Andrew: Hello and welcome to Soundview Live, an interactive conversation that puts you in touch with today’s top business authors. My name is Andrew Clancy senior editor for Soundview and I will be your host for today’s event. Before we introduce today’s guest I’m going to remind everyone that our best events that you the audience submit. The submitted question for our guest today go to the chat function on your player it should appear on your lower left hand [IB] you select private then select leaders and assistants and if you type your question into the box that appears you can click the arrow to send us your question our event today is scheduled to run for 60 minutes. So, I advice you to submit your question throughout the course of the event. If you wait until the end of the program to ask your question we may not have time to answer it.

Also we frequently receive questions from the audience about the availability of the slides from the presentation. The slides from today’s presentation will be made available to you LM three to five business days with a link five along with some bonus materials that will compliment what you learn in today’s event. Now, for today’s guest as he and his co-author Colin Price point out in their book ‘Beyond Performance’ evidence shows that only a third of organizations that achieve excellence are able to maintain it over decades, even fewer managed to implement successful transformation programs. To put it in another way there are some companies that currently dominate the business landscape who will vanish within 20 years. Our guest is here to help your company beat those odds. He is a director in the southern California office that leaves its transformational change practice on the Americas. Soundview is very pleased to welcome the co-author of ‘Beyond Performance’ Mr. Scott Keller, Scott welcome to Soundview Live.

Scott: Thank you very much Andrew and happy holidays to everyone out there and thank you everyone for joining. I’m going to go ahead and take us through in about 15 minutes and leave time at the end for questions. The answer to exactly the question that Andrew posed which is how do you and as a leader and how does your company, and it’s true you’re able to make change happen at a rate that outpaces the competition and even keeping with the changes in your environment. To get into that I’m going to ask that we advance to the next slides. Topic for cover today first, I’m going to set up a little bit of where the thought came from, why the thought matters.

Second, I’m going to talk about the big idea something that you can take away as a concept to say well, that’s something I learnt that’s helpful to
me as a leader. Third we are going to dive into that big idea and get a little more specific, a little more refined in terms of how we think about that and how it can apply to your business. Four we are going to talk about very specifically how do you make it happen exactly so, what are the practical tools and tips that can help you. Then finally we will close on just a couple of examples of how to show the versatility of where these types of approaches can be applied, so with that said let’s go ahead in the next slide please.

The first point to make in terms of why the thought matters this is a Chinese proverb that I believe a number of management thinkers put their name on the bottom of this as far as we can tell it goes back to ancient times this course of division without action its mealy a dream, action without vision it’s merely passes the time and vision with action can change the world and the topic covered in Beyond Performance simply is, is in sync with that last statement; vision with action can change the world. The questions we are looking to answer and we are looking to give you some practical tools through the book and through this webcast is how do you connect vision to action in large organizations? How do you enable mindset and behavior change to happen at the scale in your organization working towards a vision and we believe that’s an important topic for leaders of teams, for leaders of business units, leaders of organizations we also see it as an important topic for society broadly. Given if you think about all the things happening in the world today, there is a number of things where if we don’t get it right, if we don’t get the change we need we will all be quite disappointed and so this is, the first point is this is an important topic we believe. It’s what has driven us to put the time and energy into the research that we have done. The next slide please.

The second point to make and this is eluded to and what Andrew mentioned is we actually are not very good at connecting vision to action, at making change happen and many of you out there, the fact that you’re tuning into this webcast means that you’re probably an average consumer of good business thinking, a reader someone who stays on top of the latest thinking in your field. So, many of you will be familiar with John Carter is one of the great [IB] in the field of change management and certainly our work has [moved] upon the shoulders of his great work.

John Carter in 1995 wrote one of the seminal books on change management it’s called well, the article he wrote was Why Change Programs Fail and the book was called Leading Change. In this book John Carter did a very large study of organizations particularly what percentage of change programs succeed and in 1995 he found a scene on the spot on
the top left hand corner. He found 30% of change programs succeed. The same research was replicated in the year 2000 and in fact as you can see on the page, the same percentage of change program were succeeding. Again in 2005 and then again McKenzie and company did the same research again in 2010 and what you can see here is the trend that says when it comes to connecting visions to actions making change happen they are not really getting better as leaders in the workplace which is troubling in particular given that you know on the back of John Carter’s book which is the best seller a number of business schools put in courses on change management and a number of writers started to write a field of change management is of polluting every amount of articles available.

So, for us this is deeply troubling here you have a very important topic, you have a topic that…One in a lot of good things out there doesn’t feel like it’s making a difference in practice and our goal is to answer the question on the followings slide if we move to that. To take Einstein’s quote is insanity is doing the same thing and expecting a different result, you know our goal is, is there anything we can offer to leaders that they can do differently that beats the odds and they are also fascinating in that well, 30% of change programs succeed today the same way they did 15 years ago when the first real studies were done in the area really credible studies, we can also look at other indicators of how good are we at making change happen and how good are organizations and so this is [IB].

