

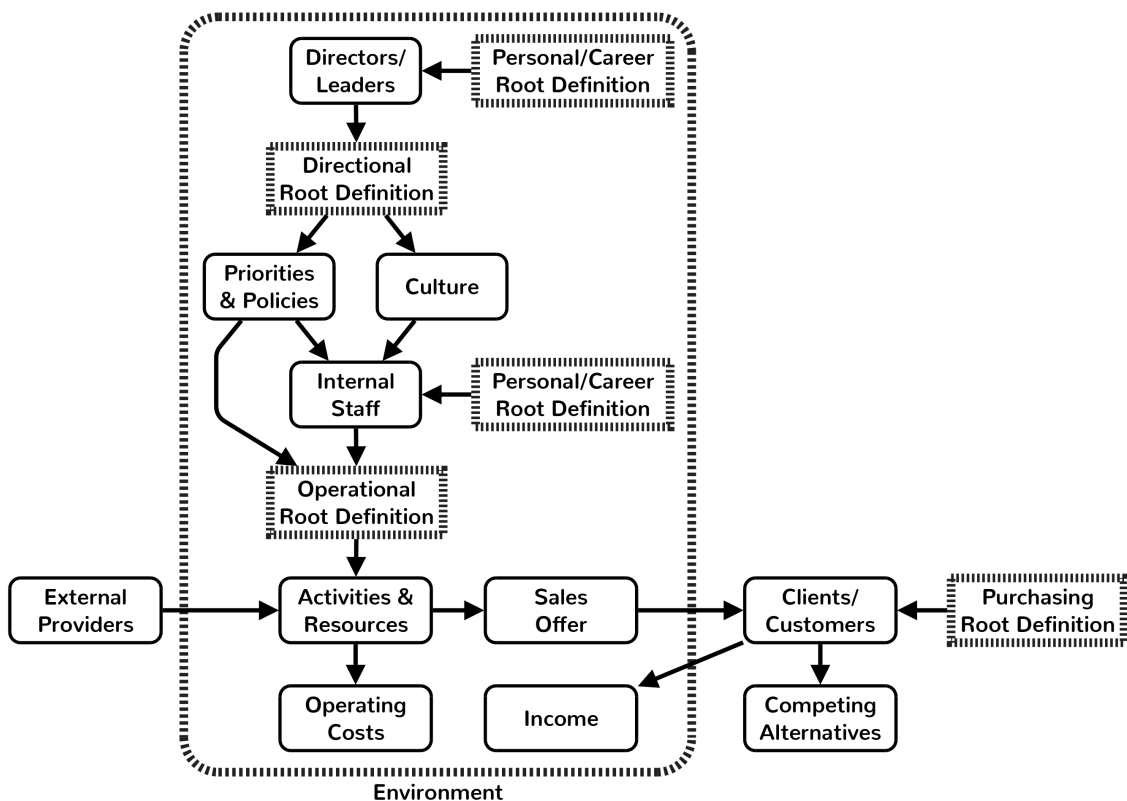


Congruent Business Models – Framework For Strategy And Leadership

What Is A Congruent Business Model?

A *Congruent Business Model* is a systemic map of an organisation *plus* the corresponding *Root Definitions* of the parties involved in the operation of the organisation.

A Systems Map Of The Organisation ...



... Plus Five Root Definitions

An important aspect of a *Congruent Business Model* is to consider the *Root Definitions* of the various active parties.

- Personal/Career RD of organisational directors/leaders
- Directional RD of organisation
- Operational RD of organisation
- Personal/Career RD of staff working for the organisation
- Purchasing RD of the clients/customers

What Is A Root Definition And How Is It Constructed?

Dr. Peter Checkland's *Soft Systems Methodology (SSM)* is an approach to understanding *human systems*, such as organisations. When using *SSM*, a key step is to determine the *Root Definition (RD)* of a purposeful activity which you wish to understand better.

