

The Coordination Company: How to Make Work Work and Eliminate the Wastes of the Modern World

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An article included in a previous issue of *Employment Relations Today* (see “Wastes in the Modern World: The Silent Killers of Productivity and Profitability,” Spring 2014) described the “wastes” of the modern workplace that are responsible for a vast loss of revenue and resources. The wastes, referred to as “silent killers” of productivity and profitability, remain hidden from the view of most managers. The article focused on identifying the silent killers and cautioned that countering the effects of them and eliminating them would be neither simple nor quick. Eliminating the wastes requires a substantial break with the historical practices of management and a comprehensive overhaul of corporate culture. No amount of engagement work, motivation, team building, or expensive consulting is going to have an impact. Instead, HR leaders are going to have to convince company leadership to make the significant investments necessary to drive comprehensive, fundamental changes throughout their organizations. The previously mentioned article clearly makes the financial case for such an investment. In this article, we detail the actions that modern-era coordination companies must take to minimize and eliminate the wastes that are killing their organizations.

THE GOOD OLD DAYS

To get to our new future, we must first do a bit of time traveling—this time back to the

Dark Ages. As you all know, the Dark Ages spanned hundreds of years in which there was next to no progress, invention, or change. In those days, doctors had one simple treatment for literally every ailment or affliction—bleed the patient! It didn’t matter what the symptoms were; the treatment was the same. We have no way of knowing how many hundreds of thousands of people died as a result of this “treatment.” Today, we look back with some combination of bemusement, disdain, and horror at this ignorant and simple-minded approach to medicine.

A few generations from now, business leaders and managers of tomorrow will look back at today’s cadre of executives with the same disdain, as they all seem to have but one simple approach to most every business challenge—cost cutting! It doesn’t matter what the issue is or whether the solution comes from the internal management team or is nicely bundled up in an expensive consultant’s report; the answer is typically the same—cut costs. In this sense, they are no different than the medieval doctors. Similarly, there is no way to know how many hundreds of thousands of jobs and thousands of companies have been lost to this simple-minded, industrial-era approach to business.

Louis Louis—A New View

The industrial-era approach to management has produced a set of filters through which

we see the business world. One of them is the simple adage that "If you can't measure it, you can't manage it, and if you can't measure it—it doesn't matter." The dilemma is that while the business world has changed, the approach and the filters haven't. Thus, we find that what we can *see* is not necessarily what matters.

Think of it this way. When French chemist Louis Pasteur started talking about germs and microbes, the wise men of his time thought he was crazy. Their reality or what they could *see* was that every year a goodly number of their cows would die from anthrax, and that was just the way things were. There was nothing to be done about it, and the solution was to cull the herds and then get more cows. To them, the notion that tiny, unseen germs could somehow be the cause of the death of their herds was absurd. "How could something that we can't even see be so dangerous and deadly?" Pasteur had a different way of looking at the world, and as a result saw something very different from what was the conventional wisdom of the day. He introduced the practice of vaccination to a very skeptical audience. Thankfully, we all know how that turned out.

Our challenge is the same as Pasteur's. We are going to go head to head with the conventional wisdom and suggest that most of the waste in the modern era is due to aspects of organizational life that you can't immediately see. Like germs, that doesn't mean they are not there and don't matter. In fact, like germs, most of these invisible contagions spread unseen, and in so doing create vast amounts of what we call "coordination waste." Unfortunately for modern management, cost cutting is no more effective in eliminating coordination waste than bleeding is in treating cancer.

MINIMIZING THE WASTE THROUGH COMMITMENT-BASED MANAGEMENT

To eliminate the wastes of the modern world, we must first understand the changing nature of work. When most people hear the word *work*, they conjure up images of manual labor, drudgery, endless grey cube farms, or toil in a factory. That was the industrial era. To make the shift to the "coordination era," we must see that today work is the making and fulfilling of commitments. Yes, at some point, it may well involve the manufacture of some thing, but that occurs only as the result of a commitment that was made to a customer.

In the industrial era, management was all about supervision and control. In the coordination era, it is all about the mobilization, coordination, cooperation, and collaboration that are required to generate either internal or external customer satisfaction in a timely manner. These are very different worlds and very different skill sets.

There is a new body of work called commitment-based management. It has been specifically designed to be effective in the coordination era and is intended to minimize the new coordination-era wastes. Here is how it helps eliminate the wastes that were identified in the first article on this topic.

