



The Performance Ecosystem

By: Gregg Cochlan,
Managing Director,
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*ec-o-sys-tem: a biological
community of interacting
organisms and their
physical environment*

(Google)

In my consulting practice, I'm thankful for the work I get to do and the diverse clients I get to work with. Every project offers opportunities to learn. Just when I think, "I got it," I learn something new, which then tells me, "I haven't got it yet, but I'm getting closer."

Let me share my newest learning, which is forming into a strongly belief. Organizational performance is an ecosystem. I don't mean a biological ecosystem as described in most dictionaries, but a community of interaction in which performance is affected both by internal and external, mental and physical environment.

Individuals working (or "performing") within an environment (or "ecosystem") are affected by their own actions and by the actions of others. There is strong interdependency within the ecosystem; every individual action creates a reaction in the whole ecosystem. External actions such as strategies and processes have an effect on the ecosystem, but so too do internal actions going on within individual and group "think."

In high performance environments, you can see the interdependence between the actions of people, leadership, culture and organizational design.

In my practice, I work to help individuals, teams and organizations improve their performance. I have been doing this for almost two decades; the company I work with has been doing it for over four decades. My work is largely in the private and public sectors, but what I offer applies to any organization, team or, for that matter, community or country. Performance doesn't care if you are in sport, health, education, government, for-profit or not-for-profit—the fundamentals are the same.

In the last six months, I have had experiences that have provided insight after insight, specifically on performance. In the work I do,

My 5 Starting Premises

1. Organizational performance is dependent on people. This means that no matter what you do, whether you are in government or the private sector, the health sector or manufacturing, professional or amateur sports, you are depending on people performance for the success of your organization.
2. People have more potential than they use. Therefore, you will get a higher level of performance from your people if you tap into their potential.
3. A significant barrier that holds people back is their “thinking.” This barrier is actually within their control—if they know how their thought process works.
4. There are four interdependent elements in organizational performance: people, leadership, culture and organizational design.
5. It is leadership’s responsibility to create, guide, design or redesign the elements of the ecosystem to maximize organization performance.

the quest comes down to each organization, company or team looking for ways to improve, increase or change performance.

Let me share what I’ve found to be true (so far). To align our thinking, I’ll start by clarifying a few premises or beliefs, and then share my learning on the performance ecosystem.

Now that I have stated my bias, let me explain the performance ecosystem. The model below is the framework, which I will use to walk you through the important interrelationships and interdependencies of the four organization performance elements (people, leadership, culture and organizational design).

People

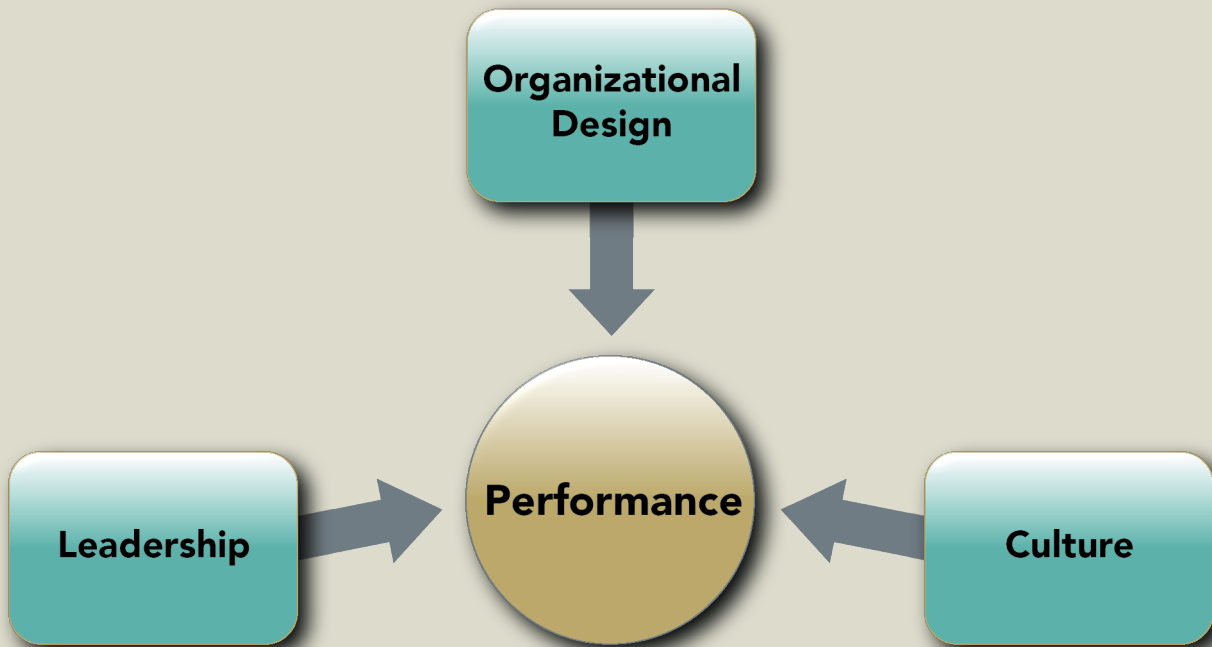
Let’s begin our conversation at the hub of the ecosystem—people. As I mentioned earlier, organizations are primarily dependent on individual people performance to achieve organizational performance.