A *RD* is a three part statement that explicitly links the *rationale* with the *objective* and the *method* by which this is to be accomplished. A *RD* typically has one of the following structures:

Because of (X) we require (Y) which will be produced by method (Z).

We will accomplish (Y) by means of (Z) in order to (X).

We will do (Z) in order to produce (Y) which is necessary because (X).

Let's look at the three parts of the *Root Definition*:

The Rationale

"Because of (X) ... "

Why is a change sensible and/or necessary?

" ... in order to (X) ... "

Why is (...) relevant, useful, novel or timely?

The Objective

" ... require (Y) ... "

What is necessary and sufficient to satisfy the rationale (X)?

" ... accomplish (Y) ... "

The Methodology

" ... by method (Z)."

How can the objective (Y) be accomplished, delivered or produced?

" ... by means of (Z) ... "

The *Why-What-How* or *Rationale-Objective-Methodology (ROM)* formulations can serve as shorthand reminders of the structure and content of a *Root Definition*.

The Five Root Definitions Of The Active Parties

Let's consider the five *Root Definitions* in more detail.

Personal/Career RD Of Organisational Directors

- Why have these people chosen to work in the upper management of *this* organisation?
- What do they hope to accomplish for themselves?
- How do they intend to achieve their personal/career aims?

Will they be serving the best interests of the organisation or themselves?

Directional RD Of Organisation

This *RD* is about navigating the organisation over the mid- to longer-term in order to ensure sustainability by anticipating and pre-emptively adapting to changes on the horizon. This *RD* can be framed in terms of the commonly stated format:

Values (Why) – Vision (What) – Mission (How)

If you can't tell what business they're in from their values, vision and mission statement, then it's too vague and pretentious to be any practical use in guiding the organisation.

The directional *RD* may also involve aspects such as:

- Coordination of the business efforts.
- Duty of care to the business, staff and customers – serve and protect the collective good.
- Definition and demonstration of the organisational culture and ethics.

Operational RD Of Organisation

- Why does the organisation exist? Why is its provision relevant and useful to its intended customers?
- What product or service does it provide?
- How does it deliver this to the customers?

This *RD* is about the mission of serving the customers on a day-to-day basis.

Personal/Career RD Of Staff Working For The Organisation

- Why are the staff working in this organisation? Many jobs provide enough money to live on, so why did they pick *this* job?
- What do they hope to accomplish for themselves by working here?
- How do they intend to achieve their aims and/or serve the organisation?

The staff will serve the organisation well, when it meets their needs better than they could meet their needs by themselves. And it's about more than just the salary. People want meaningful work and a sense of belonging to a collective with a common purpose. (Unless they're in the financial services sector, in which case, it's all about the money, the more the better.)

Purchasing RD Of The Clients/Customers

- Why do they want (...)?
- What will (...) accomplish for them?
- How do they want it provided?

Why Is A Congruent Business Model Relevant?

Congruent Root Definitions

If an organisation is to be effective and sustainable in the medium to long-term then these five *Root Definitions* must be reviewed and revised to ensure they are compatible and harmonious with each other and with changing circumstances and events.

For example, if the operation *RD* of the business operation matches the purchasing *RD* of the customer, then the customers will be more willing to pay for the company's product/service. And if they don't match, the customer will look elsewhere to satisfy their requirements.

Some Problems Caused By Incongruent Root Definitions

When one or more of the root definitions are incongruent, then the organisation will develop problems. The severity and speed of development of the problems will depend upon which *RDs* are incongruent and how serious the discrepancies are. Typical incongruent *RDs* include:

- **Leadership** that:
 - is serving its own interests at the expense of the organisation, staff and customers;
 - is focused upon short-term measures that superficially looks good rather than longer-term viability.
- Organisational **culture** that is no longer suitable, effective or even ethical.
- Operational **habits**:
 - reward schemes that encourage staff to act against the best interests of the organisation and its customers;
 - an unwillingness to experiment and continue improving.
- Parasitic **bureaucracy** that suffocates all useful action and replaces it with endless ticking of boxes on copies of forms in quintuplicate.

