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MANAGEMENT INSIGHTS

RIGHT FROM THE START

FIVE STEPS WITH TOOLS TO BUILD YOUR ORGANIZATIONAL OPERATING SYSTEM

FIVE STEPS

The success rate of many change, transformation, engagement, and control initiatives is low. The main reasons are their start in darkness, and most initiatives leave the operating system of their organizations on the side.

Five steps help leaders initiate innovations in management right from their start by adapting the organizational operating system to their needs. This article helps leaders…

- Establish the evidence-based foundation for key initiatives.
- Identify the capability barriers that limit the development of organizations.
- Design the operating system to fit strategy and organization.
- Determine the development strategy build the capabilities.
- Initiate the transition to the new operating system to reach mastery.

Traditional corporate development initiatives have a low rate of success. The evidence from scientific literature confirms our experience: many change projects never see the end, transformation programs don't reach their goals, engagement efforts fail to enable performance, control systems prevent collaboration, and project management increases rather than decreases complexity. The generally accepted conclusion is that there is something wrong with traditional management. What has worked well in the past, now fails us in hyper dynamic times and complex contexts. With our research, we have identified 3 main reasons for failure: 1) An obscure baseline at start, 2) Fuzzy purpose of initiatives, 3) Faulty design, no design or untouched design of the managerial operating systems. We learned that 'we didn't know where we started from, it was unclear what needed to be addressed, and the managerial operating systems were untouched. Behaviours needed to change, communications had to improve, and leaders needed to be educated' were the more prominent action items.

The stress for change is everywhere: *We need to go faster. Be more innovative. Make better decisions. Waste less time. Break down silos. Work across. Simplify the structure. Communicate better. Reduce attrition*. They are all symptoms of a faulty operating system.

Figure 1 offers our perspective of how to initiate and implement management innovations, starting with the current situation and ending with the future position.

Most trouble, we observe, starts with the origination of initiatives: opinions dominate facts, symptoms covered-up root causes, and action confuses impact. That's why we suggest first getting the current situation right, then identifying dominant patterns and typologies to understand capability barriers and design flaws, and only after that, determine the strategies and paths to develop the right capabilities.

Most management innovations touch every part of management, organization, and work. It requires a holistic approach. The operating system of an organization involves strategy, the business model, organization form, management context, the leadership toolbox, leadership style, the leadership scorecard, the performance triangle with culture, systems, leadership, collaboration, purpose, relationships, and people. Effective management innovation integrate and align all components.

Figure 1: From Current Reality to the Future Position
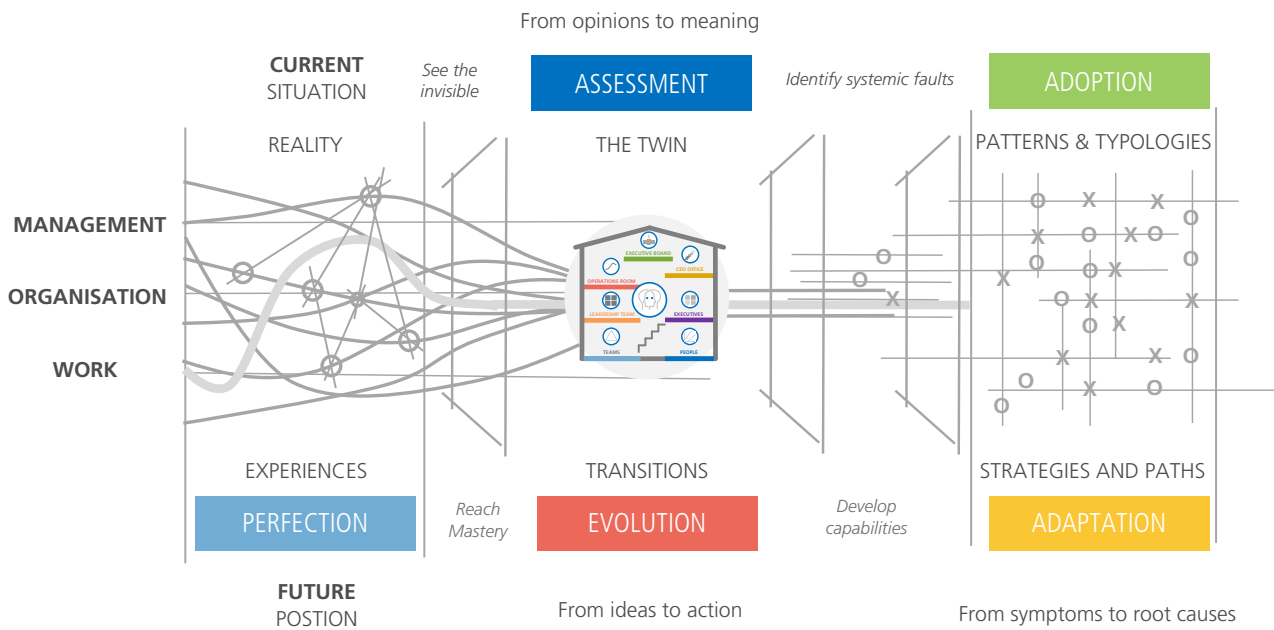
To increase the success rates of management innovation initiatives, we have identified five essential steps. Step 1 establishes the evidence for corporate development initiatives. Step 2 identifies the barriers that keep the organization form performing. Step 3 identifies the right design of the operating system. Step 4 determines the strategy for the development of new capabilities. Step 5 initiates the transition to new capabilities.