To illustrate, I’ve been working with a high performance hockey club, which had brought

me in after an underwhelming two win, seven-loss start. The coach, as a good leader should, recognized that his players were underperforming relative to their potential. He intuitively knew that part of the reason was the mental side of the game, and his instincts proved to be true. My team and I used the TPI curriculum to teach the players how their “thinking” affected their performance, and doggone it, if they didn’t go on a six game winning streak and move to above 500.

Whether we’re talking about sports or business, it is our experience that people have more potential than they’re tapping into, and the major barrier is how they think. Granted, many things can affect individual performance: education, skill, maturity, and experience. That being said, individual and group “mindset” has a huge impact on performance. In a nutshell, people’s individual habits, attitudes, beliefs and expectations form barriers to performance. If you can teach your people how their thinking shapes these habits, attitudes, beliefs and expectations, you can improve their performance.

Performance Ecosystem



People are at the center of organizational ecosystem, so whether the individual works to maintain or improve their performance or the leader or organization works with them, so if you don't have individual performing to their potential your organization won't perform to its potential. When it comes down to it, leadership's role is to figure out a way to help people perform to their ability.

Leadership

If we accept that organizational performance is dependent on individual performance, and that a big contributor to performance is the thought process of the individual, then the next question is, what else affects individual performance? Let's return to the hockey club. The coach was right in thinking that his players had more potential and that their performance was affected by their thinking. But, as you can probably guess, the coach and his coaching staff also affected the players' performance through their leadership style. We find this to

be equally true in business. Leadership style and skills, whether in coaching or leading, undeniably affect people's performance.

There is a litany of ways to describe leadership style. For brevity's sake, I'll explain the two best known and contrasting styles. The first is based on Sir Isaac Newton (1642-1727), a philosopher and theologian who I jokingly describe as one of the first management consultants. He believed the world was designed perfectly, with one exception: humans. Therefore, someone needed to make sure that humankind did not screw things up, and that someone was the leader. Essentially, Newtonian leaders need to command and control their people. They are strong and all-knowing. There needs to be a clear structure of power. Fear was the great way to motivate people.

Newton profoundly influenced leadership style for generations. In many ways, the Newtonian leadership style is still prevalent today, in large organizations, in governments, even in hockey teams.

Newtonian

- ◆ Is-ness: meant the way it is
- ◆ Predictability
- ◆ Stability
- ◆ Fearful
- ◆ Power is hierarchical

Whiteheadian

- ◆ Flexibility
- ◆ Co-responsibility
- ◆ Co-accountability
- ◆ Fearless
- ◆ Power is spread horizontally

In contrast, Alfred North Whitehead (1861-1947) was a philosopher and mathematician who believed the world was not designed perfectly, but was in the process of developing and therefore people were co-responsible for guiding its development. This worldview suggested that leadership was shared, that people were co-accountable, that hierarchical power structures were not as effective as horizontal power structures. The Whiteheadian viewpoint holds that fear-based motivation is not as effective as a fearless environment in creating higher performance.

