Pearson New International Edition

Level Three Leadership
Getting Below the Surface

James G. Clawson

Fifth Edition

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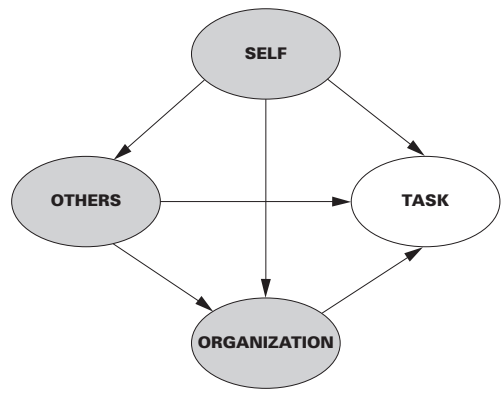
PERSONAL, WORKGROUP, AND ORGANIZATIONAL CHARTERS



Mission statement work is the single most important work because the decisions made there affect all other decisions.

—Stephen Covey

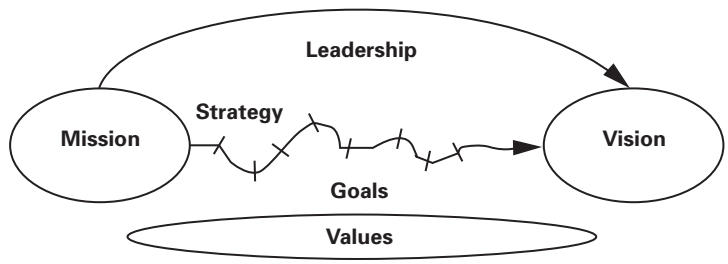
Leaders involved in strategic discussions often get confused by the strategic language. They begin to use *strategy*, *vision*, *mission*, *business*, *values*, and other related terms loosely or interchangeably, which can lead to miscommunication and misdirection. The range of strategic frameworks surely contributes to this confusion. One way you can begin to distill your personal summary of these frameworks and then develop your strategic thinking skills is to work through personal, workgroup, and organizational *charters.*

CHARTERS

Charters in the colonial era were documents that outlined the purpose, scope, and range of authority for a particular expedition. These details included geographic definitions, goals, expected outcomes, and certain powers delegated for implementation. Similarly, we can consider an organizational charter as a set of documents that outlines the present and future intentions of the organizational expedition. Organizational charters, as shown in Figure 1, include six distinct and sequential parts:

1. Mission statement
2. Vision statement
3. Values statement
4. Strategy
5. Short-term operating goals
6. Leadership that defines these parts

Most American companies seem to spend most of their time and energy attending to and working on operating goals. In fact, one senior executive told employees that the company's "strategy" for the next six months was to curtail sales costs. Another executive of a major firm told managers from around the company that their business was to make the stock price of the firm rise to a certain figure by the end of the year and that if they didn't, the senior executives wouldn't get their year-end bonuses, so they needed to get their rears in gear. These examples show the apparent nature and sum of their strategic thinking. Although concern for profitability and stock performance on a quarterly basis are important, Collins and Porras[1] and others assert that focusing on these measures to the exclusion of customer service and value delivered undermines the long-term viability of a firm and can actually harm the company by encouraging people to make decisions and take actions that hurt customer relationships and eventually profitability.[2] Other more strategically oriented CEOs will note that giving in slavishly to the



1. Mission statement
2. Vision statement
3. Values statement
4. Strategy
5. Operating goals and milestones
6. Leadership

FIGURE 1 The structure of charters

[1] James C. Collins and Jerry I. Porras, *Built to Last* (New York: HarperBusiness, 1994).
[2] Robert S. Kaplan and David P. Norton, "The Balanced Scorecard—Measures That Drive Performance," *Harvard Business Review*, February 1, 2000, 92105.

analysts' pressure is tantamount to yielding management to them. The challenge for effective leadership is to clarify the organization's purpose and vision and to do so in a compelling, even inspiring way.

This focus is a relatively new phenomenon. Most of management research and effort during the nineteenth and twentieth centuries was directed at Level One, visible behavior. Job descriptions and other features of the bureaucratic management paradigm were directed at controlling the behavior of employees regardless of their thoughts and feelings. Henry Ford, for example, once declared in exasperation, "I keep trying to hire a pair of hands and they keep coming with heads and bodies attached!" The new, emerging organizational forms, however, which seek to create high-performing workplaces, are increasingly and appropriately targeted at Levels Two and Three. Today's managers realize that they need to get employees' minds and hearts, as well as their bodies, engaged in their work if the organization is going to compete successfully.

Level Three Leadership begins with what we may call an organizational charter. As presented here, organizational charters are composed of a mission statement, a vision statement, a values statement (all of which are Level Three statements), a strategy, and short-term operating goals. Each of these elements is unique and serves a different purpose. Many organizations either confuse these terms or don't use these statements as the powerful leadership tools they can be. Furthermore, many organizations focus almost exclusively on the short-term goals. When they do, Level Three opportunities to inspire employees are lost, and the leadership retreats to a Level One influence structure.

