VANGUARD
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# HOW TO LEAD AN ORGANISATION...PROPERLY

**Leadership Principles for Better Service, Lower Costs and
Better Staff Engagement**

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# How Leadership is Failing

In August 2013 The Cooperative Banking Group posted a loss of £709m in the first six months of the year.  This was in sharp contrast to optimism at the beginning of the year.  In January 2013 hopes were still high that the Co-op Bank would buy 632 branches from the Lloyds Banking Group, a deal endorsed by the Chancellor, George Osborne, in 2012.  Mr Osborne said of the deal "*The sale of hundreds of Lloyds branches to the Co-operative creates a new challenger bank and promotes mutuals*".

So what went wrong?  In a statement put out by the then Co-op Group CEO, Peter Marks, there was "impairment of loans, further provisioning required for PPI and a write down of IT assets".   However the overriding issue according to a statement made Barry Tootell, the former Co-op Bank CEO, was that "*the credit risk exposure on the society's corporate loan book turned out to be far greater than Co-op Bank ever thought possible".*

Bad loans have been an industry crippling problem for the banking sector over the past five years with bailouts already required for Lloyds HBOS and RBS.  But why does it keep happening? The root cause of the problem is not in my opinion bad judgment due to lack of intellect on the behalf of those issuing the loans. It is bad judgment driven by targets and incentive schemes; two issues that have not been fully tackled by the government or the regulator.   The challenge is how to rethink the operating principles of the banking sector, not figure out how to do bonuses and targets better.

On November 22nd Jeff Randal, a business reporter for Sky News, sought answers from leadership expert, Simon Hayward, on how to solve the problem at the Co-op. Mr Hayward suggested the following: "*The purpose and values at the heart of The Co-operative need to be brought to life by leaders who can role model them and deeply engage others with them – both inside and outside the organisation. Many customers feel The Co-operative, which prided itself on ethical principles, has broken its promises to them. Trust needs to be rebuilt."*

Whilst I agree, my first response is 'by what method?'  And though the purpose of this paper is not to rubbish anyone's view or opinion, I do want to, through this and other views like it, explore **two ideas:**

The first is that what we understand as management values is often simply rhetoric that does not help managers guide their organisations better.

The second is that, in order to create better leadership models for running our organisations, we need values and principles that are guided by the right thinking; and that translate into actions for better work design, the engagement of people and ultimately results.

## A Better Way to Manage a Bank

Martin Smith (not his real name) works for a large bank and I think that it is best neither he nor his bank be identified in this report.  He is an operations manager and he leads around 10 teams with 8-10 members per team serving customers via phone banking etc.  He describes a typical day in the way he used to work as *"hectic and a little futile"*.  Like in many UK institutions Martin's job was to manage by objective. As he explains *"I mostly spent my time setting goals, setting targets and then at the end of the month I'd hope that my numbers would go in the right direction. Some months they did and some months they didn't, but as I'd never known what exactly we'd done when things were going well, we also didn't know what to do when we had to recover poor performance."*

The problem was that in many cases the focus was on the wrong objectives.  A great example of this cycle was in the student overdrafts process.  Every year students who have an overdraft with the bank have to call up to renew the loan.  As Martin explains *"every year it was a mess, hundreds of calls from students asking to renew their loan and our response was always the same, 'you've called too early, call back next month' and then there was lots of going back and forward with forms to complete.  But we were hitting our objectives – answer the phones and make sure the customer facing time is high.  In essence we'd forgotten about our purpose (renew the overdraft for those that are eligible.  We were busy but not adding much value to the customer."*

Let's look at Martin's problem from a viewpoint of eight popular management values:

- Responsiveness
- Accountability
- Being bold
- Grace, Forgiveness and Authenticity
- Integrity
- Change
- Intentionality

I discussed these with Martin and how if they'd been his values he might have responded.

*"I'd have interpreted values like responsiveness and accountability within the context of my current numbers and thought – I'm doing ok, we pick up the phone quickly and set customer expectations for which we can be accountable i.e. call back next month and we'll definitely be able to help you.  And I thought that we were being bold by setting more aggressive call handling targets and getting more customers to sign back up to their loan when it was their time to renew.  Integrity would have been about not letting anyone get access to their overdraft early - what if they spent it? The values are too general, and more importantly not connected to the work hence they don't help managers change their perspective on how to design and manage work."*

Peter Drucker, the late management guru, put it best when he said, *"everything must degenerate into work if anything is to happen."*  And most high level values don't get managers into the work.  Thus a leader could be bold, but be bold about the wrong thing.