Stand back and look at these two contrasting styles and adjudicate the affect they have on individual performance. Based on your own experience, ask yourself two questions.

- ◆ Have I seen cases where the Newtonian style is effective?
- ◆ Over the long run, which style will provide a higher return on performance?

Whichever way you answer, it's hard to avoid the fact that leadership style does have an affect on individual and therefore organizational performance.

Before I talk about culture and the affect it has on performance, I would like to explain the relationship between leadership and culture. Simply stated, as a leader you either create or inherit the organization's culture. The bottom line is that you have a responsibility, if you believe culture matters in organizational performance, to ensure you support the highest performing culture.

The relationship between leadership and culture through a Newtonian and Whiteheadian lens looks something like this:

Newtonian: "Our sales are down this month. I really need you to get out there and follow-up with leads and make more cold calls. Let's get at it or else jobs are going to get cut."

Leadership's role is to provide stewardship of the ecosystem, to provide both the external design and the internal support for overall organizational performance.

Whiteheadian: "Our sales are down this month. What do you think is going on? What are some options to increase sales? What is getting in your way and how can I help?"

Newtonian leaders using command and control have a higher tendency to "tell" staff what to do or what they want. Whiteheadian leaders have a tendency to "ask".

An interesting learning from the field of neuroscience arose recently on the difference between "tell" and "ask." Using MRIs, researchers looked at real-time brain function when people were "told" to do something and when they were "asked" to do something. When told, the brain's response center (the

amygdala) is stimulated. The primary role of the amygdala is to process memory and emotional reactions. Simply stated, the amygdala is your fight or flight response center.

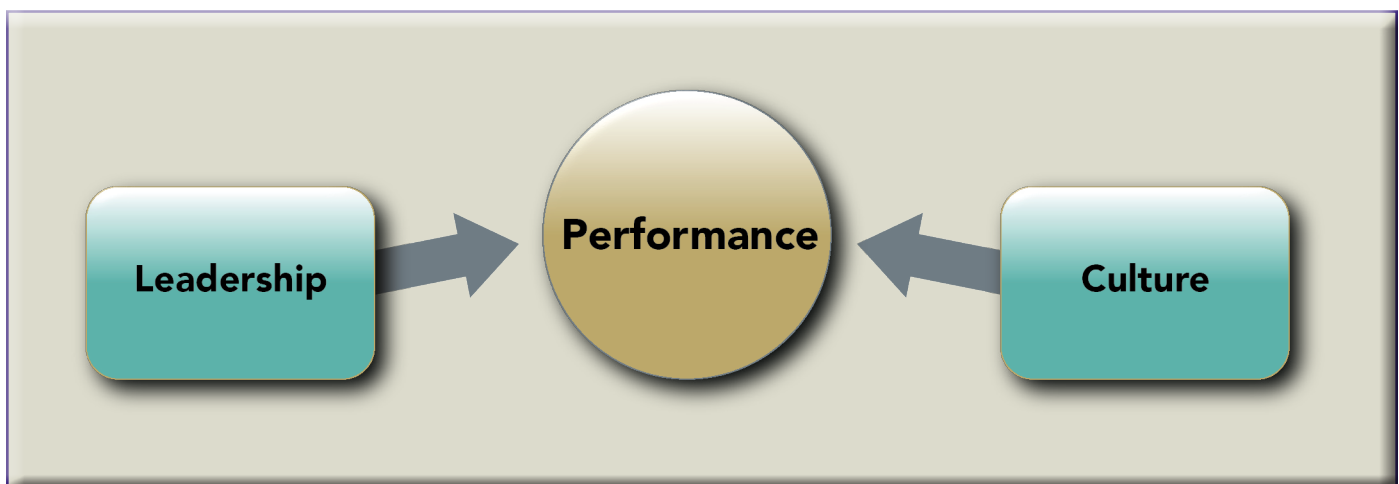
When told to do something, the brain's natural response is to push back or avoid. In contrast, when asked, the part of the brain responsible for creativity and innovation is stimulated. So, the brain looks for ways to solve the problem put to it.