To support corporate development initiatives, we have introduced the **Organization Twin Cockpit** (OTC), our proprietary, AI-based expert system for the design and the development of an organization's operating system based on our capability models, survey diagnostics, standards, statistics, benchmark data, and pattern recognition. The expert system helps users to process the data, view the twin, conduct simulations and scenarios, make design and development decisions, and customize reports.

1. Establish the Baseline

What are your organization's capabilities? Mastery is the benchmark and guide. The goal is to develop capabilities that build competitive advantages. Standards and dominant pattern establish profiles that we can use to benchmark our own capabilities. In *Better Management* (Michel, 2022), we have identified six criteria that determine competitive advantages with their definitions and the assessment of capabilities:

1. **Work**: Does your work environment enable people to get work done?
2. **Organization**: Does your organization keep promises and create value?
3. **Context**: Does your management create unique value?
4. **Management**: Is your management hard to copy?
5. **People**: Does your operating system prevent short-cuts?
6. **Toolbox**: Is your toolbox deeply embedded in cultures?

Organizations that meet all six criteria have reached mastery with their capabilities.

Figure 2 combines competitive advantage, maturity levels and the 3 steps. Dominant patterns establish the baseline with current capabilities. Capability barriers identify gaps and key issues to close the gaps. The development program determines the initiatives to close the gaps.

Figure 2: Maturity Levels and Mastery in 3 Steps

Focus	**Work** Environment	**Organization** Results	**Context** Principles	**Management** Principles	**People**	**Toolbox** Systems and Leadership
Advantage	*Get work done*	*Create value*	*Specific*	*Hard to copy*	*No shortcuts*	*Deeply embedded*
Development Program	**Antivirus Program**	**Spring Cleaning**	**Dynamic Shift**	**People-centric Shift**	**People Potential**	**Toolbox Design**
Capability Barrier	Culture Barriers	Bureaucracy Barriers	Control Barriers	Capability Barriers	Leadership Barriers	Complexity Barrier
Dominant Pattern	Contestants	Exploiters	Changers	Enablers	Performers	Pioneers

(Mastery — vertical axis; Maturity Level — horizontal axis)

Diagnostic Mentoring (Michel, 2022) outlines six levels of maturity with their respective capabilities. The individual baseline comes with the specific level of maturity:

1. **Contestants** operate in a stable context and are stuck in bureaucracy.
2. **Exploiters** stretch the use of their resources with tight processes.
3. **Changers** frequently reallocate resources with for relentless customer focus.
4. **Enablers** favour knowledge work and enable people to perform best.
5. **Performers** operate in a dynamic context and favour self-organized work.
6. **Pioneers** encourage agile ways of working for continuous evolution.

The first task is to identify your organization's current maturity level. We have learned that organization form, management context, business model and leadership style are good predictors of organizational maturity. They establish the dominant profile. Figure 3 compares the six maturity profiles. The **maturity index** ranges from 0 (No capabilities) to 100 (Best capabilities) and indicates the level of the average capabilities of our sample of 450 organizations of all kinds from across the world.