Instead we worked with Martin and taught him a better set of work based principles, ones that make sure management thinking and decision making impact the front line work and make life better for

customers, staff and stakeholders, because again as Drucker states: "*The purpose of an organisation is to get and keep a customer.*"

Here are Martin's first four leadership principles:

> 1. **Each department should have a clear statement of purpose from the <u>customers</u>' perspective, and operating principles that guide behaviour should be aligned to that purpose**.

In the old way of working Martin measured what I'd call outcomes (time on the phone, number of calls taken and customer facing time). The more Martin thought about it, he reckoned that his purpose had become 'speak to as many customers as possible, deal with them as fast as possible and stay out of wrap-up time.' And as Martin says, *"We were great at achieving our purpose, except that the purpose didn't help customers. We'd lost focus on what we were really here for."*

I believe that in organisations today managing by using measures of outcome which manipulate the firm's purpose is one of the UK's greatest business failings.

As I write this report Essex Police are contemplating a criminal investigation at Colchester General Hospital for misrepresenting cancer patient waiting times. According to a report in the Guardian some cancer patients had discrepancies between the actual waiting time for their treatment and that shown on their records. And it's because of the same challenge that Martin faced; a focus on meeting the numbers rather than doing the right thing for the customer. The investigation should in my opinion focus on the managers who set the target and ask them how they came to such a number rather than on those that might have manipulated it.

Martin and his operation have changed their purpose to: 'Make it easy for our customers to manage their financial needs right first time.' On the face of it this purpose is deceptively basic, but as you delve deeper you see that it is driving lots of different performance variables within the area:

    a. Make it easy. This means that the staff member has to really understand what matters to the customer and management have to give them the right systems and processes to enable them to help the customer.

    (Note: the easier you make it the cheaper it becomes because the customer gets what they want faster and therefore pulls less resource.)

    b. Manage their financial needs. This means the whole spectrum, so advisers have to become better at dealing with variety and management have to help them do so. The more variety you can handle the better the service (less IVR) and the cheaper your system is to run. Also as there is more challenge for staff there is greater engagement.

    c. Get it right first time. This speaks to better service but also lowers repeat calls. And it generates less failure demand (demand created by failure to do something, or do it right); again this supports better service at lower cost.

This leads us to the second principle that resonated with Martin:

**2. Staff and management should be working to a set of operating principles that support the purpose.**

Editor's note: If you take in only one bit of this report let it be this piece. As Martin explains, *"this changed my life as a manager. I'd spent years managing outputs and chasing the numbers, now all we had to do was focus on those operating principles (what I now call the inputs) and the back end numbers looked after themselves."*

This is what allows Martin to predict in advance what his numbers are going to look like at the end of every week and every month (more about this in the final section). He knows that if his team are able to serve the customer using the operating principles the other numbers will come out fine. As I was writing this report I was speaking to Martin and he said to me *"we won't have such a good week this week; the managers have not been in the work reinforcing the principles".* Sure enough, he was right, but then with utter confidence he said later in the week, *"my numbers will be good this week we've all been back in the work and have been helping advisers adhere to the work principles".* Once again he was right. Martin doesn't guess anymore, something he describes as 'Nirvana for managers'.

But maybe the biggest change is not for the customers. Though his satisfaction rates have gone through the roof, the biggest benefit seems to be for staff and management. Martin describes it like this, *"In our old way of working everyone was doing their own thing, no one shared good practices or new insights because they were all in competition with each other to hit their numbers. Now the goal is to help the customer, and we are all working to optimise the right use of our operating principles. There is no competition and more importantly managers are helping staff, we are showing them better ways to work and they love it. But managers love it too because rather than sitting behind a desk and monitoring numbers they're in the work supporting, coaching and problem solving. They have sense of pride in their work and a new sense of purpose."*

**3. Leaders must turn up in the work regularly to confirm that the principles are being used and if not address the causes of failure.**

Martin's managers are really working on the system now rather than the people and they have a four step process they go through to improve performance. It's all based around the staff members' ability to use the operating principles. If a staff member cannot serve a customer using the operating principle the manager asks the following:

a. Was I clear with the staff member on how to do it?
b. Did I give them the right skills and knowledge to use the principle?
c. Did I give them have the right process, policy, IT or supporting measure to use the operating principle?
d. Did I allow them to choose not to do it?