Translate these responses into "have to" and "want to." The tendency when we're told to do something is to feel like we "have to" and therefore we try to avoid or at least delay having to do it. When we're asked to do something, the tendency is to feel like we "want to" do it and therefore we look forward to doing it.

Within the performance ecosystem, leadership style can create an approach of "tell" versus "ask", which can then create a "have to" versus "want to" response. Let's connect the dots from leadership to culture.

Culture

If we translate "have to" behavior into culture we create more unadaptive behavior, while "want to" behavior creates more adaptive behavior. John Kotter and James Heskett's pivotal 1992 book, *Corporate Culture and*



Culture and Performance

Kotter & Heskett study of 207 firms over an eleven year period

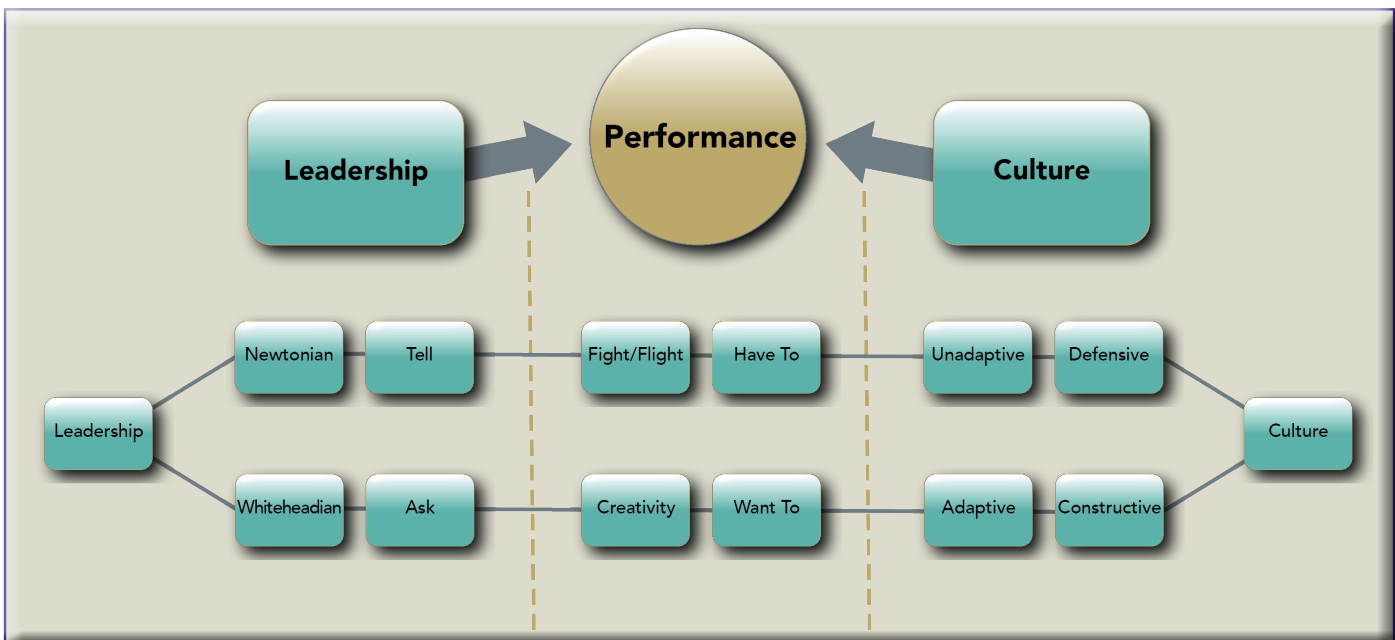
	Unadaptive Culture	Adaptive Culture
Revenue	166%	682%
Stock Price	74%	901%
Workforce	36%	282%
Net Income	1%	756%

Kotter, J. P. & Heskett, J. L. (1992). *Corporate Culture and Performance*. New York: The Free Press.

Performance, provided strong evidence that culture matters to organizational performance. Their longitudinal study of 207 companies over 11-year period offered compelling findings on the profound effect of culture on performance. The following is a summary of their findings.