Figure 3: Maturity Profiles

Maturity Level	Contestants	Exploiters	Changers	Enablers	Performers	Pioneers
Maturity Index	50	58	66	70	74	83
Organization	Programmed	Programmed	Programmed	Personal	Professional	Professional
Context	Rules	Rules	Change	Engagement	Capabilities	Capabilities
Business Model	Exploitation	Exploitation	Exploitation	Hybrid	Exploration	Exploration
Leadership Style	Systemic	Systemic	Systemic	Cultivating	Outbound	Outbound

Other elements such as size, accountability, structure, strategy, metrics, management model, operating model, decision-making, development paths and operating modes complement the profiles.

The capability module with the insurance industry example (Figure 4) summarizes the baseline data with strategy, business model, organization, operations, maturity index, competitive advantage, life cycle stage, organization and leadership style profiles.

Figure 4: The Insurance Profile
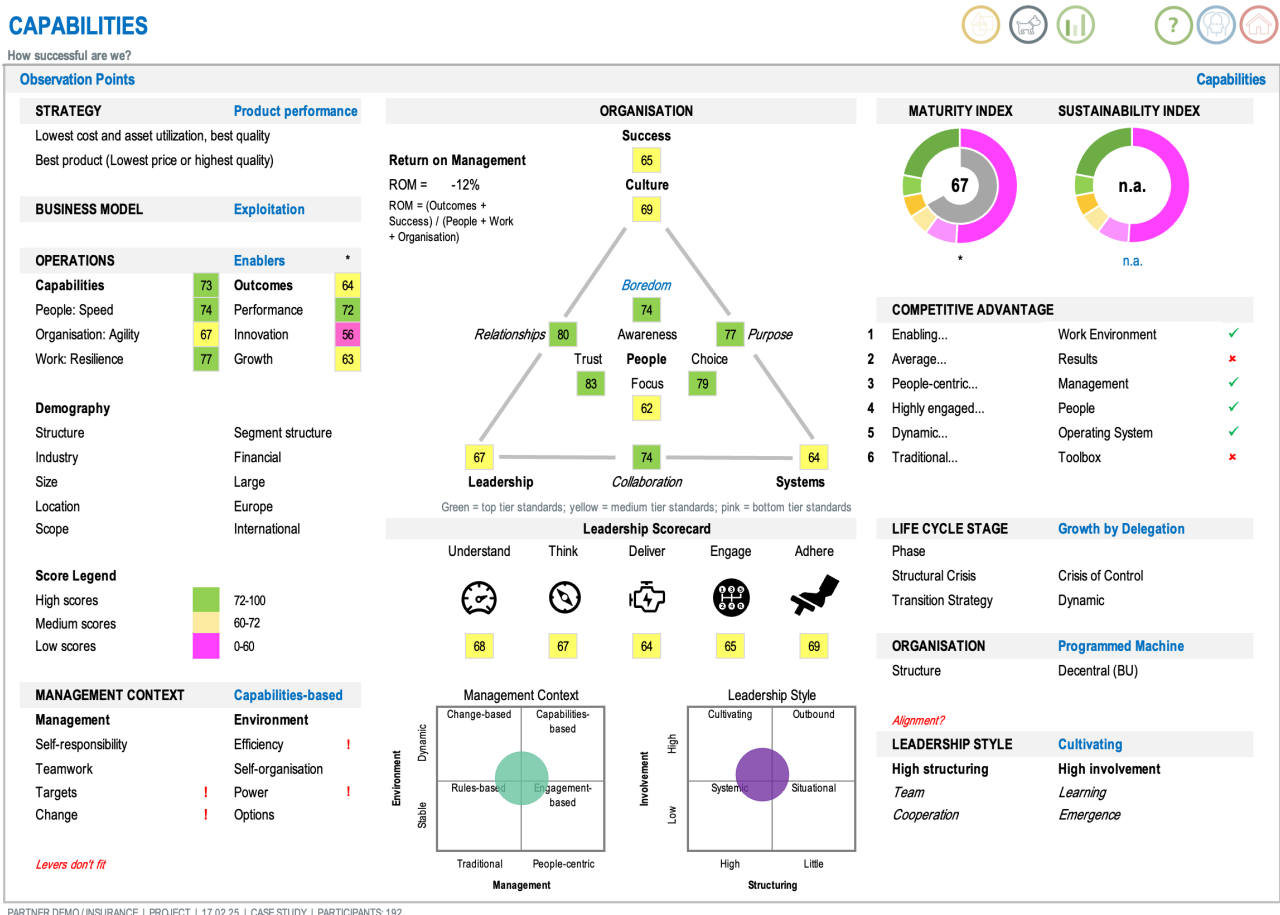
A fast and precise way to determine your organization's capability profile offers the **Global Executive Survey**. It's our proven online diagnostic assessment with up to 72 capabilities under review. The results are presented with our **Organization Twin Cockpit** software or as workbooks. 91 visual thinking aids document the capabilities as a twin, a dynamic copy of your organization. A free demo version is available from our website: www.management-insights.ch.

