Out of the Blue

You Laugh, It Happens!

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BACKGROUND

Beginning with the June 2015 edition of the Lean Management Journal (LMJ), I will be preparing a monthly column, titled "Out of the Blue." As with the articles I have been writing for the LMJ since 2009, these columns will highlight concepts associated with an integration of ideas from W. Edwards Deming, Russell Ackoff, Genichi Taguchi, and Tom Johnson, amongst many other systemic leaders, with applicability to improving how individuals and organizations think together, learn together, and work together. In keeping with the use of the expression, the aim of these articles is to present concepts to the LMJ community which might appear to be "out of the clear blue sky," yet could be immensely valuable to lean practitioners.

ARTICLE

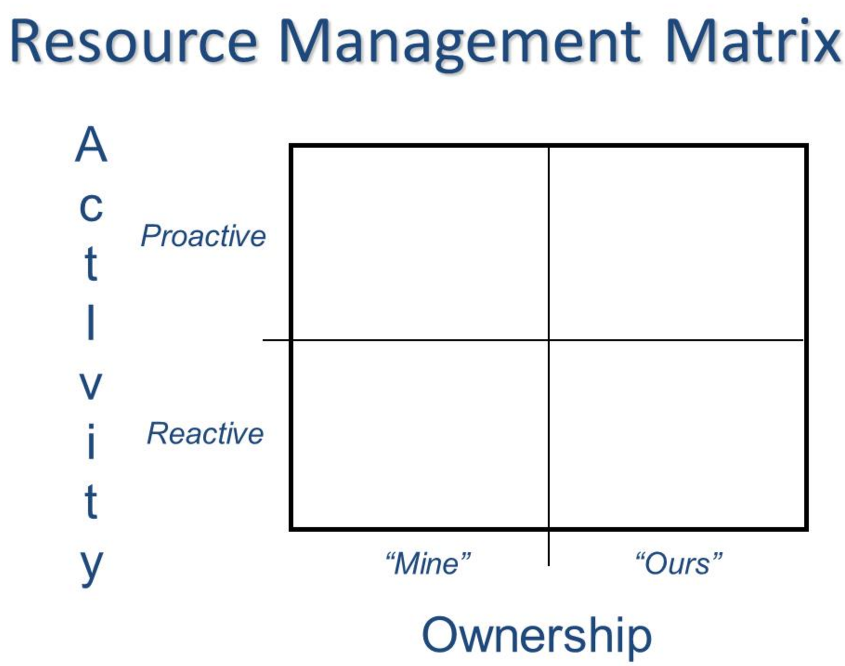
In paging through my high school yearbook, I was recently reminded of the citation I submitted, to be printed beneath my picture, something insightful beyond my adolescent years, perhaps to reflect upon when sharing secondary school memories with my children or grandchildren. Long before reading and quoting W. Edwards Deming in presentation after presentation, I was struck by a frequent phrase used by Thomas Clarke, a favorite high school teacher. In his history classes, Mr. Clarke used his wry sense of humor to share stories of seemingly implausible behaviors, both by individuals and organizations. Forty years later, while specific anecdotes escape me, I can well imagine that his accounts included stories surrounding the Watergate scandal of the administration of President Richard Nixon. That said, I will never forget the punchline that followed each narrative, a resounding "You laugh, it happens!", delivered with a grin that always seemed to transcend our naïve expressions of disbelief.

Looking back, Mr. Clarke was a pioneer in his efforts to stretch a teenager's understanding of how the systems which surround us are inclined to operate, subject to *active* thinking patterns, involving a choice amongst defined options. Consider, for example, a story shared with me on several occasions by author and systems theorist, Russell (call me "Russ") Ackoff, including once while he served as a "Thought Leader" in a conference call with 100 worldwide participants. In response to one of the dozens of questions we collected, specifically about organizational decision making, Russ shared an account of his consulting experiences with a well-known, multi-national, Fortune 50 company, one with ten operating units. As told, he witnessed the determination of one of the operating unit's presidents to keep track of highly visible decisions made by each of his peers over a period of several years. The culmination of this effort was when this very president shared his detailed record keeping of his peers' decision making in a meeting with all of them, with their boss, the corporation's chief executive officer, also in attendance. One at a time, the inquiring president referenced selective decisions his peers had made for their respective operating units. Each account ended with the proposition by the presenting president that the referenced solution paths his peers were pursuing were undeniably in the best interest of *each* operating unit, but not necessarily aligned for the best interest of the *entire* corporation. According to Russ, the investigation was triggered by the curiosity of the presenting president when he first encountered a decision which struck him as significantly sub-optimum for the corporation.