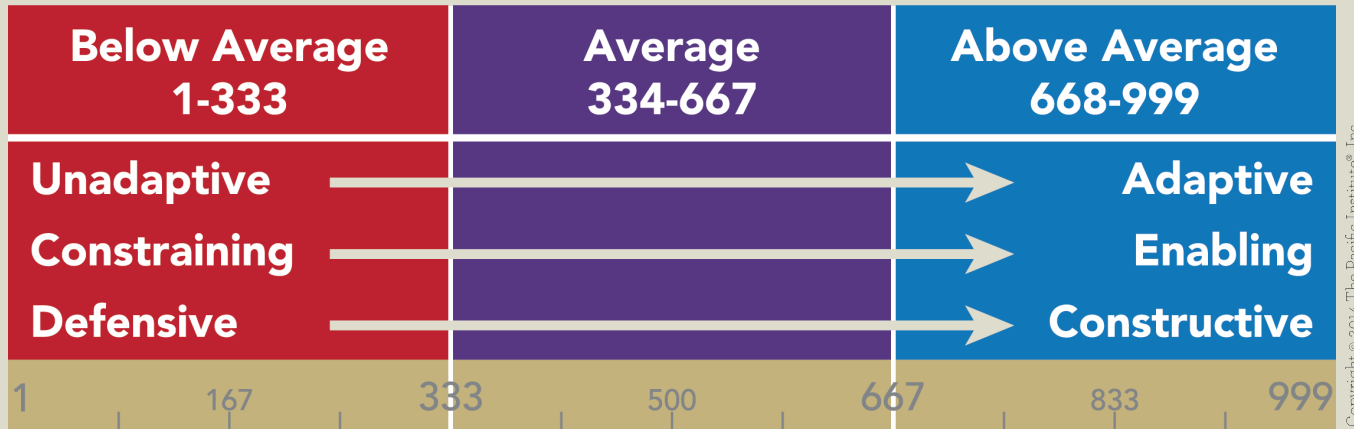
In this landmark study, Kotter & Heskett clearly showed the benefits of an adaptive culture on the bottom line. The diagram below shows the relationship between leadership style, performance and culture.

At the far right of the diagram, you see the connection between adaptive and constructive culture and between unadaptive and defensive culture. We work with a wide variety of clients to address individual, leadership and culture performance in their organizations. Since the mid-1990s, we have assessed and transformed our clients' cultures. Following are just two of our clients experience of transforming from unadaptive/constraining set of collective beliefs that result in holding back performance to that of a more adaptive / enabling set of beliefs and the resulting improvement in performance.