Figure 5 compares the indices of competitive advantages across all six maturity levels. Bottom tier, middle tier, and top tier levels separate the typical profiles of organizations at every maturity level. Traditional or people-centric management and the stable or dynamic environment indicated the respective context preferences. With this, the individual profile (For example, the insurance industry) can be compared with benchmark information.

Figure 5: Maturity Levels and Competitive Advantage
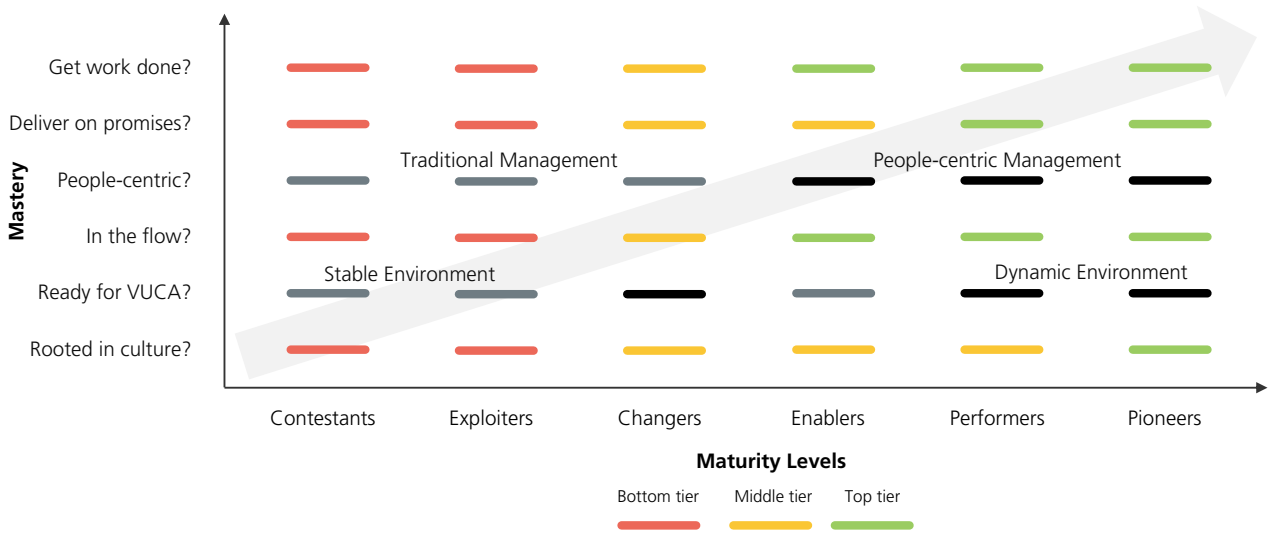
Establishing the baseline is the first step to get initiatives right from the start. Maturity levels and competitive advantage are the benchmarks for the capability profile of organizations.

2. Identify Capability Barriers

What are barriers that keep your organization from reaching mastery? Understanding the patterns of benchmark information helps to identify the barriers. *The Performance Triangle* (Michel 2013) offers the model for a deep dive into capabilities. Figure 6 helps to understand the sensitivity of selected capabilities.

Figure 6: The Maturity of Selected Capabilities

With tools, routines, and rules (all part of systems), it is much harder to achieve top maturity levels as compared to relationships, trust, purpose, choice and awareness. On the other hand, culture and focus are stickier with bottom tier maturity. It takes more to get out of trouble.

To dig deeper into the relationships of selected capabilities, Figure 7 shows the correlations and linear regressions of selected capabilities.

