000-foot-level of aligning education and training requirements with Sunny Fresh’s long-term strategic goals.

Courses and training identified through impact mapping become the basis for our curriculum management through Sunny Fresh University. Sunny Fresh University was modeled after best practices of other Baldrige recipients. It was designed to address the strategic challenge of continuing to develop a highly trained and technically skilled workforce. It’s a conceptual tool that is used to manage the training and education that we need to sustain our customer-focused culture, and achieve our business goals. Currently we have eight Sunny Fresh University courses, and based on feedback and the needs of the organization, we are working on curriculum for four more.

We also integrate requirements derived from specific departments or function competencies. One example is HazMat training.

How do we keep education, training, and development current? Key results areas and the performance review process are used to evaluate the types of delivery options, and link back to individual skill development and career development plans. Evaluation of content is done through several different methods. Examples include performance audits, or the ability to actually do the daily operations after the training. We also conduct evaluations at the end of each training course, such as proficiency testing and certification. Examples include ServSafe™ and HazMat training.

All these methods provide feedback as to the effectiveness of education and training and identify opportunities for continued improvement. Our stakeholders’ survey validates that these processes are working.
Safety is a core value, and we involve stakeholders on various committees to focus on it. Our efforts toward providing a safe work environment include empowering stakeholders to stop the production line if unsafe conditions exist. Safety is reinforced in orientation and through ongoing training. A worker safety parameter is also included in all incentive plans. Our safety focus extends to contractors as well. We are pleased that a large planned expansion has gone more than 50,000 work hours without a reportable injury.

We also work to create an environment that allows each stakeholder to feel safe in that they can be themselves, and feel comfortable bringing their unique talents to Sunny Fresh. Our valuing differences index trend continues to improve and is considered at world class level.

The best systems, processes, leadership, and facilities only become great if your employees are a key element of your planning. We hear wonderful things about our stakeholders from visitors, some of them Baldrige examiners, who come into our plants and into our administrative offices. Sunny Fresh stakeholders know that they are important, and that they will be heard. Managers and supervisors are trained to listen, and to act. We also conduct exit interviews, for when employees do leave. Every departure, for any reason, is reviewed weekly by the management committee.

We have conducted an annual stakeholder survey for ten years. The survey measures well-being, satisfaction, and motivation. All stakeholders have the opportunity to take the survey and more than 90% of them do. Results are broken down by location, pay class, department, tenure, and other segmentations. Location-specific teams analyze the data, and develop action plans to address opportunities for improvement. Results and action plans are communicated to each location by a continuous improvement facilitator.

In 2002, for example, the survey indicated that less than 80% of stakeholders said they fully understood our 401k benefit. After a series of action plans were developed and deployed in 2003, the survey indicated that over 90% of the stakeholders agreed that they understood how the 401k program worked and how it would benefit them in their retirement years.

**Process Management**

Terrance W. Profitt, Vice President, Director of Manufacturing, and Donald R. Roberts, Vice President, Director of Engineering/Process Systems—We create engagement among 620 stakeholders to provide distinctive value for our many customers. We use cross-functional teams in a collaborative business process that meets our core purpose of being the supplier of choice to our customers worldwide. Our leadership model drives the integration of all our Baldrige performance categories across our business.

Sunny Fresh Foods’ value creation processes are:
- Sales and marketing
- New product development
Value creation processes, continued

- New service development
- Production
- Risk management
- Business development.

Customer focus is a core value, so Sunny Fresh defines its key value creation processes from our customers’ perspective, using notes from the Baldrige Criteria as guidelines. Value creation processes are those that are most important to building, sustaining, and deepening customer relationships, thereby creating or adding the greatest value for customers and Sunny Fresh, and thus enabling Sunny Fresh foods to achieve a sustainable competitive advantage.

How processes add value

Sunny Fresh value creation processes add value by:
1. Designing and manufacturing products that customers purchase from us;
2. Building relationships and intimacy with the customers who buy from Sunny Fresh, and developing services that enhance product and relationship value for customers, enabling business growth.

Business process design

Our business process design describes how Sunny Fresh Foods creates new business processes, including value creation processes, that keep us aligned with our overall strategic plan. It also mirrors our leadership system:
1. Determine and balance customer and business requirements and potential value.
2. Align with core values, core purpose, and mission.
3. Integrate with business planning and resource allocation to support development.
4. Develop process, controls, and measures; then test.
5. Deploy and monitor performance.
6. Analyze, adjust, and validate.
7. Continuous design process improvement.

This system has many checks and balances in place to ensure we are aligned with the goals of our customers, and the goals of Sunny Fresh.

The first step allows us to understand customer needs and ensures that we are creating value for them, and for Sunny Fresh. At Sunny Fresh, we really listen to our customers. We spend time in the backs of their restaurants, stores, hospitals, and schools. In other words, we become very intimate with them, and truly understand what they need to be successful in the marketplace. This may involve new ideas that they have not even considered yet.

In steps one and two, we are studying the value drivers of our customers, then using inputs from our leadership systems, and the outcomes of our strategic planning process research, to evaluate how the value drivers of our customers line up with our core values, core purpose, mission, and vision. This process keeps us from moving down a path that does not meet our long-term goals.

Once we have determined we have alignment in step two, we move to step three, in which we allocate the resources necessary to develop new processes to achieve strategies to meet those customer needs.
In step four, we develop a cross-functional team, created by our management committee. This team may vary in size and composition, depending on the process being developed. New production processes being developed may consist of stakeholders from nearly all departments, plus suppliers. By using all resources from all departments as needed, the team develops and tests the process, including work systems, jobs, controls, and performance measures. This step helps ensure buy-in by all involved along the process design journey.

In step five, the team ensures that any training needed to support deployment is developed and deployed. Controls and measures are evaluated to determine opportunities to improve efficiency, productivity, or outcomes of the process. The process is then optimized, either by the development team, or the workgroup that “owns” the process.

In steps five and six, the work of the development team is monitored closely by the leadership team. Management committee meetings may include status reports and performance reviews of process, products, or services being developed.

In step seven, after the new process is fully deployed and operational, Sunny Fresh seeks to further optimize the process using methods and quality tools captured through all internal and external methods to ensure we are continually improving the effectiveness of our design process.

Sunny Fresh uses this same process when developing and designing new services. New services are specifically linked to external needs or requests and new service outcomes are extensions of current value creations or support processes.

New product development is a value creation process at Sunny Fresh. It is supported by a product development team whose members who work together in support of active products. Members can include stakeholders from many departments, such as sales and marketing, customer service, engineering, product development, production, research and development, technical services, accounting, and purchasing. They work with our customers to develop new and improved products. These new products can fall into four categories: one, those that are customer-driven; two, those that are concept-driven; three, those that are market driven; and finally, four, products that are for improved products and processes.

The impetus for developing a new or improved product may come from a customer, or for that matter, any stakeholder who identifies an opportunity for innovation. For those projects that are long term, and require investment capital or dedicated human resources, the new product development process may link to our strategic planning process, and phases may be included in our annual operating plan.