Degenerative Moods

You cannot effectively coordinate action if you are blind to the phenomenon of moods. A mood is a predisposition for action. Human beings are always living in some mood; it is an inescapable aspect of life. People have two types of moods: generative and degenerative. What these moods generate (or not) are possibilities, and it is in the world of possibilities that new futures are invented.

Too many organizations today are in the grip of degenerative moods. Some combination of distrust, resentment, resignation, cynicism, arrogance, and complacency is all too often the norm. These degenerative moods are driven in large part by industrial-era management practices and become the foundation for a wide range of unproductive, disruptive, or even destructive behaviors, which in turn consume or waste vast quantities of resources as organizations are forced to work around or attempt to correct them.

Can you see a mood? No, but you can see the results of a degenerative mood quite clearly. Everything from high turnover to low completion rates to poor quality to overt sabotage can be directly traced to degenerative moods. Degenerative or unproductive moods are tremendous yet invisible killers of productivity and profitability because people simply cannot or will not perform to their potential when they are in the grasp of them.

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Current HR or management practice has little to offer beyond "happy-clappy" motivation and engagement work, neither of which is of any use here; in fact, they often make things worse as their ineffectiveness generates more cynicism. In our world, we say, "Mood is everything. It isn't the only thing, but it is everything because if you don't get this right then nothing else you do is going to matter." There is no structural or process change that can overcome deeply entrenched degenerative moods, and no amount of cost cutting is going to affect them in any positive way.

Your own little inner cynic is now likely saying something to the effect of, "Great, mood management. What I am supposed to do with this? Play Al Green music all day?!" That's not quite what we are pointing to. In the coordination era, being able to consistently design and deploy the generative moods of ambition, confidence, trust, and esprit is a key component in generating competitive advantage and eliminating waste. Central to the success of future managers will be their capacity for *mood management*. This skill is focused on recognizing that the ongoing conversations constantly taking place in the organization are not trivial but are in fact the life-blood of the enterprise. The mood of the organization lives in these conversations. As such, it becomes imperative to develop competence at knowing how to listen for, design, and intervene in the critical conversations of and in the business, because they literally shape the mood, which in turn shapes the future.

We are clear that this claim flies in the face of current management practices that tend to devalue anything that can't be measured and that treat mood as the dreaded "touchy-feely" soft stuff of the business world. We would suggest that in today's world what was once derided as the soft stuff is in fact the key driver of an enterprise's success, and lack of competence in designing and managing moods will limit one's career prospects and the viability of your company.

Some years ago AT&T went through a massive disruptive transformation when the company was broken up by the courts. The Consumer Products division was then 40,000 people and losing \$200 million a year. To stop the financial losses, company leaders hired a major consulting firm, which took the head count from 40,000 to 16,000 in nine months.

The consultants were quite proud of themselves, as they had achieved their goal of stopping the financial losses and were completely blind to the fact that everything else had stopped as well. Why? The mood in the organization was a combination of despair, grief, and resignation, not exactly a formula for success. We were engaged to engineer a turnaround for the business, and the first place we had to start was with the mood. We put 6,000 managers through an experiential process that came to be called Project Miracles, as that is exactly what it produced. The division went from breakeven to generating \$3 billion in profit over 48 months to become the second most profitable part of the business. Were we responsible for all of that? Of course not. However, once people moved from despair to ambition, they saw possibilities that weren't available to them previously and were willing to take bold actions and be accountable for those actions when previously that would have been unthinkable.

Lack of Listening

An essential aspect of commitment-based management is the competence of listening. Commitments don't exist in the world of things but in our speaking and listening to and of each other. Thus, if you are not skilled at listening, there is a low likelihood of your being successful as a manager or leader. Listening does not mean merely hearing or paying attention to, but it is a specific type of active interpretation that shapes your reality. Listening is a specific critical skill that is largely undeveloped and certainly unrecognized as central to the new business world.

By blindly creating or tolerating working conditions in which people do not and often cannot effectively speak and listen to

each other, managers kill productivity and profitability and thereby generate tremendous amounts of waste. Such conditions are a result of institutionalized mistrust, resignation, or resentment (degenerative moods); an addiction to e-mail; or a simple incompetence for speaking and listening. If people are not listening to each other, then accomplishing anything significant becomes extremely expensive, and making effective changes becomes all but impossible. Too many organizations today create and tolerate a range of practices in which creativity, innovation, and the fundamental expressions of workers' thoughts and feelings about their work and their futures are ignored or spurned. This lack of listening is a tremendous source of waste. Can you *see* or measure a lack of listening? No. You can see the havoc and waste it creates.