How Can You Use A CBM?

Step 1 – Identify Which Areas Are Incongruent ...

Let's look at two cases involving Leadership and Operations. The lists of symptoms are meant to be illustrative and not comprehensive.

| Some Signs of Poor Leadership | Some Signs of Good Leadership |
|---|---|
| <ul style="list-style-type: none">• Serves own interests and organisation is a means to that end.• Large salaries and bonuses out of proportion to performance• Decisions compromise health and/or longevity of organisation.• Secrecy and control of information• Dictates targets without explaining reasons or means of achievement.• Doesn't walk their talk.• Never leaves office nor spends time with staff. Interacts indirectly with staff via lieutenants.• Attitude that staff are interchangeable parts in a machine• Vague and/or pretentious values, vision and mission statements | <ul style="list-style-type: none">• Serves and protects the health and longevity of organisation.• Salaries and bonuses are reasonable and tied to those of the staff.• Honest and open communication• Explains circumstances and reasoning behind decisions.• Considers actual circumstances and events. Is concrete and specific.• Leads by example.• Is not afraid to mix with staff. Asks questions and listens to the answers.• Takes responsibility, admits mistakes and takes corrective actions.• Focuses on <i>better</i> rather than reflexive insistence on <i>more</i>. |

| Some Signs of Poor Operations | Some Signs of Good Operations |
|---|--|
| <ul style="list-style-type: none">• High turnover, low retention, difficulty attracting new staff• Large proportion of part-time staff or staff on short-term contracts• Customer satisfaction is decreasing.• Sales have stalled or are decreasing.• Operational expenses are increasing.• Centralised command and control – the centre must approve everything.• Planning and scheduling is done <i>theoretically</i> by someone in an office with a spreadsheet rather than by the people who will do the work.• There have been no changes to methods in years.• Bureaucratic committees, meetings and paperwork are increasing steadily. | <ul style="list-style-type: none">• Low turnover, good retention and easy to attract new staff• Clear guidelines and priorities have been set.• Staff are given authority to make decisions and are trusted to do the right thing.• Planning and scheduling are done by the people who do the work.• Sensible, fair and feasible metrics• Clear, complete and concise internal communications.• There is a mindset of continual improvement. |

Step 2 – ... Then Revise The Systemic Structure And Feedback Loops

Once the incongruent *RD(s)* have been identified, then the *system* needs to be restructured or redesigned so that it performs as it is intended. This will require reviewing and revising priorities, rewards/penalties, procedures and so on. It will also require that sensible feedback loops are in place.

For example, if we want the leadership to maintain the health and longevity of an organisation, then we need them to share the organisation's health or illness. For example, we could calculate their salaries and bonuses based upon:

- How long they remain at this organisation. (This discourages ambitious ladder climbers using this as a stepping-stone.)
- The average salary and bonuses of the staff in the organisation. This requires that the organisation prospers sufficiently that the staff can be paid better salaries.
- How well the organisation is doing five years from now. (There is no law that bonuses must be calculated on quarterly returns. If the bonus is calculated based upon how the organisation is performing in five year's time, they will make an effort to ensure it will still be performing well!)
- Net profitability of the organisation. If sales revenue decreases and/or operating expenses rise, then their salary and/or bonuses are proportionately reduced. (Temporary profitability from selling assets would naturally be excluded from the calculation!)

- Give them shares rather than bonuses with the stipulation that these shares must be retained for five years before they can be sold. If the company does poorly, the shares will devalue and their bonus evaporates.

Suggestions For Constructive Management

So that I don't paint a completely pessimistic picture, here are some suggestions to constructively manage an organisation. (The list isn't comprehensive, because otherwise no one would need to hire me!)