To ensure that products meet new customer requirements, QA systems are in place prior to in-plant test runs. The new product development team ensures smooth transitions from test runs to commercial rollout. The team establishes product specifications, sampling plans, and control limits of processes that control quality aspects. SPC (statistical process control) charts are established during test runs for use in commercial production. R&D ensures conformance to federal product labeling and nutritional information requirements. These team members work with various departments, including inventory, purchasing, accounting, and customer
New product development, continued

service, to ensure pricing, product availability, and a product that’s finally delivered to our customers.

Upon completion of each new product development process and before commercial production of any new product, all necessary process documentation is completed by the team. This ensures that the new product has been designed to prevent non-conformances during production.

Transfer of knowledge

Sunny Fresh ensures transfer of knowledge and standardization of processes from plant to plant by utilizing several tools, such as product specs, standard operating procedures, pre-operational inspections, and production monitoring with QA verification. However, I believe our greatest competitive advantage in this area is the ownership of our processes by our online stakeholders. Our folks really understand taking ownership in the process, and try to make products that meet our customer requirements every day. We are very competitive by nature, and plants do compete—they have best performance measures that compare to their sister plants. But they never do this at the expense of quality.

Food safety policies

Our customers focus on and reward “doing it right the first time.” All processes are fully compliant with FDA and USDA regulations. As food safety is a core value at Sunny Fresh, we utilize the hazard analysis critical control point standard (more commonly known as HACCP), a global industry standard for managing food safety. All our key performance measures are documented with various online checks of the process throughout the production. Production stakeholders with engineering support continually improve yield and efficiency performance and other line performance measures that are critical to product quality and optimizing process control, until there is no longer any associated benefit in cost or quality.

Sunny Fresh uses a test and hold policy that ensures all products meet all food safety requirements before they are released for our customers’ use. This procedure gives the customer the confidence that we are very serious about one of these core values, food safety.

Production tools

Many tools are used in the production process at Sunny Fresh. SOPs, standard operating procedures, define line control parameters. Specification limits, and process control limits are used to ensure food safety, maximize production throughput, and minimize quality defects. Line operators are empowered to control the processes to remain within these limits.

Sunny Fresh uses sophisticated, automated, PLC (programmable logic controller) process control equipment, and supervisory control systems in all of our plants to monitor and maintain performance. Robotics and servo-driven pick-and-place equipment is used in many of our production lines to improve efficiency and reduce potential injuries to our employees.

Support processes

Sunny Fresh considers all of its business processes to be key to growth and success. Stakeholder and support processes interact with key stakeholders and through their
work add value to Sunny Fresh. A management committee member is responsible for each support service. Process requirements are determined by that member and department stakeholders based on balancing and prioritizing needs and expectations of the business. Some support processes have key roles of supporting the maintenance of customer relationships such as customer service, engineering and supply chain management. Others, like purchasing, build partnering relationships with key suppliers. Key support processes play key support roles for value creation processes, and ensure that they are performed effectively. The leadership system and the strategic planning process ensure that support processes are aligned and linked with Sunny Fresh’s goals and activities.

The design of the key support processes is linked to the strategic planning processes and uses the same model as the value creation processes.

First, cross-functional and departmental teams identify external and internal customer supplier requirements. Second, they align requirements with Sunny Fresh’s core ideology, and business direction. Third, they acquire the necessary resources. Fourth, they design the process including key measures and indicators to assess the performance of the process, then test the process, and evaluate the results. Fifth, they deploy the process; and sixth, assess performance in support of overall company goals.

Sunny Fresh uses its annual strategic planning process to ensure that resources are available to support current operations and future growth. Planning to ensure financial resources are available is a critical part of this annual strategic planning process.

**Journey to Excellence**

*Mike Luker, President—* Our continuous improvement journey at Sunny Fresh began in 1989, and we made some very critical decisions at that time. We were not succeeding. Our business was absolutely terrible. We weren’t making money. In fact we were losing a lot of money.

We needed to change. So we decided to build on and leverage our core competencies and totally change our approach to the marketplace. We changed by first focusing on value-added egg products. Now that might seem like an easy decision, except at the time we were the largest producer of shell eggs in the United States and the owners of 13 million chickens. That was a huge commitment, to sell those chickens and focus on the value-added category.

Next we said we were going to focus on the food service and restaurant industry, and we were going to become experts in this customer’s business just as we were with eggs. And we said we were going to be the industry leader in food safety and in quality. And of course, not just quality products but quality services, quality processes, and quality people.

That focus on quality meant we had to re-think our business. We started by adapting a Total Quality Management approach. Cargill launched the Philip Crosby philosophy in 1989. In those early days the effort was led by senior leaders. They,
as you might imagine in a small, struggling business, were very hands-on, but they reached out to the broader organization. They understood the power of the people. So they involved everybody just like we still do today, from every plant, every shift, to enlist their help and at that time changing the business, and today we use it to improve the business. We transformed the organization. Stakeholders from every plant were on step teams that were charged with defining and refining our business model. They made changes and refinements from how we measured performance and how we did training, all the way to how we listened and learned from both our external and internal customers.

Everyone in the business is still taught the four absolutes of quality and how these concepts are used every day in their job. Early on we adopted a quality policy. It was written by a cross-functional team across the business, and it has stayed relevant throughout all our years of growth and change.

By the 1990s, we knew that this Total Quality Management approach was helping us get better. But we needed a way to understand whether or not our methods were as effective as possible.

And in 1993, a key customer of ours introduced us to criteria-based assessment, modeled after Baldrige. The Baldrige Criteria for Performance Excellence have been the basis for our annual self-assessment every year since. In addition to the customer’s process and assessment, we also participated in Cargill’s Business Excellence award process, which is also Baldrige based. In 1999, we participated for the first time in the Malcolm Baldrige National Quality Award process.

So why Baldrige? First, we see that the criteria are comprehensive. The Baldrige framework is much more than just a continuous improvement methodology. It’s a tool that helps us to discover how to better align and integrate all of our business processes, from the front line to the levers, and from relationship management to information management. It’s non-prescriptive. We use the Baldrige Criteria like a lens to examine our business, to focus. We use Baldrige so we can improve how we design and redesign our processes on an ongoing basis. We employ the criteria to find cross-category linkages and better ways to build a sustainable business model. The criteria themselves are constantly being improved. When we use the criteria, we are using a benchmarking tool that has benefited from the best practices of many role model organizations.

Finally, thanks to the board of examiners, we get some great feedback that’s very insightful, and written by a group of performance excellence experts.

We know that this journey has taken us in the right direction. We’ve seen the results in increased and sustained high levels of customer satisfaction. We’ve seen reduced costs, and increased productivity and safety, and we have an entire organization that is engaged in the success of the business.
our rapid growth. Our organization has gone from 380 stakeholders to 620. Since 1999, approximately fifty people at senior levels have left Sunny Fresh and gone to Cargill and other business units. So at the end, only about one third of our current stakeholders were at Sunny Fresh in 1999.