Note that until step D, the manager assumes that the organisational system is at fault and has to intervene there first. However in all steps the focus is on the manger to rectify the situation. That way there is no excuse for under performance from management or staff.

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Adopting a new set of operating principles meant Martin could now predict what his end of month results would be in advance and he knew exactly where to take action before the result had even been published. But it also meant he and his team could no longer hide from all the usual problems. Now they had to be faced and resolved. Martin: *"We now had problems coming out of our ears, we could see them everywhere, so I had to adopt a new way of working through those problems and staying focused."*

Martin adopted a fourth management principle:

> **4. All problems should be prioritised and then worked though until their root cause is identified and a solution put in place.**

Here Martin had excellent support from his boss, another excellent leader called Paul Murray (also an alias). We worked with Paul and Martin on how to prioritise their problems using data. We opted for those that had attracted the highest failure demand and provided the biggest potential benefit if resolved. Paul was shown how to use a throughput board to visually represent the priority of the problem and then track its progress through initial identification, to analysis and agreement of root cause, solution, experimental verification and predicted result.

Paul described the process as liberating for him as a senior manager. *"Before we started to use this system I was constantly jumping from issue to issue. And then my managers would come to me and dump another problem on my shoulders. I was drowning. But the use of the prioritisation system taught me that no matter how many problems I had I could only work usefully on so many at the one time, and as long I was working on the biggest then I was acting on the right thing. Because I then made my managers work though the problem solving process before they brought the problem to me, it freed up my time and meant we were now working on the issue collaboratively. Now they still owned the problem not me, so we all learned how to fix things!"*

And Martins and Paul's results speak for themselves:

- **Martin has 7 out of his 8 teams in the top quartile of the bank's customer service league.**

- **His error rate has reduced by 51% over the past few months.**

- **Even though he has one of the smallest operations in the bank more customers have switched to the bank via Martin's teams than any other in the bank.**

These first four principles are the foundation of the Vanguard method.

We wanted to know how other managers fared on being in the work and solving problems so we ran a series of surveys asking the readers of our popular management advice blog to rate their manager.

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Here's how they responded:

1. My manager sees it as their role to get involved in problem solving and regularly spends time in the work supporting me to solve problems.

   **Yes: 37%**

   **No: 63%**

2. Senior executives see it as their role to get involved in problem solving and regularly spend time in the work supporting teams to solve problems.

   **Yes: 9%**

   **No: 91%**

3. We have a system in our organisation to aggregate the biggest problems and cause a high degree of focus for management.

   **Yes: 11%**

   **No: 88%**

4. We have a common framework for problem-solving in our business and it is common practice to escalate problems to more senior managers to get their resolution.

   **Yes: 14%**

   **No: 86%**

How would you fare as a leader?


## Leading the Way in Lincoln

One of the most principled leaders I've ever worked with is Sarah McCombie from City of Lincoln Council.  Sarah, alongside Simon Walters, led a change programme at Lincoln that delivered millions in savings.  Unlike other councils, who often give those leading change low status but high responsibility, Sarah was in the position of Assistant Director.  What made Sarah impressive however was her ability to see the bigger picture.

We worked together with one of Sarah's team, Ryan Plummer, in a review of – wait for it - car parking in Lincoln!  Whilst this may not seem the most exciting change in the world the lessons buried within the data should be seen as very instructive to leaders, especially those that have responsibility for strategy.

When you start to change any organisation you need to start by asking, 'what is the purpose of the business from the customers' point of view?'  (the customer being the end user, or those who give you the money).   One of my friends was debating this with a financial services company lately whose senior management were adamant that the customer was the financial adviser.  But if the financial adviser disappeared and the end user still existed could they still get money – yes?  But the other way around? With no end customer and only IFAs – you're bust I'm afraid.

But actually there's a question that you need to ask before you ask the purpose question, one that helps you to focus your efforts where the business needs the most help.   'Does the problem lie in the market, or in the operation?' meaning is the problem that you don't have enough business, or is the problem that when a customer places a demand on your organisation you're not so good at handling it?