Figure 7: Correlations and Regressions of Selected Capabilities

Correlation and Linear Regressions	The Full Portfolio				
Relationships	Correlation	Slope	Y-Intercept	R2	F value
Culture vs. Success	0.58	0.49	37.10	0.33	203.98
Leadership vs. Success	0.47	0.43	40.86	0.22	116.40
Systems vs. Success	0.53	0.56	32.24	0.28	154.94
Outcomes vs. Success	0.54	0.57	31.54	0.29	166.46
Dynamic Capabilities vs. Success	0.55	0.73	18.41	0.31	179.26
Leadership vs. Culture	0.57	0.61	23.82	0.33	198.11
Systems vs Leadership	0.61	0.71	17.27	0.37	234.03
Collaboration vs. Culture	0.53	0.51	28.66	0.28	158.57
Purpose vs. Culture	0.43	0.46	29.66	0.19	92.67
Purpose vs. Collaboration	0.54	0.61	23.00	0.30	170.99
Choice vs. Performance	0.43	0.60	23.38	0.37	238.22
Innovation vs. Growth	0.65	0.61	25.62	0.42	289.43

$p < 0.001$; critical F-Value; 11.94   n=458

Systems, leadership, culture, and success indicate dominant relationships. It's a chain of capabilities that originates with systems. Good systems (Rules, routines, and tools) enable superior leadership and establish a successful culture. Purpose and collaboration are other important leverage points. No surprise is the relationship between innovation and growth.

The combination of standards, maturities, sensitivities, and relationships reveal distinct capability barriers at every maturity level:

- **Culture barriers** prevent people from getting work done. The challenge is to precisely identify and remove the viruses that distort the work environment.
- **Bureaucracy barriers** keep organizations from creating value. The challenge is to identify and remove the hurdles to achieve better results.
- **Control barriers** disable management to cope with the specific context. The challenge is to identify faulty principles and select those that establish the desired management context.
- **Capability barriers** prevent management from applying principles that make it hard to copy. The challenge is to identify distortive principles and select those that fit your management.
- **Leadership barriers** lower the standards for people to take short-cuts. The challenge is to identify and remove the interferences that keep your people from using their full potential.

Understanding individual capability barriers is the second step to get every initiative right from the start. Patterns of relevant benchmarks indicate the capability barriers of your own organization.

3. Design the Operating System

What is the right design of the operating system? The Organization Twin Cockpit's **AI-based** expert system helps you decide on the right design. Over 30 years, we have evolved our model and methodology for the design of operating systems. The model combines demographic, diagnostic and benchmark data, enables experts and leaders to make distinct design choices, and test their outcomes. As such, we have identified the relevant data with proven algorithms and heuristics to simplify and shorten the design process without any loss in depth. Design decisions include the following: Strategy, business model, organization form, management context, Environment (Ambiguity, complexity, volatility, uncertainty), Operating model, leadership style, leadership toolbox and scorecard, and the performance triangle.

Organizations are complex systems. The operating system must comply with a variety of design principles. The expert system helps leaders with designs that follow these principles:

- Strategy determines the business model and performance metrics.
- Business model and management model must fit.
- Organization form must align with the business model.
- Management principles need to be aligned.
- Decision-making principles need to be aligned.
- The leadership toolbox must fit people and context.
- Leadership style and operating model need to align.

Design is fully transparent and documented in our books. *Diagnostic Mentoring* (Michel, 2022) describes the key design decisions. *Management Design* (Michel, 2022, 3rd Ed) supports the design process with the Canvas model for team design sessions. *Better Management* (Michel,2023) outlines the standards of good design.

4. Determine the Development Program

What is the development strategy? Change levers, maturity levels and development path guide the development strategy. The Twin Cockpit's AI-based expert systems provides the insights for the development decisions.

System dynamics offers the clues to capabilities ranked by their impact and ease of change. *Management Design* (2022, 3rd Ed.) explains the concept to support leaders in their selection of the right intervention points.

Figure 8: Levers of Change (Insurance Industry Example)

Work on the system				
CEO		1	The power to change the paradigms
Culture	69	2	The mind-set, deeply rooted ideas, and shared beliefs
Success (Business Model)	65	3	The nature of the game, business model or purpose (success factors)
Management Model	*	4	The choice between self-initiative and outside-control (*)
Rules	61	5	The choice of policies, constraints, and degrees of freedom
Routines	63	6	The use of closed diagnostic processes
Leadership	67	7	The generation of energy, relationships, and interactions
Tools	64	8	The design of controls, measurement, and goals
Cycle	n.a.	9	The availability and flow of information and timely feedback
Operations		10	The changes in the use, levels, capacity, and stock of resources

High and deep impact / Hard to change / +/- change / Easy change / Small impact / *=Professional

CEO, culture and business model changes have a deep impact but are hard to implement. Interventions in tools, the cycle and operations are comparably easy but with little impact on the overall system. Altering rules, routines, and leadership offer valuable intervention points. Rules can be changed any time. They require a discrete decision, and their implementation needs clear communications. Routines alter how things are being done. They enable organizations to cope with a dynamic environment. Changing routines touches people's work. Careful design and training are required to make that change. Leadership change for most means switching from traditional control to people-centric principles. Training and coaching are needed to make that step.