The jobs of raising awareness, learning, and recognizing success will never end. Over time these things become more and more important and valued by your team. You do this with ordinary people who together become very passionate about the business. By working together, these ordinary people achieve extraordinary performance. By trusting one another to do the right thing, and by sharing and communicating business plans and performance results, you can create a culture of distinctive ownership, and it will span beyond the leadership team to the entire organization. We have created a culture that drives engagement, that sustains a focus on performance excellence, and that is owned by all 620 stakeholders of Sunny Fresh.

It truly is a journey, one that never ends. We know this because as we've traveled down this road, we have found that our vision for the future, and our aspirations for our business and our people are ever-expanding.

Finally, we know that our journey is far from over, because our organization has told us so. Interestingly, probably the most common question we got at the Quest conference last year is whether or not we will apply in 2011. Our question back to this group is why wouldn’t we? Our team firmly believes that through the Baldrige process, we have developed a sustainable business model, and a formula for prosperity. We have decided that of all the methods that are out there to use to lead, and there are many great ones, that for Sunny Fresh, the Baldrige process is best. We know no better way to make sure that we have stayed the course or lost our way than to have this excellent feedback from world-class performance excellence experts.

Now, you can get the same feedback from the marketplace. They can tell you you’re no longer adding value by buying from someone else. But we see this as an extremely painful way to learn!

One of the most exciting things that happened the day we got our last feedback report is that I was bombarded with emails and voicemails asking what did the report say about where we can improve, and what can I do to help us improve? That’s the organization we have. And that organization has defined leadership at Sunny Fresh as Baldrige-based leadership. We’re not going to let them down. I am sometimes asked, as a two-time recipient, can Sunny Fresh really get better? And to that we all say, yes we can.

Ann Burns, continuous improvement facilitator, joined Sunny Fresh in 1994 as a supply QA technician. She has held multiple quality roles while at Sunny Fresh. She has a degree in biology from the University of Minnesota.

Dennis Darnell, vice president, business development, joined Sunny Fresh in 1995. He holds an undergraduate degree from Doane College and graduate degrees from Duke University and the University of Minnesota.

Scott Dattalo is assistant vice president and MBU manager for Sunny Fresh. He has been with the company for thirteen years. Dattalo has a bachelor of arts degree from the University of Minnesota and a masters of business administration degree from the University of Minnesota’s Carlson School of Management.
Elle Grothaus, human resources manager, joined Sunny Fresh in 2005. She received a bachelor’s degree from Concordia-Moorhead and a master’s degree from the University of Notre Dame.

Laura Huston is assistant vice president and director of research and development. She joined Sunny Fresh in 1995 as a food research scientist. She has a bachelor’s degree in chemistry from St. Cloud State University.

Dale Jenkins is assistant vice president and director of sales and marketing. He joined the company in 1989 as a marketing assistant. He has a degree in communications from Stephen F. Austin State University in Texas.

Michael A. Luker was named president of Sunny Fresh Foods in 2000. He joined Cargill in 1990 as director of food service for the Cargill Meat Sector. In 1992, he became director of sales and marketing for Sunny Fresh Foods. Luker has a degree in management and labor from the University of Arkansas at Little Rock.

Todd McAloon is vice president, director of food safety and quality assurance. He started with Cargill in 1987 and transitioned into Sunny Fresh Foods in 2000. McAloon has bachelor of science and master of science degrees in food microbiology, with a minor in chemistry and dairy science, from South Dakota State University.

Terrance W. Profitt, vice president, director of manufacturing, joined Cargill in 1980. He has more than thirty-seven years in the poultry business. He attended the University of Kentucky.

Donald R. Roberts is vice president engineering and process systems. He has been with Sunny Fresh since 1986. He holds a bachelor of science degree in engineering from the University of Wisconsin-River Falls.

Bruce Schmidt, vice president and controller, joined Sunny Fresh in 1990. He has a bachelor of science degree in accounting from Moorhead State University and a master of business administration with a concentration in finance from the University of Minnesota.

Norm Stocker is director of procurement and risk management for Sunny Fresh. He joined Cargill in 1990 and transferred to Sunny Fresh in 1999. He has a bachelor of arts degree in economics from the University of Northern Iowa.

Teri Trullinger, national food service sales manager, has been with Sunny Fresh for fourteen years. She has a degree in business from North Hennepin Community College.

This article is based on a presentation given at the Quest for Excellence Conference XVIII in April, 2006, in Washington, DC.
Robert Wood Johnson University Hospital Hamilton is a 200-bed facility located in Mercer County, New Jersey. We’re proud to be a 2004 Malcolm Baldrige National Quality Award winner, and we’re only the fourth healthcare organization to win the award. But our story wasn’t always like this. As recently as 1997 or 1998, our results were average. Our patient satisfaction results were average. In fact if we reached the fifty-eighth percentile one quarter, we thought we were doing great—we were above average! Our employee satisfaction results were also average. Back in 1998, we did a community survey with the Gallup organization. The people we spoke to had the opportunity to rate us along with other area institutions in terms of ten positive attributes. We rated number one in just one positive attribute—closest to home!

In our area of central New Jersey, there are five hospitals within a fifteen-mile radius. We’re operating in a very competitive environment, in terms of both patients and staff. In 1999, we began looking for a performance improvement model that would allow us not only to compete, but to achieve excellent results throughout the entire organization. We were no longer satisfied with being average. And we had a new CEO, who had been with the organization previously. When she came back in 1998, she made a commitment that we would no longer be average.

At that same time, while we made a commitment to no longer be average, we also changed our mission statement. We added the word excellence because that was what we wanted to do, provide excellence through service:

**Robert Wood Johnson University Hospital Hamilton is committed to Excellence through Service.**
*We exist to promote, preserve, and restore the health of our community.*

We also changed our vision statement at the time to include the word “passionately,” because that’s the way we operate on a day-to-day basis. We’re passionate about the care that we provide to our patients.

**Our vision is to passionately pursue the health and well-being of our patients, employees, and the community through our culture of exceptional service and commitment to quality.**

In 1999, the Institute of Medicine came out with a report called *To Err is Human*, which publicly acknowledged the number of errors made in hospitals, stating that 48,000 to 98,000 patients died every year as a result of medical error. That generated a lot of discussion. In fact, it was front-page news both in and outside the health care industry. And it was a sign for healthcare organizations to wake up.
So the Institute of Medicine found healthcare in the US sleeping on the job, and it wanted us to make changes. In 2001, the IOM came out with another report, *Crossing the Quality Chasm*, which referred to a huge hole that healthcare processes and systems seemed to be falling into, which didn’t make for positive results and outcomes for patients across the board. We obviously needed to change. And change is hard.

In the meantime, external agencies were putting out healthcare industry numbers for the public to see. It’s good for people to know what’s going on in your organization, but there’s always the concern that they’ll misinterpret the results. How will they know what that infection rate means? That was one aspect of change that was frightening for us as an industry, to think that people were going to be examining our outcomes and our results. But at Robert Wood Johnson, we knew we had what it took. We had determination, knowledge, and caring.