Sarah and I quickly realised that operationally their car parking service was quite excellent. In fact the team had recently won a national car parking award! However when we asked the question about the market we found that only 50% of the car parks were full at any time. So we started with a strategic rather than operational analysis.

There are 4 parts to a strategic analysis:

1. Customer segmentation. Because different things matter to different customer groups you have to match your offer to the segment. There's a complicated way and a simple way to do this. I'm going to give you the simple way.

   Start by looking for customer segments via product or service type, or via geography or via different customer groups. Once you've done this you simply have to ask this question for each segment 'Are the competitors the same in each segment?' We did a quick analysis and found two segments, customers who paid the council direct and a business segment where individuals or businesses paid for permits. And we confirmed that the segments were different by checking the competitors who were also different for each segment.

2. Define which of your segments are the most profitable. This may guide your future investment strategy.

3. Next you have to understand how strong your position is relative to your competitors. To do this you have to understand not only your relative market share (RMS), but also the trend in RMS and expected growth for RMS in the segment. Can you see that if you have low RMS in a high growth market compared to high RMS in a low growth market it would heavily influence where you might invest? In car parking there were clear opportunities within the business segment. It was growing strongly whilst the direct segment was declining with more competitors coming into the market. This analysis is typically shown on a bubble chart with the bubbles reflecting the size of share in the market and placed on a 2X2 against growth. This analysis is called the Boston Matrix.

4. The next piece of analysis is called a comb analysis. It matches organisational capability to deliver what matters to the customer. This is where Sarah got some real insight. The staff who ran the car parks went out on to the streets and asked customers three questions:

   a. What matters to you when you park your car?

   b. How do we compare against what matters to you?

   c. How do our competitors compare against what matters to you?

Some clear trends came out.

The first was that customers wanted a safe place to park.

The second was that the car parks were a bit too expensive and that the money should be invested back into the city.

But these were only important to focus on if they could be supported by operations.

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Sarah now implemented the next of our principles:

**5. Operations should be congruent with, and be able to support, the organisational strategy.**

She worked with the head of the service to make sure that safety and efficiency remained strong core competencies and reduced the prices slightly. This became an obvious marketing strategy, but would not have been possible without the strong operational performance. In addition the business started to work building share in the business market as it was a growth sector.

You'll note that with hindsight the principles adopted by Martin and Sarah seem well… rather obvious. But common sense is not, I'm afraid, common practice. And though in Sarah's case she was building a strategy and in Martin's he was improving operational capability, during the design process they were both guided by another principle, one to support decision making:

**6. All decisions should start with leaders getting knowledge about the current situation and any decisions made should be tested against the following criteria:**

  a. Does the decision benefit the customer?

  b. Does the decision help to increase profit or reduce costs?

  c. Does the decision support staff engagement?

The principles discussed in this report are leadership principles. But you'll have noticed that I have also mentioned operating principles for use by front line staff to guide them when dealing with customers. It is worth spending a few moments to explain how these are built and link a common theme which is implicit in principle 6. In order to make decisions and design better operating principles the leader must have knowledge of how the work design affects the customer. In Vanguard we simply call this getting knowledge.

When Martin was building his operating principles in the bank he too started by understanding how the business works from the customers' perspective. From this he was able to build a set of de-facto operating principles, the unintended rules - what was actually happening on the ground - driven by management policy and behaviour. Most managers are shocked if they uncover the real and mostly undiscussed rules that govern their business. Recently we uncovered a set of rules at a call centre that horrified the management of the business. They included practices like:

  a. Stay in post-call wrap up activities for as long as you can, no point doing more than is necessary.

  b. Raid your colleagues queue when they are off, they may have some juicy leads.

  c. If you get a complaint caller, pretend your headset is broken and hang up.

  d. Pass all calls where you can't make money to other departments.

  e. Send difficult calls to the technical department even if you could find out the answer, don't try and answer them yourself.

Starting with this sort of knowledge of the current position makes it easy to design a new set of policies and processes that will help the customer.

At the bank Martin was able to put this principle into action when designing a new student loans process.  By studying the current system he saw instantly the unhelpful rule 'when the client calls early (a behaviour driven by the outbound letter), tell them to call back'.  He immediately changed the rule to 'when the customer calls renew their loan there and then'.  He's currently trying to change the system so that only those students that have defaulted have to call.  As he says himself, he wouldn't have seen it without first starting with knowledge.