When I first heard this story, while meeting one-on-one with Russ, I asked how the outspoken president's peers responded to their highlighted decisions being so openly spotlighted. As he witnessed, when this president ended his peer-to-peer assessment, there was no argument for his conclusion of a distinct pattern of "siloed" decision making. As to the ensuing reaction, Russ recalled that one business unit president simply replied "What's your point?" to his inquiring colleague, and the meeting moved ahead smoothly to the next topic. Months later, when Russ shared this very account in the aforementioned international conference call, several participants asked him if he had documentation of the specific decisions which were illuminated in the referenced meeting. With each inquiry, he replied that he no longer had a record of these 40-year old decisions. As the call ended, a few friends immediately contacted me, asking if I would reach out to Russ and help them gain access to the additional details of the decisions. While I could not offer any more than what Russ had already shared of the meeting, I asked each of them if they needed "additional" details to believe this anecdote of siloed organizational decision making. Would they be surprised to learn, I asked, if members of Congress, or Senators, or Members of Parliament, voted in a way that served their respective constituents, if not their re-election bid, and not the entire nation, aptly integrating the present with the future?

If Mr. Clarke was teaching today, he might share news accounts of the majority (Republican) leaders of the US Senate refusing to fulfill their constitutional responsibility to conduct hearings on President Barack Obama's Supreme Court nominee, claiming such a decision, during an election year, must be deferred to the next president. While leading Democratic Senators object to this stalemate situation, they would be challenged to explain why, in a reversal of roles, they too refused to conduct hearings for President George Bush's late-term Supreme Court nominee in 2007. While this is not to say that all elected officials act with political interest, for every decision one makes is defined with consideration of a finite-sized system (across space and time), is "additional" information needed to believe Russ's example of siloed organizational decision making? To quote Mr. Clarke, "You laugh, it happens!" and will continue to do so. But, what can be said of the active and also passive thinking patterns which are guiding both organizational decision making and problem solving?

In studying individual and organizational actions, including problem solving and decision making, a simple "Resource Management Matrix" is useful for describing how resources are both "Utilized" and "Owned" within organizations. As for what is meant by *resources*, this broad term includes, but is not limited to, time, energy, ideas, equipment, inventories of raw materials, space, money, staff members, suppliers, and the environment. Just as a daily planner allows one to better manage their time, over the course of a day, a week, or a year, what if organizations engaged in efforts to better manage all of their finite resources, including the time to explore investment



alternatives, continuously seeking solutions which maximized the return on how they were deployed? For more on this systemic investment strategy, look for my article, "Contextual Excellence and Continuous Investment Thinking, in the October 2015 edition.

In the design of the *Resource Management Matrix*, the vertical dimension represents how resources are utilized, with two "activity" options, *Proactive* (on the top) and *Reactive* (on the bottom). Reactive implies that the resources are applied after trouble begins. Examples include replacing a kitchen lightbulb when the filament burns out or a quality focus in a workplace on parts which do not meet requirements, destined for scrap or rework, rather than a focus on those which do requirements. On a personal level, being reactive would include seeking medical care after the onset of an illness, rather than scheduling wellness visits or requesting an annual flu shot as a preventive action. In each situation, to be reactive is to act and apply resources *after* the occurrence of a problem, stoppage, or illness, i.e., when things have gone wrong. By contrast, to be proactive is to place a stitch in time to save nine, to borrow from 18th century English astronomer, Francis Bailey, or, to realize that an ounce of prevention is worth a pound of cure, to employ the advice of statesman and inventor, Benjamin Franklin.

For the horizontal dimension, there are two options for resource "Ownership" within an organization of any size; an exclusive "Mine" (to the left) or an inclusive, shared "Ours" (to the right). The starting frame could be the operation of one department, one classroom, or one business unit, each potentially part of a larger organization. As defined, "Mine" includes references to the sub-division of potentially shared resources within this starting frame, allowing for select resources, such as smart phones and laptop computers, to be assigned for individual use. When thinking together, organizations would both learn and work together, with non-personal resources designated as "Ours," from conference rooms to photocopiers to ideas and staff members, across the organization, however large the starting frame, with recurring opportunities to expand the definition of "Ours," as when a first-shift operation combines its resources with those of a second-shift operation, or when business units transition from managing their shared resources interdependently instead of independently.