We also had the Baldrige Criteria. The foundation of the Baldrige Criteria is leadership. And we’ve done a lot of work with our leadership system. But the categories we’re focusing on in this article—because we feel they link directly to patient safety—are strategic planning, process management, and measurement and analysis.

It’s not uncommon for an organization to develop a strategic plan and put it on a shelf, where it remains. What’s key is not only the development of that strategic plan, but how it is then deployed throughout the organization. So there are really two steps to strategic planning; development and deployment, and the latter can be the most difficult of the two.

We use three major sources of input when developing our strategic plan for the year. The first input involves customer requirements, or what we determine as our customer requirements: safe, timely, effective care. The second source is our external inputs, and here we do a thorough analysis of what’s going on. What are the external organizations saying? What is the Institute for Healthcare Improvement recommending as practices for patient safety? What are they going to be looking at and what are they going to be publicly recording? The third source is internal analysis, which is similar to a SWOT analysis, which we do throughout our organization.

All these inputs go into identifying what our strategic challenges are, and what type of strategic objectives we will focus on for the upcoming year. Patient safety and clinical outcomes are of course one of our key objectives. Because of this, we assign an owner to it, someone from our senior leadership team who is responsible for owning that objective, for assembling the team, and for driving the results of that objective. It’s very important that you get the right people on board as your leaders.

Among the many external inputs we look at when we develop our strategic plan are the National Quality Forum’s twenty-seven best practices and the Agency for Healthcare Research (AHRQ) and Quality’s eleven best practices. We have really seen results from these initiatives in our outcomes. We use the information that we gather from them as part of our development for the strategic plan.
Another source of external inputs are benchmarking outcomes from different sources. Among those are:

- AHRQ's HCUP (hcup.ahrq.gov/HCUPnet.asp)
- JCAHO Quality Check (www.jcaho.org)
- CMS Hospital Compare (www.hospitalcompare.hhs.gov)
- NJDHSS Hospital Report Card (web.doh.state.nj.us/hpr)
- Solucient, professional organizations

For our internal inputs, we look at the historical data, decide what our strengths and weaknesses are, as well as our opportunities, and how we want to develop those and incorporate them into our strategic plan. We consider our state reporting system, and the reports we’ve generated for that. We also look at changes that we’ve made in our process system, and the FMEAs (Failure Mode and Effects Analyses) we’ve done for that year, and how we made changes regarding those. We incorporate all that information into the strategic planning process.

We use a goal cascading process at Hamilton in order to deploy the strategic plan. It’s a five-point process, incorporating pillars for people, service, quality, finance, and growth. Every strategic initiative is linked to one of our goals, and every one has a driver and owner who is a member of our senior leadership team. We have more than 1800 employees at Robert Wood Johnson, and they are all aligned specifically to one of the strategic initiatives for that year.

We use communication systems throughout the organization to make sure deployment gets followed through. We use director meetings, department meetings, staff meetings, and a process we call “hospital highlights,” which involves a huddle in each department, every morning. The clinical areas do it at 8:30, and the non-clinical areas at 9:30. In the huddle, we share information based on goals and strategic initiatives.

Part of that information involves the department and how its members are doing in their own particular units with their initiatives and their E3 (Engage Every Employee) goals. We have E3 goals for everyone that include our mission, vision, and critical success factors. Each employee carries their personal E3 goal on their badge. That’s something we copied from another Baldrige winner, SSM Healthcare, basing our E3 commitment cards on their Passports. E3 has been instrumental in achieving our results. It really aligns staff members with organizational objectives.

Just having that goal cascade and an outline does not mean that you’re going to achieve the results you want to achieve. To do that you have to deploy, which is really process management.

We start with a standardized approach to process design and improvement, utilizing the PDCA (Plan Do Check Act) methodology. We’re careful about the planning stage so we can design systems and processes that prevent error and rework. We utilize process mapping quite frequently in order to decrease steps in a process.
and decrease handoffs between different departments. We use FEMAs quite often before we roll out a new process, and we employ a worksheet from the Institute for Healthcare Improvement (IHI) that helps us identify which aspects of a plan have the potential to fail. It’s a grid that gives you scores for each step, so you then know what you need to focus on when you roll out the process.

The next piece of our process management is implementing a team. We have an overall strategic objective team, but within that team there may be subcommittees commissioned to work just on specific actions. We may have one team that’s just looking at each of the IHI initiatives, for example.

We believe in the importance of sharing knowledge, and learning from the best practices of other departments in the organization. In our Learning Center at Robert Wood Johnson, which is intranet-based, we list our best practices from performance improvement teams. All teams have access to that learning center.

Here are some key questions to ask—and answer—when creating a project plan:
- Who is the owner?
- Who has accountability for driving the plan forward and who needs to be on the team?
- How are you going to communicate it?
- How are you going to measure it?

These are all important aspects of putting together a plan, and you have to make sure everything is included.

On example of a project plan we implemented at Robert Wood Johnson concerned the administration of antibiotics as part of our surgical infection prevention program. It is important for the anesthesiologist to give a pre-operative antibiotic to the patient within one hour of incision time, so, as a reminder, we started placing a neon green sticker on the patient’s chart, so the anesthesiologist couldn’t miss it. We have found that triggers and reminders like these are really helpful.

The PACU (post-anesthesia care unit) then administers the first dose of the antibiotic to the patient after surgery, and documents it in the patient’s record. That information also goes to the pharmacy, which documents when it delivers the second and third doses to the surgical unit. The pharmacy numbers and prepares the doses using neon orange stickers to remind the staff when it has to be given. The whole process is designed to provide the optimal outcome for the patient, who gets the best benefit from the antibiotic when it’s given at proper intervals within a twenty-four hour timeframe. We monitor the entire process, and the pharmacy monitors for appropriate distribution and timing, and the results are reported to the various committees.

In designing this process, we found that decreasing the number of steps and putting in triggers and reminders were important to overall success.
Occasionally, we’ve encountered barriers along the way. Some of our physician practices, for example, were not always in line with what we wanted to accomplish, so we spent a lot of time working with them through our medical staff leadership. The pharmacy also worked in individual cases with physicians to look at the appropriateness of the antibiotic and the timing. They would get in touch with the physicians and do one on ones, negotiating with them to help them change their practice to one that had been shown to provide the best possible outcome for the patient.

Also key to success was ensuring that communications occurred between the departments, moving from the operating suite to the PACU and so on. We had to make sure that vital information was communicated from one department to the other, so we could have that continuation of care for the patient. We discovered early on that a lack of standardized language and terms existed, so we came up with definitions that were clearly defined, so that everyone could be talking about the same thing.

One of the IHI initiatives we’ve implemented this way was our ventilator associated pneumonia (VAP) focus. We adopted the recommended IHI bundle, renaming the steps as in-process measures: elevated beds, oral care protocol, DVT (deep vein thrombosis), SUD (stress ulcer disease) prophylaxis, hand-washing. The staff is looking at all these things on a day-to-day basis when they do interdisciplinary rounds, monitoring and reporting on them. That way we are making sure of those in-process measures so we can get the best outcome for the patient. In 2005, we had only one ventilator-associated pneumonia. This year we’re hoping for that number to be zero.