In Sarah's case she started with seeking out a different sort of knowledge, knowledge of the market, but none the less it also led to some obvious decision making.  Of course good decisions supported with data always seem obvious in hindsight.

Let's go back to our survey and see how the leaders fared when it came to having knowledge of the work:

1.  I know in detail the main end to end customer journeys (and their problem areas) in my organisation.

    **Yes: 33%**
    **No: 67%**

2.  My boss can describe the real end to end customer journeys in my organisation.

    **Yes: 7%**
    **No: 93%**

3.  The senior executives in my organisation can describe even one actual end to end customer journey accurately.

    **Yes: 0%**
    **No: 100%**

4.  Are the rules of your current organisation explicit?

    **Yes: 19%**
    **No: 81%**

5.  Can front line staff describe those rules more as a set of underground rules?

    **Yes: 68%**
    **No: 32%**

6.  Could your manager describe the rules of the current system?

    **Yes: 15%**
    **No: 85%**

7.  Does your manager think in terms of managing the means (the rules) or is your organisation more about target setting and incentives?

    **Managing the rules: 38%**
    **Setting targets and incentives: 62%**

## Proper Principles for O2

Amy Keelan, a manager in the Platinum department at O2, always had an inkling that chasing the numbers was a futile exercise. As such she was never a fan of setting targets and using the incentives but like most managers was stuck for a better way.

Amy's goal was that she wanted to deliver such great service that the customer wouldn't need to call back, unless of course they wanted to buy another service or product. In short she wanted to turn off failure demand and make every transaction with the customer excellent.

And managing transactions are the key not just to better service and lower costs but to that elusive trust issue that was mentioned by the 'values' guru. Think about it – how else is a customer going to make a judgement on whether you keep your promises and deliver what you say on your tin other than when they interact with your business? So if you want to build trust you have to build a management system that causes and allows your people to do the right thing for the customer. Trust is an outcome of a great transaction – you don't just say to your staff 'go and build trust', they'd have no idea how to do it.

Like we did with Martin, we helped Amy to develop a new set of operating principles and help managers redefine their roles. And because she was now focusing on inputs rather than outputs not only did their results get better but they could accurately predict what their results would be.

As I said earlier, most mangers focus on outputs rather than inputs. It's like deciding you want to drop two stone in weight without taking a systematic approach to changing your diet and exercise regime. Instead you stand on the scales every week and hope for the best. Most managers sit in meetings every month taking the same approach and hope that they'll have improved.

What Amy was doing was much more of a scientific approach. In effect she, like Martin and Sarah, used her knowledge of the rules of the existing system to build a hypothesis that said 'If I change rule X to this rule Y, I should get this result'. This is the approach that pharmaceutical companies take when developing a new drug. The difficulty however is to think of the output as a result which can be tweaked by changing the input, rather than a success or failure which in many cases leads managers to implement a half-baked solution or return to a poorly designed system because it was slightly easier than the new way of working.

Amy was using this principle:

**7: Leaders should manage inputs, not outputs, and constantly formulate hypotheses for testing.**

According to Malcolm Gladwell, bestselling author and journalist for The New Yorker, Enron failed for lack of taking heed of this principle. In his article 'The Talent Myth', leaders at Enron liked to hire consultants as managers because they were bright. And they in turn made and stuck to decisions because they knew they were bright, but they lacked knowledge about the workings of the business. It is well documented that many of those decisions were directly culpable in the demise of the business. So rather than using knowledge to make and test hypotheses they sat in rooms and made policy. Amy doesn't do that any-more, now she uses data to formulate ideas, test them and then change the hypothesis and test it again. It's a never-ending cycle of improvement.

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Another principle that Amy and Martin took to heart was:

> **8. Measures should pass the test of a good measure, i.e. they should help managers understand and improve performance and all measures should be visual, show trends, variation and be in the hands of the team.**

This means that measures should help managers formulate, test and re-formulate their hypothesis. As Martin explains, *"before I had new useful measures I used to get my measures every week as averages and as variances from a target. All they told me was how far I was from the target. They didn't show trends or the variation in the team's performance and worse, the measures caused me to assume that the problem was my people rather than the system"*. Paul, his boss, helped him to build a different set of measures that started by measuring inputs and showed trends and variation. As a result he was soon able to pinpoint problems and take actions that fixed issues quickly.