Manufacturing Organization: 118% Growth in Culture in Two Years

The Performance Index Continuum™



374

118%

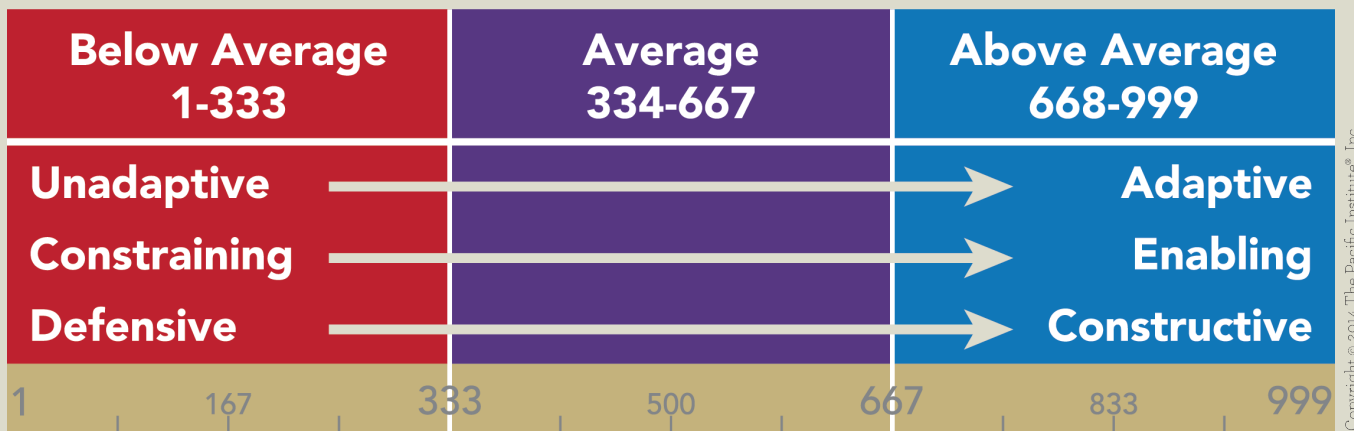
814

Revenue Increased 36%
Income Increased 240%

Profit Sharing Bonus Increased 3061%
Long Term Debt Decreased 36%

Outsourced IT Department: 123% Growth in Culture in Two Years

The Performance Index Continuum™



308

123%

686

Service Design Time Reduced by 80%
Service Transition Time Reduced by 50%
MTBSI – Reduced from 1/wk to 1/180 days

End User Satisfaction Increased 30%
Client Satisfaction Increased 25%
Gross Profit Increased 99%

The Performance Index Continuum™ has been designed to easily communicate the transformation of an organization, group, leader or individual. Utilizing an index score out of 1000 to summarize the actual data collected creates a single number for comparison purposes.

When the transformation is done right, the return on investment has been most impressive. So much so I am comfortable categorically stating that if you focus on people, leadership and culture, your results will be unequivocally profound.

Organizational Design

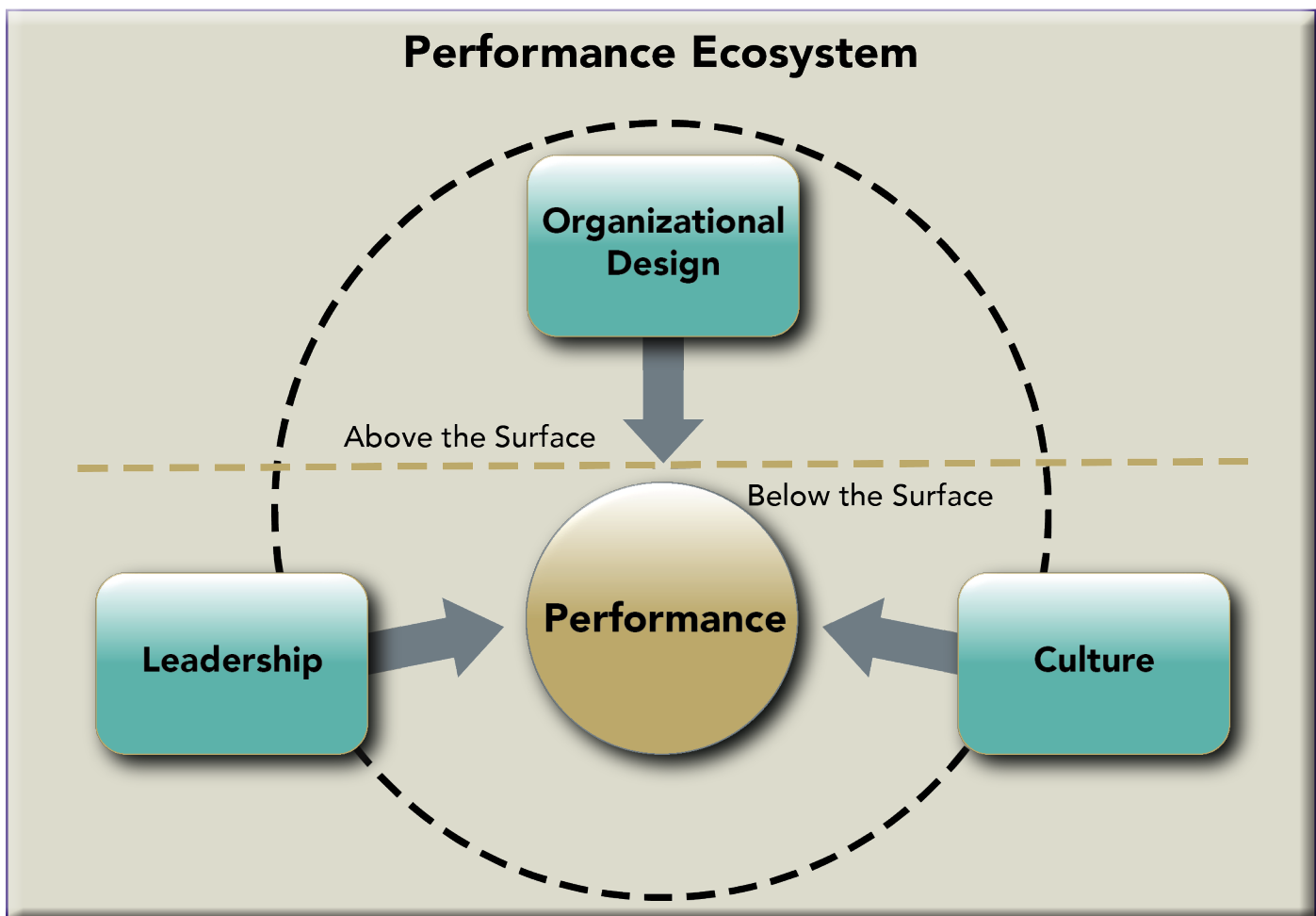
So far, we have covered off three of the elements that affect organizational performance—people, leadership and culture. The fourth and final element is organizational design.