As an example, our understanding of listening shifts away from determining the "requirements" of customers, as that merely generates shallow lists of targets for a company's products and services. We suggest instead moving toward deeper collaboration with customers, suppliers, and investors to invent mutually enriching arrangements. Managers attune themselves to other people as embodiments and disclosers of concerns, traditions, experiences, and ambitions, and together build competence for speaking, listening, and building trust. This will require a dramatic shift in the way that businesses train leaders, managers, and team members, but it is the key to inventing new, more powerful futures and eliminating coordination waste.

For the HR world, this means it is well past time to let go of tired practices like "active listening." People in organizations need to develop a new set of competencies in

which they learn to clarify what they listened to or interpreted in a conversation, not what they heard. It is their interpretations that matter, as their actions will be driven by their interpretations. In addition to teaching people how to listen to each other, leaders need to build cultures that feature practices for listening across organizations and to the market in new ways. This is not likely to happen without senior HR leaders showing the way.

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At Scripps Hospital, a donor-supported hospital in Encinitas, California, managers found themselves in a bit of a mess. Their donors were feeling alienated, patients were not very satisfied, and the doctors and nurses were at best not on the same page. Why? They didn't know how to really listen to each other. We introduced a new body of work on listening as part of a larger management-development process, and the results were impressive. Nine months later, patient satisfaction was up by 40 percent, donors agreed to build a new wing, and the hospital was given the Excellence in Management award by the San Diego Business Journal, all because they learned how to really listen.

Bureaucratic Styles and Structure

An all-too-common lament in most any organization today is, "We have become too bureaucratic." What is typically being pointed to here is the common business practice where employees find themselves forced to design and produce their work inside of increasingly complex structures and rigid

processes. In this industrial view of the world, work is merely sequences of movements and activities in which people's individual concerns and innovations show up at best only briefly before and after work, but not during it.

In the modern bureaucracy, people interact with each other as if they would be better off were they simply machines doing tasks. Bureaucracies pay attention to the correctness of their practices and to adherence to their standards. From within a bureaucracy, tremendous wastes are not even visible: repetition, unnecessary actions, obsolete actions, actions that produce the opposite of their designers' intents, and actions that produce horrific side effects. The fall of many of our great companies—GM, Chrysler, AT&T, Digital Equipment Corporation (DEC), and a host of others—is a testimony to bureaucratic blindness. Unfortunately, contemporary management theory offers no alternatives to this style of organizing work and designing organizational structures. Current hierarchically oriented structures, no matter how leaned and matrixed, and rigid process-design practices are relics of the industrial era and are still oriented toward a largely gone manufacturing world. In the new, emerging coordination world, bureaucratic practices are becoming increasingly dangerous; they not only directly kill productivity and profitability, and generate considerable waste, they also kill the generative moods of ambition, confidence, and trust that are essential to building consistent competitive advantage.

The antidote to the traditional bureaucratic style is commitment-based management. In this new world, work shifts from complex structures for managing the handoffs of materials and information for completing tasks to inventing platforms for the delivery

of services: structures of requests, promises, assessments, and declarations, in which people come together to take care of their customers' concerns and invent futures together. With commitment-based management, people learn to manage the complex network of commitments that are the organization and to build structures and processes that enable the smooth flow and tracking of commitments, as opposed to activities—which is the current, industrial-era norm.

Although everyone knows that the organization is more than the lines and boxes on the chart, the common pabulum that "the people are the organization" misleads. The people per se are not the organization; rather, the network of commitments that they make to and with each other on a daily basis creates the organization. When these commitments are clear, crisp, and fulfilled on time, on budget, and as scoped, companies generate value. When the commitments are unclear, late, over budget, and scaled up or down, companies generate waste. The vast majority of today's companies are blind to this underlying phenomenon and have no means to intervene other than to cut costs, declare new rules and processes, or reorganize—none of which will make a difference.

In the coordination era, the value generators in a company are the "A"-level coordination workers. These people are educated, sophisticated, competent, agile, mobile, and innovative and as such don't want or need management as supervision, which is the primary legacy of the industrial era. That way of working, which is based on distrust and the bureaucratic tendency to add layers of rules and procedures to eliminate mistakes, drives the most valuable players from the team. In a coordination company, the goal is to operate with a minimal amount of rules and fix

breakdowns quickly. Industrial-era thinking tells us it is less expensive to prevent errors than fix them. That is true if you are working at a nuclear power plant, a hospital, or a manufacturing facility. It's not true for most any creatively driven organization. My most recent favorite and simple example comes from Mary Barra, the new CEO at GM. She tells the story of sending waves of consternation through the HR department when she took the ten-page dress code down to two words: dress appropriately. Since then, no one has come to work naked, and the company is still standing.