For example Paul and Martin worked together to get data on the top types of failure demand into the business. Now rather than trying to solve hundreds of symptoms Paul was able to work on the biggest core problems in his operation. And because their focus was now on the system, and they used visual data that was out in the open with a focus on inputs rather than outputs, Amy, Martin, Paul and Sarah all report that principle 9 became natural to implement…

> **9: The culture should allow staff to speak up without fear and lead staff to constantly test new ways of working.**

In a sense this principle is almost a repeat of principle 7, but the difference is that if you truly want to succeed in changing your organisation, you have to have a culture where people can be free to tell the truth. In his book, Good to Great, author Jim Collins talks about the traits of companies who have gone from just ok to top performers. He states that 'embracing the brutal truth' is essential for growth and involves uncovering and facing up to what's really going on in an organisation without staff fearing any form of retribution. Can you say this is the case for your organisation? What would happen for example if staff were to share that they were cheating to hit their targets? Would you say 'hmm that's interesting, that must be because of an organisational policy I put in place', or would you, like those at Colchester Hospital, instigate a criminal investigation?

To fully embrace these principles you have to live principle number 9, because it underpins everything. Martin could not have changed his way of working if he didn't feel that he would have been supported by his manager. Amy could not have instituted a new focus on inputs rather than outputs if she felt that if she could not test her hypothesis without fear of criticism from her manager. And Sarah could not have built and tested a new strategy if, as is regrettably common in the public sector, the modus operandi was to malign failure.

And what about Amy's results in the O2 call centre?  They ran an experiment with 2 teams picking up incoming calls; one team was operating their standard way of working, the other using systems thinking principles.  Customers were surveyed after their calls and I think you'll agree the differences are impressive:

| | July Systems Thinking Team Results | July Non-Systems Thinking Team Results | August Systems Thinking Team Results | August Non-Systems Thinking Team Results |
|---|---|---|---|---|
| **Overall Customer Satisfaction** | **90%** | 81% | **86%** | 78% |
| **Warm and Friendly** | **90%** | 83% | **85%** | 79% |
| **Listened and Understood** | **89%** | 79% | **84%** | 78% |

They also ran a comparison of other metrics (*post Systems Thinking results taken in Aug 2013*):

- Percentage of calls completed to the customer's satisfaction in one stop (sorted on the spot without need for multiple contacts or passing around departments)

    At time of original assessment: 61%

    Post Systems Thinking: 71%

    **A 16% Increase**

- Percentage of calls that delivered value for the customer (met or exceeded their requirements)

    At time of original assessment: 75%

    Post Systems Thinking: 91%

    **A 21% Increase**

- Percentage of calls that were Value Demand (calls that were matched the purpose of the department and were not created by a result of a failure somewhere in the company to do something, or do it right, for the customer)

    At time of original assessment: 22%

    Post Systems Thinking: 40%

    **An 82% Increase**

- Percentage of calls that operators passed back to other departments because they couldn't deal with them.

    At time of original assessment: 10%

    Post Systems Thinking: 3%

    **A 70% Reduction**

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**Success stories:**

At the start of the Systems Thinking assessment the top failure demand call type was '*I have paid my bill and would like to have the bars removed'*.

This represented 7% of failure demand and 5.4% of total demand

Today this demand represents 1.34% of failure demand and just 0.86% of total demand.

And some comments from customers:

- *"The advisor was friendly, attentive, and knowledgeable.  I felt valued as a customer and that she genuinely wanted to give me the best advice for my needs."*

- *"The lady was very helpful. She explained everything to me and made it all very clear. It was a pleasure dealing with her."*

- *"The advisor was really kind and helpful, she helped me too much, and she gave me a call today one more time to asked if my problem is resolved."*

- *"The lady I spoke to was friendly, understood and answered the question I had clearly, provided an explanation within seconds and fixed my problem within the 12 hours specified. She even sent me a follow-up email with instructions on how I can do a manual fix in the interim (though I didn't ask for this)."*

Again we asked those who took our survey to rate their bosses against the use of these principles and as you can see below, once again they didn't do so well.

1.  Does your manager regularly set, test and measure new hypotheses?

> **Yes: 5%**
> **No: 95%**

## Value Driven Organisations

I started this report with a criticism of value based leadership which is in my opinion too vague.  My problem being that, without principles being connected to the work, general values can cause a leader to simply do the wrong thing righter.  For example using the original set of principles Martin might have carried on setting targets but simply have been 'more bold' in the size of the target. Or Amy might have simply had more meetings to make her team leaders more 'accountable' for getting their end of month results.