We found from reviewing the charts of our patient who had coded (a “code” is when breathing stops or is inadequate to maintain consciousness and/or the heart stops beating or beats ineffectively) that between eight and twelve hours prior to the coding, there were subtle signs that we could pick out in the chart that the patient was deteriorating. If a patient is going to code, you want that to happen in critical care. As part of the INI initiative, we implemented a rapid response team that could be called by any member of the staff. The team assesses “subtle patient changes” and makes a recommendation.

In our project plan process, we formalized everything down to the rapid response team looking at criteria that we would use to call a rapid response team in the first place. We also looked at what measures we needed to make sure that our process was effective. In order to foster clearer communication, we implemented what’s called the SBAR (Situation, Background, Assessment, Recommendation), which is a standardized form of communication that the staff uses when they’re talking to the physicians or to each other. That way everyone is on the same page, which is vital for critical care situations such as when a patient codes.
As we worked through cycles of improvement, we found it important to focus on staff education and communication. So, as teams are rolling out new processes, one of the things that they do as part of the planning step is to specify what type of education and what type of communication they need to develop with regard to those processes.

We depend on data at Robert Wood Johnson. We have a tremendous amount of data to begin with, but what we strive to do is take that data and transform it into information that we can use to make improvements in our cycles. One of the ways we monitor that is through our dashboard balanced scorecard. This is updated weekly, and reviewed every week at senior leadership. We use traffic lights; red, green, or yellow, so we can see where we are and what we need to address, and how we’re doing.

Our quality journey has led to some amazing results. Employee and patient satisfaction scores, as measured by Press Ganey Inc., are consistently above the 90th percentile as compared with over 700 hospitals nationwide. RWJ Hamilton has been recognized with the Distinguished Hospital for Clinical Excellence Award for 2006/2007, for being among the nation’s top 5% of hospitals, according to Health-Grades, a national healthcare ratings organization. This year, HealthGrades also recognized the hospital’s critical care, gastrointestinal, maternity, pulmonary and stroke care medical services as being among the top 10% in the nation.

We also received the Consumer Choice award from National Research Corporation for 2003-04 and 2005-06, as the most preferred hospital in its region, and were named to the list of 50 Exceptional U.S. Hospitals in Consumers Digest magazine. We have come a long way from “average.”

Deborah Baehser is CNO and Senior Vice President, Clinical Services. In 1999, she joined Robert Wood Johnson University Hospital Hamilton and in 2005 assumed the responsibilities of the Senior Vice President of Clinical Services and the Chief Nursing Officer. Baehser is certified as a Malcolm Baldrige National Quality Award Program Examiner. She is also a member of the New Jersey Organization of Nurse Executives, a member of the Nursing Education Advisory Board at the College of New Jersey, an active member of the RWJ Chief Nurses Executive Council, and a Board member of the Women’s Heart Foundation. Baehser received her Associate of Science/RN degree in 1983 from Bucks County Community College. In 1996 she received a Bachelor of Science degree in Health Care Administration from the University of St. Francis, and was awarded a Master of Science degree from the University of St. Francis in 1999.

Joyce Schwarz is the Assistant Vice President-Special Care Services. She joined RWJ Hamilton in 2001 when she assumed responsibility for the implementation of the Patient Safety Program. In 2005, she was appointed to head up Special Care Services, which includes the Emergency Department, Pharmacy, the Family Health Center, and the Intensive Care Unit and Emergency Preparedness. Schwarz received a diploma from the Thomas Jefferson University School of Nursing in 1969, a bachelor’s of art from Georgian Court College in 1987, and a Masters in Public Administration from Fairleigh Dickinson University in 1993.
Progress, Systemics, and Thought Management

Laurence R. Smith, GOAL/QPC, Salem, New Hampshire

Progress—personal and corporate—requires each person to know how to lead and manage in a complex world of organizations. Each person must also have the ability to understand and manage processes, systems, thoughts, and attitudes—individually and in relationship with other people and the world’s ecology. A basic knowledge of how to lead and manage, in other words, is a foundation for effective living.

To function well in society, we need to know how to think in terms of processes and systems. We need to understand our own thinking and thought processes and know that we can and must manage thought. And we need to learn how to orchestrate all of this (by leading and managing) to make our work lives and personal lives function well. After becoming competent in these basics, we can learn how to build upon that foundation, acquiring the more complex skills and know-how to lead and manage small and large enterprises.

At its core leadership and management is about people—how people are thinking and behaving, and what the results of those activities are for the individual and the common good. Political scientist and college president Thomas E. Cronin defined leaders as “people who perceive what is needed and what is right and know how to mobilize people and resources to achieve mutual goals.” It’s a great definition. People can apply it to their own lives as well as to their corporate and political systems.

Leadership and management are complementary. Management is mainly about creating, maintaining, and improving the processes and systems that enable missions to be achieved. Leadership is mainly about determining what the mission should be and making sure the resources are made available to accomplish the mission. Management focuses on getting the job done on time, on cost, and within predetermined quality standards, using the people, tools, and methods at its disposal. Because of that important focus, management generally isn’t looking ahead to see if the mission needs to change. Leadership is more broadly focused. Leadership monitors mission progress, but also looks ahead and all around to be sure the mission is viable in the world. Leaders are always alert for innovations to keep growing and developing better things and better ways of doing things. To use a ship metaphor, management is below decks making sure the ship is running well while leadership is on the bridge making sure it is going the right way and not crashing into things. When the two functions—leadership and management—don’t work well together the whole organization will suffer breakdowns, crashes, and even sinking.

It is said that man is a social animal and in today’s world most, if not all, people live their entire lives in and among a variety of systems—physical, biological, mechanistic, social, and metaphysical. And there are varieties within the different systems. In
social systems, for example, there are a multitude of societies, organizations, social communities, and cultures. And while each of us is an individual, with individual likes and dislikes, abilities and disabilities, strengths and weaknesses, knowledges and ignorances, we are also simultaneously dependent, independent, and interdependent. Because of this complexity in life, we need to learn how to lead and manage our way in a world of organizations. We need a fundamental understanding of processes and systems, as all organizations function with processes and systems.

Leading and managing is, as Peter Drucker described it, a liberal art:

Leaders and managers draw on all the knowledges and insights of the humanities and the social sciences—on psychology and philosophy, on economics and history, on the physical sciences and ethics. But they have to focus this knowledge on effectiveness and results—on healing a sick patient, teaching a student, building a bridge, designing and selling a “user-friendly” software program.

Rarely in human history has an institution emerged as quickly as management or had as great an impact so fast. In less than one hundred fifty years, management has transformed the social and economic fabric of the world’s developed countries. It has created a global economy and set new rules for countries that would participate in that economy as equals. And it has itself been transformed. Few executives are aware of the tremendous impact management has had. (The New Realities, page 231, 221.)

Systemics

An important foundation for leading and managing is a basic understanding of a system. Virtually everything in life involves systems, and systems interacting with other systems. Management professor Ralph Stacey concludes, after decades of work, that an organizations is not an “it” or a “thing” that management can seek to “improve.” Rather, “organizations are complex responsive processes of relating,” Stacey says. Perhaps, in reality, that’s what all systems are—complex responsive processes of relating—throughout the Earth and the universe.