I am purposefully finishing this article with organizational design because my past experience has been that most companies spend an inordinate amount of energy and money on this element. Most, if not all, their efforts are focused on strategy, structure, process and technology. This is all “above

surface” work, versus “below surface” work where the focus is on people, leadership and culture. The challenge working above the surface is that leaders try to change the organization from the outside versus the inside.

“No one who achieves success does so without acknowledging the help of others. The wise and confident acknowledge this help with gratitude.”

– Alfred North Whitehead



Working on the inside is where the greatest sustainable transformation happens, not on the outside.

That being said, because performance is an ecosystem, work above or below, inside or outside, needs to work together. If you change one area you affect the whole system.

If there is one thing I hope you take away from this article it is an awareness of the interrelationship between all the parts. Actually, make that two things: I also hope you gain a greater appreciation of the critical importance of what's below the surface.

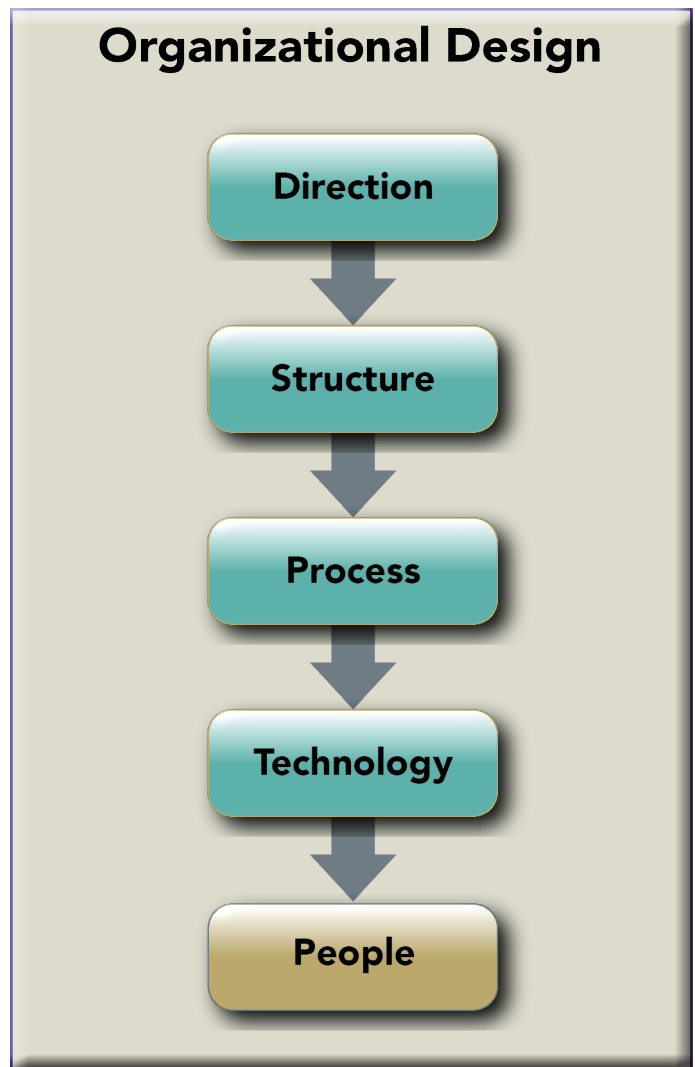
Leaders are the stewards of the ecosystem; you need to respect that if you change or add something to a process it will have an effect throughout your organization.