In consideration of the decision making example shared by Russ Ackoff, the business unit presidents of his client were "actively" thinking towards "Mine," and away from "Ours," in seeking the best of resources for their respective units, rather than an "All for One and One for All" systemic focus on their entire corporation. The "Active" thinking pattern status acknowledges the "What's your point?" awareness of this resource allocation decision by each operating unit president, wherein each *deliberately* participated in a decision to focus on their unit and not the larger system of the corporation. For another anecdote of actively favoring "My Department" over "Our Corporation," here is an excerpt from "Profits, Pragmatism, and the Possibility of Possessing Other Eyes," prepared, with help from friends, for the September 2014 edition of The LMJ:

> …..consider the situation of a plant manager, faced with a decision to invest $100K per year to redesign the fabrication process of a consumer product with excessive warranty claims. With the ability to see a larger system than the plant….an engineer proposed an annual $100K investment as a means to drastically reduce world-wide expenses for warranty claims, estimated at $10M per year for parts and labor, and reduce the impact of customer discomfort. In terms of corporate profits,

> consider the pragmatism of a solution in which customers received a better performing product, all with a 100:1 payback….. The plant manager rejected the proposal, as it was not *practical* for him to "spend his budget to help the corporation."

Here again, is an example of the sharp contrast between the resource ownership categories of "Mine" and "Ours," with an indication of the *active* nature of the thinking pattern, as well as motivation, behind each category. Next, consider the insights presented by the vertical dimension and the categories of being Proactive or Reactive. Instead of choosing one or the other, I would characterize the general predisposition towards being reactive as a well-versed default position rather than a deliberate choice. Hence the descriptor "passive" rather than "active." For a brief explanation of this proposition, here is an excerpt from "Business as Unusual: Shift From Big Problems to Great Opportunities" in the July 2014 edition of The LMJ:

> One way to test for what is *commonly accepted* in terms of the level of big problems, including delays, mistakes, and defective workmanship in any organization is to investigate the focus of attention for problems with a question such as, "How much time is spent every day in our organization, discussing parts, tasks, suppliers, customers, activities, and program milestones which are going well?" In probing with this question, through presentations, seminars, and consultation efforts, I have learned that few

resources are routinely dedicated to an alternate TGW, *Things Going Well*. The answer to the question is usually zero.

Given the general blindspot for utilizing resources proactively (with some notable exceptions, such as the new product financing efforts of Research & Development), I refer to the predominant lower left-hand quadrant of the Resource Management Matrix as the region of “Reflexive Resource Management.” With a combination of actively choosing to focus on “My” resources, with the passivity of being reactive in utilization, credit for the “reflexive” label is given to Dr. Deming, who once describing pulling one’s hand off of a hot stove as a reflex action, with “no thought required.”

With contextual awareness, rather than mantras including *always strive to eliminate* waste or *always achieve Six Sigma Quality levels*, no matter the outlay, might there be an economic advantage for being proactive, by choice, in some situations, and also being reactive, by choice, in others? As envisioned and also implemented, the prospects for shifting one’s awareness to sharing resources broadly (“Ours”) and allocating them both reactively and proactively (on a case by case basis), will serve to transform an organization from a traditional practice of “Reflexive Resource Management” (the lower left quadrant) to the deliberateness of “Purposeful Resource Management” (the entire right side of the matrix).

While this article offers an explanation for the disproportionate practice of "Reflexive Resource Management," likely to be associated with "You laugh, it happens!" amusement, it also offers food for thought that this merriment may shift to sadness when one appreciates that separation systems, when implemented with vigor, are prone to realizing economic losses which exceed the reported benefits. In reflecting back to Mr. Clarke's "You laugh, it happens!" caution, one can anticipate the negative (psychological and asynchronous) impact of incentive systems on individuals as well as organizations. From sales incentives which encourage product sales that best serve the sales office, rather than the production staff or customers, we are reminded of "You laugh, it happens!" From safety incentives which encourage employees to hide workplace injuries, rather than pursue systemic changes to improve safety, we are once again reminded of "You laugh, it happens!" The time is right for organizational leaders to "actively" choose a business strategy which favors the economics of teamwork. You laugh, it is happening!