Dr. Ervin Laszlo is generally recognized as the founder of systems philosophy and general evolution theory. He is a founder-director of the General Evolution Research Group and a past president of the International Society for the Systems Sciences (ISSS). The ISSS website presents Laszlo’s thinking on some foundational matters that are important to leading and managing in life. Following are some excerpts:

The concept of matter

In light of what scientists are beginning to glimpse regarding the nature of the quantum vacuum, the energy sea that underlies all of space-time, it is no longer warranted to view matter as primary and space as secondary. The things we know as matter (and that scientists know as mass, with its associated properties of inertia and gravitation) appear as the consequence of interactions in the depth of this universal field. In the emerging concept there is no “absolute matter,” only an absolute matter-generating energy field.

The concept of life

The subtle relationship between the material things we meet with in our experience and the energy field that underlies them in the depth of the universe also transforms our view of life. Interactions with the quantum vacuum may not be limited to micro-particles: they may also involve macro-scale entities, such as living systems. Life appears to be a manifestation of the constant if subtle interaction of the wave-packets classically known as “matter” with the underlying vacuum field. These assumptions change our most fundamental notions of life. The living world is not the harsh domain of classical Darwinism, where each struggles against all, with every species, every organism and every gene competing for advantage against every other. Organisms are not skin-enclosed selfish entities, and competition is never unfettered. Life evolves, as does the universe itself, in a “sacred dance” with an underlying field. This
makes living beings into elements in a vast network of intimate relations that embraces the entire biosphere, itself an interconnected element within the wider connections that reach into the cosmos.

The concept of mind

In the ongoing co-evolution of matter with the vacuum’s zero-point field, life emerges out of nonlife, and mind and consciousness emerge out of the higher domains of life. This evolutionary concept does not “reduce” reality either to non-living matter (as materialism), or assimilate it to a nonmaterial mind (as idealism). Both are real but, unlike in dualism, neither is the original element in reality. Matter as well as mind evolved out of a common cosmic womb: the energy-field of the quantum vacuum. The interaction of our mind and consciousness with the quantum vacuum links us with other minds around us, as well as with the biosphere of the planet. It “opens” our mind to society, nature, and the universe. Traffic between our consciousness and the rest of the world may be constant and flowing in both directions. Everything that goes on in our mind could leave its wave-traces in the quantum vacuum, and everything could be received by those who know how to “tune in” to the subtle patterns that propagate there. This assumption is borne out by the empirical findings of psychiatrists such as Stanislav Grof.

Societal implications

That people in all parts of the world search for a deeper awareness of their own subconscious mind may not be accidental: at this critical juncture of our sociocultural evolution it may be part of the survival dynamics of the human species. A greater awareness that all that goes on in our mind is accessible to others, and that all that goes on in the mind of others is accessible to us, would prompt us to develop greater empathy and solidarity with each other. Such felt relations are vital not only for our personal growth and development, in our interdependent and crisis-prone world, they are vital also for our collective survival and development.

Dr. Bela H. Banathy, another ISSS leader, focused on humanistic systems inquiry, social systems design, guided evolutionary inquiry, and the design of evolutionary guidance systems. He taught that a systems view is fundamentally a way of thinking and acting—about ourselves, the environments we live in, the systems that surround us and those we are part of—in terms of our interactions.

While some experts speak in terms of four or more major types of systems, Banathy suggested that there are two major types of systems—natural systems and designed systems, which he described as follows:

1. Natural systems range from subatomic systems to living systems of all kinds—our planet, the solar systems, galactic systems, and the universe. The genesis of these systems is the origin of the universe and the result of the forces and events of evolution.

2. Designed systems are human creations and include four major types:
   (a) Fabricated-engineered-physical systems (manmade artifacts)
   (b) Hybrid systems that combine physical construction and nature, e.g., a hydroelectric plant
   (c) Designed conceptual systems, such as theories, philosophies, mathematics, logic, etc., and their representations in the forms of books, records, and descriptive of prescriptive models
   (d) Human activity systems.

For our present purpose, which is to examine leadership and management, Banathy’s work in human activity systems and their relevant abstract systems and representations are of special interest. Banathy states that:

Human activity systems are our purposeful creations. They are less tangible than natural and designed physical systems. They are manifested in sets of activities (relationships) carried out...
by people who select and organize these activities to attain a purpose. These activities often involve various natural and designed physical systems and/or abstractions of the way we think about and reason these activities, such as theories of action. Human activity systems range from families and small groups (organized for a purpose) to organizations, communities, nations, regional/international associations, and the global system of humanity.

A key consideration in making distinctions among various types of systems is the issue of how much freedom does the system have to select purpose, goals, methods, tools, etc., and how widely is the freedom to select distributed (or concentrated) in the system?

We can speak of various types of human activity systems:

- **Rigidly controlled systems**, such as man-machine systems or assembly-line work groups. These are rather closed and have only limited and well-guarded interactions with their environment. They have few components, a limited degree of freedom, have singleness of purpose, and behave rather mechanistically.

- **Deterministic systems** are more open than rigidly controlled systems but still have clearly defined goals, and some degree of freedom in selecting means of operating (less mechanical). They might have several levels of decision-making, thus they are more complex than the rigidly controlled systems. Examples include bureaucracies, centralized (national) educational systems, and small-business operations.

- **Purposive systems**, such as corporations, public service agencies, and our public education systems are still unitary (have their goals set), but have freedom in selecting operational objectives and methods. They are considered to be somewhat open in that they are to react to environmental changes. They are often very complex.

- **Heuristic systems**, such as new business ventures, R&D agencies, and nontraditional (experimental) educational programs that formulate their own goals under some biased policy guidelines (thus, they are somewhat pluralistic). They are necessarily open to changes and interact intensively—even co-evolve—with the environment. They are complex and systemic in their functions/structures.

- **Purpose-seeking systems** are ideal-seeking, guided by their vision of the future. They are open and are able to co-evolve with their environment. They are complex and systemic. Being pluralistic, they define their own policies/purposes and constantly seek new purposes and new niches in their environments. Examples: corporations seeking social service roles, communities seeking to establish comprehensive systems of learning and human development and to integrate their social service functions, and societies/nations establishing integrated regional systems.

[http://projects.isss.org/Main/TypesOfSystems](http://projects.isss.org/Main/TypesOfSystems)

From this view of human activity systems, sometimes called social systems, we may ask what are the implications for leaders and managers? The answer is that a function of management is to design systems and ensure that they operate properly.

Banathy suggests ways for leaders and managers to develop a useful systems view:

By observing various types of systems and studying their behavior, we can recognize characteristics that are common to all systems. Once we have identified and described a set of concepts that are common to the systems, and observed and discovered among some of them certain relationships, we can construct from them general systems principles. Thus, a system principle emerges from an interaction/integration of related concepts. Next, we are in the position to look for relationships among principles and organize related principles into certain conceptual schemes we call systems models. This process of starting from observation and arriving at the construction of systems models constitutes the first stage of developing a systems view.