What about intentionality and change?  Sarah, Martin and Amy all *intended* to make change but without real knowledge of the work and data they might have ended up back in a room brainstorming rather than letting the answers come from the work itself.  My point is this: trying to establish a general set of values in an organisation without giving them context and meaning from the work is a bit like having a mobile phone on a desert island with no network – it's useless unless it's connected to something.

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But there is a way to have your cake and eat it.   If you connect the higher values through the leadership principles which are rooted in the work, then you can use words like integrity and have them mean something.  There can be integrity around the use of data and measurement, like Sarah did with the market data.  Responsiveness can suddenly be measured in a quantitative way by using control charts and capturing variation, much like Martin did when he was able to measure adherence to the work based operating principles.  You could also be bold around your solutions to problems in the same way that Martin proposed changes to the student overdraft process.

Change is given power by getting knowledge about the current situation before making change decisions.  And once you've decided to test a hypothesis and measure the outcome you have little option but to be accountable.  Hence when a commentator says *"the Co-op must build trust with their customers now"*, through the leadership principles, there is a method for doing it.

In conclusion I'm arguing not that values are bad things, but that they must be given greater context through specific leadership principles that are A) connected to the work and B) guide specific behaviour that improves transactions for customers, enhances work design for staff and ultimately effects bottom line outcomes.  The way therefore to think about the values is that they underpin the leadership principles i.e. they play a supporting role in managing a business rather than a leading role.

But alas even in a supporting role not all values are easy to emulate.  How for example do you lead an organisation with grace?  I have no idea.

Answers on a postcard…

## How to Use This Report

The purpose of this report is to help give you direction should you wish to become a better leader and make real change in your organisation. Here's what I'd do next if I were you:

On the next page I've listed a checklist of the leadership principles discussed in this report. Why not print off a copy and keep them beside you at meetings, when you're making decisions, designing presentations or writing reports etc. As you're working use the principles to help guide you or reflect at the end of the day as to how many of the principles you used or maybe when you should have used one but didn't.

We use these principles as the foundation of our work with leaders in organisations; they form the basis of action learning - education when we are coaching leaders on how to deliver better inputs so that service, morale, cost and competitive advantage are all improved. Below are some links to give you information on how to get started on *your* journey of change. We'd love to help and be part of that journey with you.
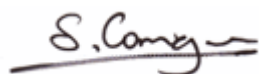
The first link is our brochure of services, it covers some of our training and consulting offers.
http://www.systemsthinkingmethod.com/downloads/vanguardbrochureweb.pdf

The second link will take you to our diagnostic brochure which explains how we'd help you over a three day period make better judgements on how to transform your organisation.
http://www.systemsthinkingmethod.com/downloads/diagnostics.pdf

Finally, if you would like to contact us about helping your organisation you can drop us a line at office@vanguardscotland.co.uk or call us on 0131 440 2600.

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**Managing Director**
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# Vanguard's
# Leadership Principles

| | Check? |
|---|---|
| 1. **Each department should have a clear statement of purpose from the customers' perspective, and operating principles that guide behaviour should be aligned to that purpose.** | |
| 2. **Staff and management should be working to a set of operating principles that support the purpose.** | |
| 3. **Leaders must turn up in the work regularly to confirm that the principles are being used and if not - address the causes of failure.** | |
| 4. **All problems should be prioritised and then worked though until their root cause is identified and a solution put in place.** | |
| 5. **Operations should be congruent with, and be able to support, the organisational strategy.** | |
| 6. **All decisions should start with leaders getting knowledge about the current situation and any decisions made should be tested against the following criteria:**<br><br>   a. **Does the decision benefit the customer?**<br><br>   b. **Does the decision help to increase profit or reduce costs?**<br><br>   c. **Does the decision support staff engagement?** | |
| 7. **Leaders should manage inputs, not outputs, and constantly formulate hypotheses for testing.** | |
| 8. **Measures should pass the test of a good measure, i.e. they should help managers understand and improve performance and all measures should be visual, show trends, variation and be in the hands of the team.** | |
| 9. **The culture should allow staff to speak up without fear and lead staff to constantly test new ways of working.** | |

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