Culture

The organisational culture will be the sum of everyone's *beliefs* (what they think about the world), *values* (what they believe is important) and their *self-image* (who they believe they are as people and what their organisation stands for.)

- Serve and protect the collective good – which means the health and longevity of the customers, staff and organisation in that order. Remember you have a duty of care to those that are trusting you.
- Don't be greedy. More is not better. Better is better. How much is enough?
- Accept personal responsibility and be accountable. No blame, no complaining, no defensiveness, no excuses. Leadership should use the same facilities as the staff and customers. Imagine how good our public transport systems would be if the politicians had to use it every single day!
- Involve everyone in thinking and decisions. The various staff will often have a more complete grasp of the overall situation than management and they will know what can and can't be done readily. If they are involved, they will also be willing to help make it happen, rather than resisting some scheme that has been imposed from on-high.

Communication And Commitment

- Open, honest and complete communication – no secrets, no "need to know" and no spin.
- Are more than two-thirds of the staff on-board? Does {...} seem sensible and worthwhile to them? Never underestimate the power of internal resistance.

Thinking

- The system is not a sum of independent/isolated sub-units. Whatever is done to Accounts, will affect R&D, HR, Shipping and Sales.
- Define, review and revise the *RDs* frequently. Post them publicly if necessary. Is everyone rowing in the same direction?
- How is this current situation distinctive or idiosyncratic? Are there any aspects that are anomalous, unusual or unexpected? Don't assume it's the same as last time.
- Ask why (drivers) and how (mechanisms) questions. There are reasons behind what happens, unless it's mostly random, in which case you can save

a lot of time and money by flipping a coin (or rolling dice if you've thought of more than two options)!

- What would be necessary and sufficient to disqualify or disprove your diagnostic hypothesis and/or proposed corrective intervention? Have you looked for this information – before it's too late?
- Think two steps further along the chain of causes and consequences.
- The universe is neutral. For every positive outcome you wish to achieve, there will be associated negative consequences. Consider the downsides and make sure this is a price you are willing to pay.
- In order to do (...) what could be pruned or changed in order to maintain balance?
- Will doing (...) put the organisation out-of-balance or position? Are you betting the entire production run or only a limited number of prototypes?
- If there is a negative consequence, then what could be done to avoid it, reduce its size or mitigate it?

Interventions And Consequences

- Which options have more flexibility or resilience, especially if circumstances and events don't turn out as anticipated?
- Think in terms of a collection of small interventions spread across the organisation rather than one massive change initiative, which will probably fail, annoy everyone and still cost a fortune. Think in terms of finesse and nudges rather than force. Small changes:
 - are easier to initiate and steer.
 - face less friction/resistance both internally and externally.
 - produce quicker results.
 - require less expenditure.
 - involve smaller consequences, which makes them less risky.
(Safety Note: this doesn't apply to steering any kind of vehicle, operating nuclear power plants, defusing explosive devices or brain surgery.)
- Remember to consider the conditions that are necessary and sufficient for a particular action to be successful. If your organisation wants to be world-class, then it will need to match the conditions that other world-class organisations require to operate at that level.
- When planning, do so by sequencing intermediate states that will connect your current situation with your desired situation. If each intermediate state is relatively stable then it means that if the initiative is abandoned or must change direction, then the system isn't left in a broken state. It also allows you to check results along the way rather than being unpleasantly surprised at the end.

Metrics

- *Everyone* needs to share the health or illness of the organisation. People who are insulated/isolated from the consequences of their decisions make poor and callous decisions.
- Is a metric:
 - representative/sensible?
 - immediate or delayed? (If it's to provide corrective feedback, then it needs to be prompt, otherwise it's not much use.)
 - direct or indirect (or "processed")?
 - fair, which means feasible and equitable?
 - congruent with the desired direction of the organisation?
 - sending the correct message? For example, if your organisation states that *teamwork* is primary, then don't have incentive schemes that reward only the top stars! Reward or punish everyone on the *team* equally.