Models are useful as frames of reference that we can use to examine and talk about the system the model represents. We work with models all the time. When we exchange ideas about something, we usually do so by using conceptual models. In a discourse, it is helpful to have a common model, or a common frame of reference, so that we have some assurance that everybody is talking about the same thing. In what follows, I map the journey for the use of the three models and for acquisition of the systems view.

The term model, as it is used here, is a descriptive/abstract representation used in two senses. First, in a general sense, models are mental images of general systems concepts and
principles organized into a scheme. Second, in a specific sense, the general concepts and principles will transform to represent a mental image, a description of a perceived real-world social system. In this sense, the models become the products of our own representation of a selected specific system. Such a model also can be a mental image, a normative description, a representation of a future system that we create by design.

The organized description of an existing or a designed future system is the model of that system. Concepts and principles that are manifested in social systems can be organized in general models of social systems. These models then can be transformed into the context of specific social systems. In systems research we develop models that represent one or more classes of systems. The more classes of systems a model represents, the more general the model is. Our present examination focuses on a single class of systems—social systems or human activity systems—once we develop a model—which is a generalization of this class—we can transform this general model of social systems into a model of a specific system of our choice.

The second state is the process of internalization/application, the integration of those concepts, principles, and models into our own thinking and their application in real-life contexts—in systems and situations of interest to us. This process of internalization and application constitutes our journey toward the development of a systems view.

The next stage is actual application (e.g. as described in my Systems View of Education book). When we talk about systems applications we are considering the application of systems approaches/models/methodologies/methods/tools in a specific functional context, e.g., a social system involves the following. Select the approach/model/methodology/methods/tools that are appropriate to the type of systems in consideration (i.e., rigidly controlled, deterministic, purposive, heuristic, purpose seeking), and the specific domain of inquiry: description (of the system), analysis, design, development, management. A description of the two stages follows.

Stage One: Creating a General Systems Model

In my earlier work, I constructed three systems models: A systems-environment model, a functions/structure model, and a process model, all of which are applicable to understanding and working with social systems. I prefer to call these models “lenses.” As I use the systems-environment lens, I can see and understand relational arrangements and dynamics between the system and its context. The functions/structure lens helps me to see the system at a given moment in time. I understand what it is; it projects a snapshot of the system. The third lens shows motion: the behavior of the system through time. None of these lenses give me a whole picture of the system, only as I integrate the three images can I capture a comprehensive view—the wholeness of the system. The process of using the lenses and describing a system provides the first experience of internalization and application of the systems view.

Stage Two: Transforming the General Model into a Specific Context

At this stage we transform the general models into the context to a specific social system. This transformation enables us to portray, characterize and use social/societal entities and systems and work with them relatively in four complementary domains of organizational inquiry. These process domains are:

- The analysis and description of social systems, by the application of the three models presented above (the systems environment, the functions, and the process models).
- Systems design, conducting design inquiry with the use of design models, methods, and tools appropriate to social systems and the specific type of system chosen.
- Implementation of the design by Systems Development and the institutionalization of the new system.
- Systems management, the management of systems operations, and the management of change.

And, based on findings of this stage, revisit Stage One and revise it if indicated. Then, move to Stage Two again, learn from the application and proceed in a spiralic fashion. The spiral never ends. The spiral is the method of the continuing development of systems inquiry.

Thus we gain insights and ideas for shaping the future of our system by using models to provide a comprehensive characterization, a plan for development and implementation of our new model, explicitly stated and shared perspectives to ensure the attainment of consensus, co-participation in design to enhance commitment, commitment to idealized design so that its realization can be evolutionary, learning by and from our design and, as new realities emerge, re-imagining the ideal like a horizon forever moving ahead.

[http://projects.isss.org/Main/DevelopingASystemsView]
Seeing Systems

It is important to realize that while we are categorizing different types of systems, they are all interconnected into one large and complex system that we call life on Earth. Our lives and our quality of life are a result of both the quality and quantity of actions, interactions, and interdependencies that take place within and among the various life forms and substances that exist and live on the Earth, together with the energy that comes to the planet from a sun that is some 93,000,000 miles away.

Most of us have some sense that there are lots of systems in the world and that we live in a systems environment. We also realize that while we live in and among many systems, each of them is very complex. We quickly learn, for example, that within our own human body there are many complex systems, and even a highly educated physician is likely to specialize in just one (e.g., the cardio-vascular system).

Perhaps, as a result of our educational conditioning, we come to accept the idea that for most of us developing some expertise in systems is just too much work and too complex, and we think we can’t afford to spend the time and energy to do so. And then we may think that we just have to muddle along through life as best we can.

One important question we can ask ourselves and each other is: What do we need to learn about living in a systems environment so we can have a good quality of life?

We do learn, when it comes to one biological system, our bodies, that certain nutrition and exercise processes will help to keep our internal systems healthy. How can we learn to apply similar thinking to the social systems that we live in: a borderless environment of family and work and the city, state, nation and world we live in?

Peter Drucker, a frequently quoted management expert, says we must expand the job of management. In his 1989 book, *The New Realities*, Drucker emphasizes the importance of thinking of corporate stewardship in holistic terms, which implies that we, as a species, have to learn how to think and work in terms of how do we build cooperative systems that are trustworthy. This is possible, and it is a different way of thinking and managing thought. Drucker says:

> Concern for the ecology, the endangered habitat of the human race, will increasingly have to be built into economic policy. And increasingly, concern for the ecology and ecological policies will transcend national boundaries. The main dangers to the human habitat are increasingly global—and so will be the policies needed to protect and preserve it. We still talk of “environmental protection” as if it were protection of something that is outside of, and separate from, man. But what is endangered are the survival needs of the human race. Until the nineteenth century, the never-ending challenge was the protection of mankind and its habitat against the forces of nature: epidemics, predators, floods, hurricanes. These forces are still as powerful as ever. The recent eruption of AIDS, the new plague, should have stilled all the prattle about “the conquest of nature.” But in this century a new need has arisen: to protect nature against man. Indeed, awareness of the problem hardly existed until after World War II (*The New Realities*, page 133-4).

The destruction of the ecology on which humankind’s survival depends is thus a common task. This will require a major change in the way we think about the economy. Economists have been wont to consider pollution and environmental dangers as “externalities.” The costs are borne by the entire community rather than by the activity itself. But this will no longer do for environmental damage. There is no incentive not to pollute. On the contrary, to pollute without paying for it confers a distinct competitive advantage on those who pollute the worst. To treat environmental impacts as “externalities” can also no longer be justified theoretically. Protection of the environment today requires international ecological laws (*The New Realities*, page 134-5).
The nineteenth century cured two of mankind’s oldest scourges, the slave trade and piracy on the high seas, by transnational action. It declared both to be common enemies of humanity, the suppression of which was in the interest of any country at any time. The threat to the human habitat, the ecology, is a recent threat. But it is a greater threat than the slave trade or piracy ever were, and a threat to everyone. If it can be averted at all, it can be averted only by transnational commitment and action. If this [twentieth] century has taught one lesson, it is that of interdependence: no part of the developed world prospers unless all do. (The New Realities, page 137).