Worship of Information

As business leaders rush to modernize everything and make their enterprises more efficient, they have mistakenly oriented themselves, their actions, and their attention around information and information systems. Business now values data and measures above the interpretations of the human beings who work on a daily basis in the enterprise. Managers have come to tolerate the illusion that the essential matters of work can be invented, managed, and sustained through the creation, storage, retrieval, display, and publication of information. Contemporary information systems are blind to many of the key drivers of productivity

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and have consistently failed in their quest to integrate the diverse operations of a company. Most anyone can point to a failed, late, or over-budget enterprise resource planning

(ERP) project. Those that succeed financially often fail in fulfilling the promise of actually enabling the people in the organization to work more effectively. Instead, they find that they are working to support "the system" instead of it working to support them.

In our view, one of the central breakdowns is the orientation of many information technology (IT) engineers and managers. By placing primacy on the storage, manipulation, analysis, and security of data, they have lost sight of the fundamental purpose of these processes: to enable the people in the enterprise to attend to the concerns of their customers effectively and efficiently. In the background of the field is the unspoken notion that work would be much better, easier, efficient, and profitable if business could just do away with the illogic and unpredictability of human beings. Thus, IT systems, processes, and products are aimed at doing that, as opposed to enabling the very processes and practices of cooperation, collaboration, and innovation that are essential to growing a business. By attempting to eliminate the perceived inconvenient aspects of people, many IT leaders have also eliminated the passion, joy, creativity, and spontaneity that are essential to generating competitive advantage.

As people deal with the inadequacies, breakdowns, and sterility of most modern information systems, they find themselves unavoidably generating waste and unproductive moods. How many times have you been on the receiving end of this conversation: "That does make a lot of sense, but our system won't let me do that"?

In the coordination era, our design of information systems shifts from managing the movement and protecting the security of information in the enterprise to developing

and continuously redesigning robust, reliable, and effective infrastructures for communication, coordination, mobilization, and action. The central focus must be on enabling the effective coordination of human interactions as opposed to data flows.

One example we can point to is e-mail. What was invented as a means to share information and speed up communications has now become the most common management tool in organizations. It was never designed for that purpose and is in fact ill-suited to managing the complex web of commitments that are the organization. Concerns for legacy systems and the defense of historical practices must not be allowed to limit the capacity for people to work together effectively, but this is currently the case more often than not.

Making their way to market are a new generation of coordination tools that are intended to actually manage the network of commitments that are *work* these days. The CommitKeeper and the work by ASANA are both examples of tools that are designed to enable people to coordinate effectively.

Suppressing Innovation

We all know that any company that isn't innovating is dying. Nonetheless, as a result of bureaucratic styles of working and a lack of listening, many organizations have come to tolerate ways of working in which people, ideas, and practices that are different, unusual, or new are avoided, feared, or rejected. In light of this, it becomes all but impossible to develop flexibility and evolve practices for dealing with a changing world. Simply put, an organization that cannot innovate is dead; the only things missing are the inevitable funeral and suffering along the way.

Many organizations confuse the occasional “lightning strike” of a new idea or product innovation with having a culture in which innovation is seen as a competence to be developed, fostered, rewarded, and embedded into the enterprise. In today’s world, managers need to learn to innovate, not just in products but also in service, processes, organizational design, marketing, leadership, and management. Today, the greatest enemy of innovation is modern management. Contemporary management practices are geared to ensuring stability and predictability while avoiding surprises or problems. Innovation is unpredictable and disruptive, and thus in many organizations innovations and innovators are largely suppressed. This is a terrible waste and clearly a killer of productivity. As you might also imagine, it does serious damage to the mood in any organization, and there are few things that produce cynicism and resentment faster than having well-intended ideas for improvement shot down or ignored.

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If we look at the work through a new set of lenses, our interpretation of the future shifts from seeing it as merely an extrapolation of today to an open field of innovation, design, and discovering. Continuously reinterpreting concerns, reinventing offers, and redesigning work practices are natural aspects of good working relationships. To make this happen, managers need to develop competencies and practices for innovation and entrepreneurship; these will be pivotal for bringing and taking care of the future. Leaders listen to the continuously changing

concerns and conditions of the world as opportunities for themselves and their customers, suppliers, and investors. People in business embrace relationships with those who are different from them as sources of innovations for the future. Although this may sound fanciful to some, our experience in building world-class enterprises tells us that it is not only possible, but it is a predictable outcome of deploying targeted new practices.