Parasitic Processes

- Why is {...} necessary/useful? What will break if it isn't done? Would anyone notice that it wasn't done, apart from that person in that office over in ...
- Centralised command and control is slow and less well informed than the staff. Set a clear direction for the organisation, a compelling reason for the journey and then trust the staff to make it happen.
- Ruthlessly prune committees, meetings, paperwork, reports, ... Have a rule that if a new committee or piece of paperwork is added, then an existing one is deleted. No one outside your organisation is willing to pay you to have endless meetings and tick boxes on forms.
- Take away people's spreadsheets – unless they actually work in the accounting department! Spreadsheets foster a false sense of confidence that the user is in-the-know and in-control.

What Can Staff Do Against Toxic Leadership?

A colleague who read the first draft asked me what the staff at the bottom of the "food chain" can do when the leadership is toxic. The short answer is the same thing that the exploited and oppressed have done throughout history – start a revolution.

So the first question is what are the staff *collectively willing to do*? They must act together or the leadership can pick them off one at a time. They must also be willing to take actions that they normally would not consider. Are they willing to tolerate short-term acute pain to cure the long-term chronic misery?

Examples of possible actions by the staff include:

- Challenge and question everything. What is the reasoning and evidence? How is some target meant to be achieved, *specifically*? Which resources will be provided to make it happen? And if there are no additional resources,

then how should current resources and workload be redistributed and rescheduled? (This prevents management from thinking they can get something more for nothing extra.)

- Seek clarification and further specification – in writing – of any instructions. What exactly? How much? By when? Preferably, each of these questions would be sent by separate emails or memos in order to slow the process further.
- Negotiate *all* changes to duties or responsibilities. If they want you to become responsible for (...) then what are you being relieved of, because you can't do everything. You'll need (...) as support if they want you to (...). Oh, and will you be getting a bonus for being flexible?
- Work-to-rule and follow the letter of any bureaucratic law. Poor leadership often relies on people's good will and work ethic to fill the gaps in their flawed plans. So no more working nights or weekends! However, completing your daily time-sheets in detail and in triplicate should be done religiously.
- When there is an unacceptable initiative, slow it down, misfile the paperwork, mistype the forms so that they must be redone, and so on.
- Just say no, especially to additional bureaucracy. What will *really* happen if Form X3B71-R-Q isn't done?
- Use the bureaucracy against itself.
 - Insist that all forms are correctly completed and filed with appropriate lead-times, especially when the forms involve the new strategic initiative.
 - Explain how (*latest initiative*) can't be done because it conflicts with (*bureaucratic rules 17, 19 and 23*). And then there will be a further six month delay while (*bureaucratic procedures 117, 293 and 307*) are followed.
 - Set up a committee to consider the implications of the possibility of implementing the new strategic initiative in your department within the new equal opportunity guidelines, the newly restructured operational budget constraints and the revised ISO 9660-RXT procedures.
- Document everything in writing. Keep a diary and make notes of what is said to you and how. (Useful if they resort to disciplinary hearings.)
- Indicate in writing what is necessary and sufficient to do (...) and what is currently lacking. Then be willing to let (...) breakdown. Finally, ask for guidance from on-high concerning what should be done now that (...) has broken as you said it would without the additional required resources.
- Do end-runs around middle management who are probably concealing things from upper management in order to make themselves look good.
- Talk to members of the board about your concerns for the health and longevity of the organisation. They will be here longer than the führer and will not enjoy dealing with the decay, death and dismemberment of the corpse of their organisation.

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- Mass cases of colds and flu. If everyone phones in sick for three days during the official launch of the führer's strategic initiative, that will throw a spanner in the master plan!
- Publicly wager the CEO several thousand pounds sterling that things won't work out as well as s/he is claiming.