One may also consider personal charters and work-group charters. In other words, if you cannot write down your personal charter, how can you expect to do so for your work group or your organization? In fact, based on the example of the Matsushita Leadership Institute, unless you can put your personal charter on paper, succinctly and powerfully, you're not really prepared for leading others. To begin this process, complete the exercise and worksheet "My Personal Charter," in Workbook, to help you.

MISSION

The mission statement comes first because it defines what the organization will and will not do: the organization's reason for existence. Organizations, work groups, or people don't require a mission statement to exist. Some even argue that mission statements can get in the way of doing business.[3] Many executives were, at one time, pushed through a mission statement process that left them skeptical and vehemently opposed to this approach. These people generally have a difficult time answering the question as to why their people go to work. Further, they leave large amounts of untapped energy latent in their organizations. Perhaps their conclusion stems from an expensive organizational process in which a committee with subcommittees grinds for months and comes up with the following statement: our mission is to deliver world-class goods and services which delight our customers beyond their expectations while giving our investors an above-industry-average return on their investments. Statements like these may be true at some high level, but are vanilla, nondistinctive, and unmotivating.

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[3] Barbara Bartkus, Myron Glassman, and R. Bruce McAfee, "Mission Statements: Are They Smoke and Mirrors?" *Business Horizons*, November–December (2000): 23.

A *mission statement* is a concise declaration of the reason for the organization's existence and of the kind of activity the organization will pursue. This statement helps to concentrate the efforts of organizational members and helps preclude attention from other activities and enterprises. Effective mission statements are action oriented and revolve around a core that offers something to customers rather than something that primarily benefits the organization.

"To Make Money," You Idiot: Causal Mapping

When asked about the mission of their company, many managers today reply, "To make money!" and then look at you as if it's a dumb question. The problem with this kind of thinking is that it encourages Level One behavior that undermines itself. Here's how. Consider a simple causal map like the one shown in Figure 2. You can see that many things on the map contribute to profitability, but the two immediate contributors are revenues and costs. Each of the nodes no doubt involves other inputs and outputs. The simple ones, the + and − signs on each relationship, show whether the previous causal node adds to or detracts from the next node. An increase in price, for example, likely has a negative effect on customer satisfaction (although among certain upper-end segments, the opposite is true).

Each of us carries implicit causal maps that explain our view of how the world operates. We may or may not be able to articulate them or write them down. Sometimes, we use these semiconscious or preconscious mental causal maps (that reside at Level Three) without questioning their validity or impact. The first step in using them effectively, and perhaps in modifying them, is to make them explicit so we can examine them at Level Two. This step amounts to bringing Level Three VABEs (values, assumptions, beliefs, and expectations) up to Level Two conscious awareness. Once individuals know clearly what they believe about what will affect profitability (or anything else), they can begin to plan interventions at various places on the map that could have strategic impact.

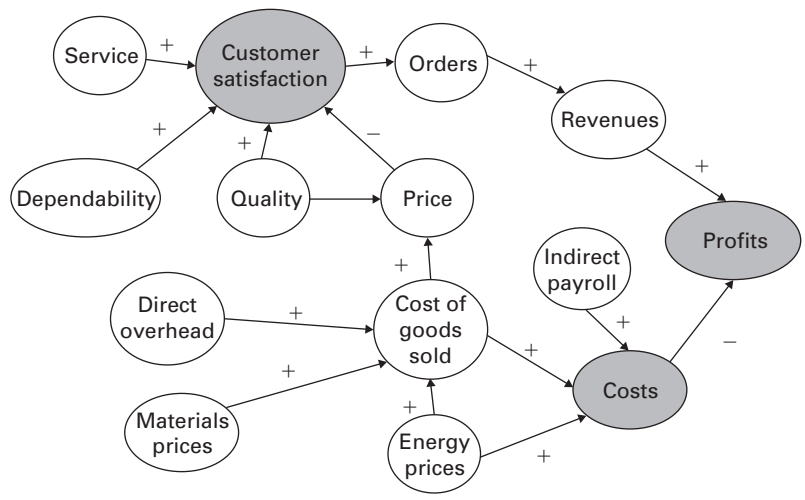

FIGURE 2 Causal maps and profitability

A critical issue is where individuals choose to focus their attention on their causal map. *Focus* here is like putting a spotlight on different relationships on the map, thus highlighting one area while leaving the other areas on the map in the shadow. We do this same type of focusing naturally all the time with our implicit causal maps of how the world, our relationships, or our businesses operate. Again, this prioritization is a Level Three phenomenon, a manifestation of our values. Our decisions about where to focus our attention are critical to our ability to find and solve problems and to make strategic interventions. When we shine our mental spotlight on a part of our causal map, we begin "attending" to certain parts or processes of the organization rather than to others. This attention shapes what "we see that needs to be done," the first step in the Leadership Point of View (LPV). This focusing of attention is a key leadership activity—and, in fact, central to purpose clarification.