How often do we hear, in political campaigns, about the importance of “the economy” in our lives. It generally takes top priority in our thinking and doing. Taking care of the economy, in our current way of thinking, is even more important than taking care of people and the planet. But what actually is “the economy” that we have to be so careful to take care of? Is it a natural “thing” like the air or water? Is it a mechanical structure, like a building or a city? Is it a social structure, a thought-system?

In today’s world, there are stark contrasts in how people speak about the economy. We hear reports from some “leaders” that the economy is good, strong; there’s lots of money and many corporations have record profits. We hear reports from some leaders that the economy is good only in the short term for a small group of elites in business, industry, and government, but bad and getting worse for most people in the world, and toxic for the planet’s ecology and life-sustaining capacity.

Feeling powerless and overwhelmed with work and world conditions, and not truly represented by self-centered elected and appointed leaders, it isn’t difficult to imagine people living as prisoners in the palace of their sighs, wishing, hoping for responsible, trustworthy, and caring leadership, while seeking stress relief in a host of positive and negative modes available to them.

So how do we get a glimpse of the economy? How do we get to see this “thing”? The primary picture or “snapshot” of the economy, we’re told, is through an arithmetic compilation of monetary spending called the Gross Domestic Product, or GDP. Another measure is corporate profits and the stock market. When GDP and aggregate corporate profits, and the stock market are up, the economy is good, we’re told. And for some people, this is certainly very true.

Redefining Progress is an organization based in Oakland, California, that says we do not have to choose between a strong economy, a healthy environment, and social justice. The organization reports that it works with a broad array of partners, including grassroots communities, labor unions, policymakers, academics, and businesses to shift the economy toward sustainable growth. Its efforts are largely focused on the United States in the belief that redefining progress here will have enormous global reverberations.

One indicator that the world relies heavily on—GDP—is one that Redefining Progress finds is negatively biased in terms of being a qualitative indicator of national well-being and, thereby, dangerous to the health of the nation and its people.

You’ve seen the headlines, “GDP Up!” Good news, right? Not really. The gross domestic product simply adds up all the money we spend, and calls the results economic growth. Yet for years economists, policymakers, reporters, and the public have relied on the GDP as a shorthand indicator of progress.

So Redefining Progress decided it could do something about a national reliance on
a structurally flawed GDP system for indicating the economic health of a nation. In 1995, it created what it calls a more accurate measure of progress—the Genuine Progress Indicator (GPI). The GPI starts with the same accounting framework as the GDP, but then makes some crucial distinctions: It subtracts factors such as crime, pollution, and family breakdown, and adds economic contributions of household and volunteer work. Redefining Progress reports that it updates the GPI on a yearly basis to document a more truthful picture of economic progress.

Redefining Progress created a picture to show how the economy would look, over a fifty-year period from 1950 to 2000, when viewed from both a GDP and GPI perspective (see figure below).

It is easily seen how, if we believe in the goodness of the GDP bundle of economic indicators, that we can believe that the economy is good and growing. It is also easily seen how, if we believe in the goodness of the GPI bundle of economic indicators, we can believe that the economy has not been growing at all for a number of years, and that the GDP is a faulty compass for steering today’s economy. It’s all about how we are thinking and managing thought.


If something is supposed to be healthy for the economy (and obviously people, because nothing else can benefit from the economy) can it, at the same time, be unhealthy, even toxic, for human health?

In a January 2007 Guideposts Magazine article, Matthew Sleeth, M.D., an emergency room physician, reported an incident in which an eight-year-old child was brought in by EMTs with a diagnosis of severe asthma attack. Despite all the equipment and expertise the child died. The experience greatly saddened the young doctor, who
believed the child’s asthma should have been controllable. His conclusion, which took him a long time to formulate, was that the critical factor in this case, which overwhelmed the child’s capacity to live, was that the attack happened on a “triple H,” a hazy, hot, and humid day made unhealthy by air pollution caused by human-designed and managed mechanistic systems: “All this asthma and chronic disease,” he said, “it’s not the patients. It’s the environment. The air we breathe is making us sick.”

But on a GDP indicator system, the extra money we spend on such system-induced illness would be a good thing, for it adds to GDP growth and “economic health.” Again it’s all about how we’re thinking and managing thought.

As human beings we have the capacity to think and to use our minds in ways that utilize thought and consciousness in living our lives. An important leadership and management skill is the ability to reason and think in terms of processes and systems. With social systems, and mechanistic systems, it is important to recognize that people design, create, and manage these systems, along with the purposes and rules, based on their thinking and beliefs; there are also, within these systems, different parts and levels; there are also individual power relationships.

Business organizations were originally based on a military organization model; they are structured with a power and authority hierarchy, starting with “elites,” generals (CEOs), at the top, followed by colonels (senior vice presidents), lieutenant colonels (vice presidents), majors (plant managers), captains (middle managers), lieutenants (junior managers), sergeants (foremen and team leaders), and troops (workers).

Generally, when we’re paying attention, we believe we know what life is like for us in our part of the system, and we may have a sense of what we believe life is like in a neighboring part of the system. We may think life would be better if we were somewhere else, in a “the grass is greener on the other side” sort of viewpoint.

Dr. Barry Oshry is a teacher who has worked to “unlock the mysteries of power and powerlessness in social system life,” beginning at Boston University in the 1960s. In his 1995 book, *Seeing Systems*, Oshry describes how most of us fail to see important things in our systems; that we have a blindness to external factors—“our inability to see both other parts of our system and our system’s history”—and a blindness to internal factors—“our inability to see ourselves and the actions we take, without awareness or choice, that lead us out of the possibilities of partnership and into relationships of opposition, antagonism, disappointment, and warfare.” Oshry adds:

For the most part, we humans do not see ourselves as being in relationship; we experience ourselves as autonomous entities. We do not see how powerfully this quality of relationship shapes our experiences of ourselves and others. In our blindness to relationship, we fall into familiar dances with one another—dances in which we become the Burdened Tops and Oppressed Bottoms, the Unsupported Ends and Torn Middles, the Judged Providers and the Righteously Done-to Customers.

The challenges are these: Can we see ourselves in relationship? Can we recognize the dances while we are dancing? Can we, from whatever side of the relationship we are in, stop the unproductive and often destructive and, ultimately, transform them into dances that are more satisfying and more constructive? (Barry Oshry, *Seeing Systems*, Berrett Koehler, Page 51.)

The beginning lines of David Whyte’s, poem, “Working Together,” commissioned by The Boeing Company, reads: “We shape our self to fit this world and by the world are shaped again. The visible and the invisible working together in common cause, to produce the miraculous.”
The reality of our lives in today's world is that we live in vast and deep oceans of natural and designed systems. We've been adept at challenging and navigating and mapping the physical oceans of the world. It is time to start paying the same kind of attention to the designed systems, creating the communication and cooperation needed to create designed systems that will enable a better quality of life for all.

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