We recently completed a project for Itron, an international manufacturer of meters for the gas, water, and electric utilities of the world. As part of the project, we deployed our work on innovation to 125 senior managers. We walked them through a set of practices that were designed to generate targeted innovations over the course of 90 days. The methodology has proven effective across a range of industries, and this was no exception. The managers reported that their work on innovation had generated what they projected to be \$100 million in new revenue.

Modern Indentured Servitude

This is a delicate subject and one that is likely all too familiar in your experience. As we all know, today’s world offers sharp contrasts. People have more choices, more opportunity, more wealth and prosperity than at any other point in human history. Yet at the same time, people are more depressed, dissatisfied, and despondent than at any other time as well. A key contributor to this malaise is the contemporary view that work fundamentally consists of an endless series of things to do, and that while these things may have commercial value for the enterprise, they produce little or no sense of value for workers. As a result of the combined effects of the wastes listed above, businesses

have inadvertently created a kind of modern indentured servitude. Workers sell themselves into service in exchange for money and have only fleeting "real" lives after or outside of work.

In this modern malaise, many people appear as victims trapped by their needs to make a living, prepare for retirement, support families, and deal with modern life. Many people ignore, diminish, or distort the possible ways that work can bring meaning to their lives and can take care of aspects of life and the world that they care about. To have one's work be seen as nothing more than modern feudal toil saps one's strength and turns people's working lives from a source of inspiration and contribution in life to a grey daily march in a futile search for meaning.

Those who occupy senior management roles may have trouble seeing or identifying with this phenomenon, and we would caution you against assuming it happens only in other organizations. The executive floors are largely immune from this and, at the same time, unconsciously responsible for it, as they are the ones who design or tolerate the practices, processes, structures, moods, and measures that create it. One of the symptoms of this mess is the mood of "overwhelm." Resignation, resentment, arrogance, distrust, and cynicism have been around forever, but *overwhelm* is a creation of our times. The narrative for overwhelm is, "There is too much to do, too little time, and too many things pulling at me. I don't have enough energy for this, and it is never going to stop." Historically, people have been through periods of stress, but what is new here is the relentless nature of the demand. It is compounded by technology, which makes us now available 24/7. This only adds to the

mess, as the overwhelm is inescapable. Being overwhelmed and the resignation and the panic that it generates are great wastes and effective killers of productivity and profitability. There is no enterprise that can survive for long with an organizational culture that produces modern indentured servitude.

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These modern wastes produce a major part of the cost of running and working in a business today. When we have taken the time to add up what we call the *costs of miscoordination* that can be attributed to these wastes for clients, we usually end up with numbers in excess of 70 percent of the administrative and managerial costs of all parts of the enterprise. This is clearly a vast source of waste, and no amount of cost cutting, lean, Six Sigma, engagement programs, or any of our other current management practices or fads will ever attend to them. So what can you do about it?

When you shift the culture of an organization from one based on industrial-era thinking and practices to one using the principles and practices of commitment-based management, the interpretation of people shifts from seeing work as toil and renting one's body to the opportunities to invent oneself as a designer and participant in new structures and networks. This reinterpretation enables people to attend to their own concerns and those of their customers without sacrificing either. The workers' relationship with the enterprise is a partnership in which their contributions to the financial strength, practical knowledge, and reputation of the company are also their route to developing their

own financial success, competence, and identities in the world. From this vantage point, work ceases to be toil and becomes a source of meaning and inspiration.

TRANSITIONING TO COORDINATION AND COMMITMENT

When managers make the shift away from bureaucratic work styles and structures, develop listening as a key management competence, generate cultures that welcome innovation, and build systems and processes that support this new way of working, people will be able to once again experience meaning and purpose in their working lives. This is the world that we are committed to ushering in.

We are not naïve dreamers who think the transition to this new way of working is going to happen either on its own or

overnight. It won't come as the result of good intentions, a series of memos, or a new set of offerings at the corporate university. Nor do we think that everyone is going to welcome the changes that are being called for in order to reinvent both management and companies to be competitive in the new world. Twenty-five years of working with companies around the world has given us ample experience to know what it takes to change an organizational culture, and for us the mission is clear: The world is making tectonic shifts, and if organizations continue to meet these changes with puny responses, then US businesspeople have no hope of maintaining ourselves as the world's leading economy. For that reason, business leaders must be willing to invent a contemporary set of competitive advantages, eliminating the wastes we have termed the silent killers that are sapping our productive capacity and creating a new business world.

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