If you take another great book In Search of Excellence I believe it’s the biggest selling business book of all time written in 1982 at Peters and Waterman. That book looked at 43 US companies to draw the conclusions and if you look at other great books like Built to Last Jim Collins, he looked at 18 companies to draw his conclusions and if you look today at where those companies are, what you find is just over 30%. I see 33% of the companies would still be considered high performing in their industry top [IB] high performance, you see the 46% of them will be considered struggling so they [need] below average performance for their industry and you would see that the rest of them are not in existence anymore.

And so again we really wanted to do our best to build almost there but to answer this question what are we missing what could it be that we haven’t got to yet and that led us to the next slide please which is it shows the research that we have done in putting together Beyond Performance and we have the great benefit of being able to work through McKenzie which is a global organization and such as many leading institutions around the world. So, we were able to go beyond what most management researchers, management thinkers can do in terms of research, so what your going to
see today can give you a sense it’s based on working with over 500 organizations pulling over 600,000 employees from other organizations over the period of 10 years while at the same time very specific feedback given from 6,800 CEOs, senior executives and set up our particular survey based I won’t bore you with all the numbers on the side by working directly with the number of CEOs in face to face interactions quarterly, a number of articles and books that we again wanted to build on the best of what was before us. What we have come up with is we are not going to be so bold as to say that we have that perfect answer but we do believe we have something that is better than what we have had in the past in terms of the tools available for managers and we also have the research based behind it, that show factually the impact it can have and is having. So, with that said hopefully I wet your appetites for… this is an important topic; actually a really hard one to get right and there is something new to offer to you and I hope at this point you are thinking alright well share with me what is it that’s new, let’s get into it, so if we go to the next slide.

Now we’re going to get into you know what we call the big idea. What is it if organizations and leaders want to master the ability to make change happen at a rate that [IB] competition, what is the big idea that we’ve been missing? Or that those leaders can use to help them. Next slide please. So, the big idea in a nutshell is what we call performance and health. What this means is that leadership successfully sustain high performance over time meaning they are able to change at the rate that outpaces the competition and outpaces the demands of their external environment. They tend to have one thing in common, and that is they put equal emphasis and that’s where the new word in the phrase performance and health is the most important and [equal remember the] word meaning [end]. So, an equal emphasis on performance and health. Now, what do we mean by performance? Performances are… what we mean by that is those things that drive the financial and operational outcomes you are looking for for your business. That might be in that operating profit like [PRS] operating cost, whatever [all the right] indicators of financial and operational performance for your business, chances are you think a lot about how do I keep improving those. What am I doing to increase sales force effectiveness, what am I doing to get my pricing right? What I my doing to get my supply chain as efficient and effective as possible? What am I doing to keep costs down? Those are all the kind of things that managers keep in mind on the performance side. On the health side, it’s quite a very different thing that equally is important and we’ll see why in a minute. What we…
Andrew: God I’m sorry, if we could just [IB] for one second…it’s, a segment of the audience are experiencing audio issues, would you mind taking off your head set and mic just slightly?

Scott: Tell you what? Headset gone, is that better?

Andrew: Much better. Thank you sir.

Scott: Okay. I apologize to the audience that was having those issues. In a nutshell incase you missed a lot of what was said, what we’ve done is that we have just previewed number one, it’s a really important topic in terms of how to stay a head of the competition and change at rate needed to do that. Number two; Leadership in general isn’t actually very good at that when you look at numbers and the facts on that and number three; what we are wanting to contribute into the world at large is based on a set of research that we believe anyway is our largest research effort in human history in this field. And now we are in to kind of [war], so what does the research say? What is there that is helpful? And that’s how we got on to this side which is kind of a big idea of our work is this idea that leaders who are able to sustain high performance over time, what they do that’s unique to them is that they put an equal emphasis on performance and on health. And I’ve just described what we means by performance those things that drive financial and operational outcomes, so it might be pricing sales force effectiveness, overhead cost production, lean production [IB] in the frontline, whatever it might be, 50% roughly of leaders time in organizations that sustain over the long term is put into that side of the equation and 50% is put into this other side of the equation which we represent graphically by the apple on this slide and what that is, we call it the health of the organization. That’s the ability of an organization to align, execute and renew itself to sustain performance overtime.