The maturity level determines the development program. *People-centric Management* (Michel, 2020) outlines the main ideas behind the six programs:

- **The antivirus program**: It is important to remove viruses such that one can concentrate on the potential. With your profile, identify the barriers and rank them by urgency and importance of a fix. Create and conduct a development program that effectively removes barriers. It's an emergency program.

- **Spring cleaning**: Faulty systems, faulty systems and an infected culture inhibit the ability to deliver results. With your capability profile, identify the obvious gaps with priority to those that create value and close them in line with your desired behavioural patterns.
- **Dynamic shift**: To compete in a dynamic context, dynamic principles need to fit the dominant management context. The task is to alignment them with the organization form, business model, and the operating system (Leadership and systems). Select the principles that make your management specific and determine, what it take to develop them.
- **People-centric shift**: To engage the potential of people. people-centric principles need to fit the dominant management context. The task is to alignment them with the organization form, business model, and the operating system (Leadership and systems). Select the principles and develop those that are hard to copy and determine, what it takes to develop them.
- **People potential**: High awareness, trust, choice and focus require supportive leadership. The task is to select a toolbox that fits people, leaders and the demography. Select the tools and develop them in support of people to prevent any shortcuts.
- **Toolbox design**: A deeply embedded toolbox has a design that perfectly fits preferences on how to get things done and how to think about the future. It's a sophistic technique that is worthwhile for the last mile.

Development paths indicate the best way to develop the capabilities through analysis, systematising, learning, or experimenting.

5. Initiate the Transition

How do we transition to new operating system? The Organization Twin Cockpit's **AI-based** expert system helps you decide on the right transition strategy.

The life cycle stage determines the transition strategy. In *The Transition of Organizations* (Michel and Nold, 2023), we have identified four strategies to overcome structural hurdles. Each comes with a development focus and purpose:

- **Focus: People First**. To solve the crisis of leadership, better management sets the priorities to people first.
  - o **Purpose: Direction capabilities**. Awareness, choice and trust help people focus their attention on what counts. The result is flow – the state in which learning, performance and creativity are at their peak. (Csikszentmihalyi, 1990) It shifts control to the learner and redefines the role of the leader as a coach.
- **Focus: People-centric Management**. To solve the crisis of autonomy of functional leaders, better management establishes people-centric management as the pre-condition for a decentralized organization with delegated responsibility.
  - o **Purpose: Delegation Capabilities**: Management systems are the tools for professional managers to intervene through information, strategy, implementation, beliefs and boundaries.
- **Focus: Dynamic Operating System**. Management modes offer bundles of managerial principles and capabilities. Dynamic is a feature of better management. It enables the organization do deal with a VUCA context and limits the risks by preventing people from taking short-cuts. Short-cuts undermine the operating system and create an infected culture.
  - o **Purpose: Building Coordination Capabilities**. A dynamic operating system is the means of top management to control operations through diagnostic systems, interactive leadership, shared culture, and intangible capabilities as measures of success. Once installed by top management, it works like a compass for the entire organization.
- **Focus: Agile Organization**. Management modes offer bundles of managerial principles and capabilities. Agile is a feature of better management. It enables the organization to anticipate, proactively adapt, and manage changes in the market. Agile ensures that people perform, and value is created despite ongoing changes.
  - o **Purpose: Collaboration capabilities**. Four capabilities, purpose, collaboration, relationships and learning are the means to operate in a network organization. Once developed, these capabilities support people navigate through networks and ecosystems.

Five steps help leaders increase the chances of success with their corporate development initiatives. The Organization Twin Cockpit supports them with the design and development of an operating system that fits the strategy and organization right from the start.

Why guess when you can know?

Here is what you can do:

Explore the managerial innovation potential in your organization and get a free report on your mastery.

THE EXECUTIVE SURVEY

Use your tablet, laptop or PC for best experience!

https://management-insights.ch/free-survey

Talk to our experts

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