Pulling All the Levers

One of the most interesting discoveries I have made, after years of working with different organizations, is that there are common elements of organizational design and transformation—direction (strategy), structure, process, technology and people.

Whether you are a start-up or a well-established legacy organization, the typical journey starts with the development of a strategy or direction, which usually includes a vision, mission and goals. This is followed by designing or re-arranging the organization's structure, such as the creation of a new board or new committees, positions and functions. In a start-up, this might mean creating or delineating CEO or CFO positions.

Next comes the design, re-design, re-engineering or re-invention of processes to align with the new strategy and/or structure. This is followed by development of new or improved technologies to aid in organizational change.



The final step, which we've talked about throughout this article, addresses organizational culture and leadership—the people element.

Like levers, leaders pull on one or another of these elements to facilitate the change or growth they desire. What I now understand is that pulling on a single lever, such as strategy, might lead to some success, but often has little effect. In fact, it can sometimes work against one of the other levers. In order to ensure sustainable, holistic change, you need to consider all five strategic levers. More specifically, you need to consider how all five levers work within the ecosystem.

“Process philosophy argues that there is urgency in coming to see the world as a web of interrelated processes of which we are integral parts, so that all of our choices and actions have consequences for the world around us.”

*– C. Robert Merle, Process--Relational Philosophy:
An Introduction to Alfred North Whitehead*

I'll give you an example of pulling on a single lever. Recently, we've seen renewed interest in process as a means to improved performance. There almost seems to be a four-year cycle to focus on process. Without a doubt, process plays a huge role in organizational performance. During my 17 years of working in a corporation I was involved in not one but three significant process improvement initiatives: Total Quality Management, Business Re-engineering and Six Sigma. I wish I knew then what I know now. Namely, that trying to improve process if you have not addressed culture, leadership or people's natural tendency to resist change will hugely minimize your return on investment in process.

Over 70% of organizational cultures are defensive, specifically passive defensive. This percentage goes higher if you're in government, large or legacy organizations. If you're looking to improve performance, the necessity of seeing and addressing the whole ecosystem becomes paramount.

Read a great article on the "Culture and Results" published by Cardiff University, a leading expert in continuous improvement, at:

<http://thepacificinstitute canada.ca/sites/default/files/LEAN-Management-Journal.pdf>

Summing Up

This article has covered a lot of ground, but I'll draw to a simple conclusion: if you are looking for performance improvement, consider the interdependence of people, leadership, culture and organizational design. If you are underperforming, it is likely that more than one of these elements is out of alignment. Too often, time and money is spent on one element without consideration of its interrelationship with the whole ecosystem.

After 40 years of learning, The Pacific Institute has become very good at performance improvement. We work in almost every sector all over the world, and we look forward to helping you realize your potential in actual performance results.

We measure our success by our client's actual results.



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Gregg Cochlan: Managing Director, TPI Canada

Gregg Cochlan is an author, speaker, organization-transformation specialist and leadership coach. His first book, **Love Leadership**, challenged traditional corporate conditioning by positioning love as a more effective, sustainable leadership style. Gregg and The Pacific Institute colleague Ron Medved released a new book, **World Peace Really! One Mind @ A Time**, in 2011. The book applied 40 years of The Pacific Institute®'s experience to the goal of peaceful coexistence.

The Pacific Institute® is a global consultancy with over four decades of expertise in delivering customized solutions that empower organizations and individuals to improve performance and reach their full potential. Founded in 1971 in Seattle, Washington, we've served clients in over 60 countries and 22 languages. We've worked with over half of the current Fortune 1000 companies, as well as governments, educational institutions, professional athletes and sports teams, and other organizations. To date, more than 6.5 million people around the world have participated in our programs.



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