When the *primary* and relatively *exclusive* focus or spotlight is on profits, employees are encouraged to do things that may not be good, paradoxically, for profitability. For instance, in one $600-million firm, employees were so focused on profits and meeting their targets, period by period, that they began to ship next month's orders to customers in order to include them in the current month's accounting figures. They began to postpone training and maintenance activities and to eliminate time spent dealing with customer complaints and inquiries in order to focus more time on the efficiency of their design and production processes. One month, after several years of this behavior, their orders suddenly dropped by almost 50 percent. Panicking, they called their major customer, a distribution firm, and learned after several conversations that they had shipped so much finished product to the distributor's warehouses under their old operating guidelines that the distributor simply couldn't carry any more of "your finished goods inventory" and couldn't sell any more. Oblivious to what was happening among end users and insensitive to the realities faced by its distributors, this producer had focused its attention on its sales at the next link in the value chain to the exclusion of subsequent links. The firm faced the cataclysmic realization that focusing on short-term profits severely eroded the firm's ability to stay in business. This classic example shows a de facto mission statement that revolved around making money and hitting the "numbers" rather than serving customers.

A more productive approach is to look back in the causal chain map to the Customer Satisfaction node. You can see in Figure 2 that this node is somewhat removed from the Profits node, and yet its impact on Profits has a direct line. Turning our spotlight here does not ignore the importance of profitability, but it does put it in a larger context and in a different light. If we attend more to the Customer Satisfaction node, we can begin to think energetically about "which customers?" and "what do they want?" Although profit is, in this light, no longer the *central* reason for existence (mission) of the organization, profitability becomes a predictable and stable by-product of the attention given to customer satisfaction.

Of course, one doesn't ignore cost structures, either. The point is that *where you focus in your implicit mental causal map makes a huge difference.* If you focus on Profits exclusively, you are likely overlooking large amounts of energy in your organization that could otherwise be directed, ironically, at making profits. The Level Three message to employees when management says, "The purpose of the business is to make money," is "Your work here is to make other people wealthy." It is not a motivating value. On the other hand, with a mission statement presented in terms of how the organization will serve customers, leaders and employees can begin to join in a common purpose of sorting out how to fulfill the mission, and organizing to accomplish it.

We call this kind of mission statement a *service-oriented mission statement.* This way of thinking about and presenting the organization's mission is intrinsically uplifting and energizing. Most people feel larger when they are part of a morally powerful and serving purpose. "Service

to customers" takes an outward focus that speaks to an employee's sense of contribution and draws on his or her sense of connection to society. "Making money" as a core mission creates an inward focus and attends to what the organization can take from society and will in the long run be a less powerful motivator.

When the mission of an organization is morally focused and clearly understood and people are committed to it, they may make decisions that seem, in the short run, to erode profits. Compared with our earlier example, this different focal point in the business's causal map may lead to postponing shipments rather than accelerating them in order to meet customer needs or to acceleration of training and maintenance activities so that customer needs can be met more quickly and with higher quality in the future. This approach may also lead to a greater propensity to listen to people who are in active conversation with the customer, people who may not have organizational status or power, but who in reality possess the information the organization needs to meet customer needs. This trend is observable in many high-performing service organizations throughout the world today.

This approach suggests that a mission statement should identify a customer group, which is different from focusing on a product area. If, for instance, at the beginning of the twentieth century, you had focused on a product grouping, say, "carriage accelerators" as your (overly narrow) definition of your industry, you might have continued to see your mission as building buggy whips, but have missed the market's encouragement to do research and development on new types of transportation, like automobiles. If you had focused on serving people who wanted to travel independently, automobile research would have easily fit into your mission and your thinking. The mind-sets that would-be leaders bring to their efforts to establish mission statements either allow them to respond to changes around them or inhibit their ability to see what they need to attend to. Going back to the LPV, your statement of mission for yourself, your work group, or your organization will be a powerful indicator of what you "see."

A good mission statement declares what your organization intends to do, and for whom. The actual organization will vary from person to person. For conglomerates, each division needs a mission statement that defines these foci. Likewise, each department can articulate a mission statement that helps employees understand *why* they come to work each day.

Conceiving a good mission statement is not an easy thing. Perhaps you have seen corporate mission statements laminated in plastic and distributed to all employees. It's a sure sign of the lack of power of the statement if you ask employees, what's the mission of your company? and they have to fish in their wallets for the card. Good mission statements are powerful, crisp, memorable, and easy to connect with. Writing them is more than stringing together trite clichés like "world-class," "provider," "customer-oriented," and "balanced returns to all our constituencies." If you'd like to see a whole volume of mission statements to compare and get some examples, read *The Mission Statement Book* by Jeffrey Abrahams.[4] Note, however, that the challenge of effective leadership is to *define* these things. Who will clarify the purpose or the center of the organization if not the leader?

What is your mission or purpose in life?

Consider the following examples. The mission of the Commonwealth of Virginia Department of Transportation (VDOT) was to get thousands of people spread all over the state in a variety of roles, including administration, painting stripes, laying asphalt, putting up traffic signals and signs, and doing research on roadways, to have a common purpose when they go

[4] Jeffrey Abrahams, *The Mission Statement Book* (Berkeley, CA: Ten Speed Press, 1995).