So, one analogy to draw out of this assuming I’m talking to mostly business executives who again by virtue that you are on…this call means that you are interested in improving and quite committed to what you do, after analogy would be someone in the work place who is completely driven to succeed, who always wants to make sure the next presentation goes well,, the next quarter’s results go well, nail everything that they are working on. Now, if they don’t attend to their own health they will burn out, the amount of stress, the lack of sleep, it will ultimately take it’s toll and over the long term in their career that person will not necessarily succeed verses the person who does both. They look after the performance on the things that matter and at the same time they attend to their health.
“How to Achieve & Sustain Organizational Excellence”
Presented by Scott Keller

So, this idea of organizational health has quite an analogy to human health and we’ll talk a little more about that as we go through this but just to bring this to life in terms of the quantitative reason you should believe so to speak this idea that performance and health matter in equal measure. We’ve got here if we go to the next slide, just some of the data, the first piece of data is just when you dig in to why these transformation efforts fail when they fail, it turns out that the vast majority fail due to what we would consider organizational health factors; factors that fall in to that bucket of alignment, executioners and renewal and whether you can do that. And so, in this example it’s mentioned behavior does not support the change [IB] resistance to change. So, health is at the heart of stopping change programs from being a successful as leaders want them to be. Next slide please.

This next set of data just shows...you know with over 600,000 data plants that we have in relation to organizational health and we’ll talk more about specifically what is health in the next section. But we have a huge amount of data that we can run against real performance measures. So, as part of our research we took nineteen performance measures that can generally be compared to [cosmos] industries, things like [IB] Margin, growth in value to book, growth in net income to sales et cetera either just three of the 19, but in all cases when we correlated performance to health. What we found is companies who are healthy, who are able to align and execute and renew in the way we described. They tend to be twice as higher performing, have twice their performance of those companies who are average in terms of health. So, what this means though lots of people we’ve [IB] like this and say well that’s interesting but are the companies healthy because they’re high performing or they are high performing because they are healthy? Is there a causality versus just a co-relation?

So, the next slides tells us a bit more about the causality here and because we had 10 years roughly invested in a research that we were able to do this, we were able to set up a number of situations where we could test the longitudinal impact of whether taking...the approaches we’ll show you later in this webcast, really do have a [causal] impact on performance and so what you see here is example of five of those examples. I’ll just take one just to have people know how this works, essentially I’ll give the retail banking example here. We took a set of branches with very similar demographics, similar balances, similar customer profile, similar in play profile and we split them into two and we used one group as a control group and one group as an experimental group.
What we had agreed with these organizations is we would spent two years in one organization and one group the control group we would do the kind of the traditional change management approach which is typically quite performance happy. It doesn’t use all the tools available on health. And then in the other experimental group we would apply all the health tools as well and really treat it as an equal performance and health initiative. And you can see here the kind of results that come out. So, whether it is in business thinking where you’ve seen that top column that had an 8% improvement doing the traditional approach which is good and I think most of people will be quite happy with that, that would have counted as a failed of program because the target there was 10% but still an 8% improvement is better than no improvement. That said using the performance and health approach, we found 19% improvement. So, that was better obviously and leaders were happier with that.

This is Coal Mining in South Africa LongWall Underground Mining is the second example. And here they actually had a successful change program, 15% increase in tonnage coming out of the mines. That’s said when we did with the performance and health approach, we saw a 25% increase. Again you would be happier with that and this is again over a two year period so not just a pilot for three months measure it and risk the [IB] effect et cetera. So, we show you these numbers just to give you a sense that we feel very confident that we have some ideas that will be helpful to you to drive performance over the long term and sustain performance over the long term, to connect vision to action and the research that has been done or the science behind that I guess has been put there, so you can trust that it will work for you.

So let’s move in to then what do we really mean if we go to the next line. What do we really mean by Organizational Health? Thus far I have described it as an organization’s ability to align, execute and renew itself so that they can sustain high performance overtime relative to its industry and its peers. So, we can dig deeper into this though because looking into the research that was done before us and doing our own research, if we go to the next slide we see a much more refined definition of what do we mean by health, what are the factors that matter that as we saw before clearly linked ultimately to long term performance? So, what we do is we break down the three alignment execution and renewal concepts into various components and again the beyond performance book has a chapter which give the detailed research behind these if people are interested in that... Most people are more interested just in tell me the answer or the punch and so here it is.
“How to Achieve & Sustain Organizational Excellence”
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You can see that we see alignment has three dimensions direction, leadership, culture and climate. Execution has four dimensions and leadership is at the center of it so in some way it’s five, leadership is part of all of these so accountability, coordination and control, motivation capability and leadership renewal is about external orientation and leadership innovation and learning. What we are doing here is by being able to break down health into a more specific and rigorous definition, we are able to start to measure it. We are able to x-ray an organization so to speak to say how healthy are you the equivalent of going to the doctor and getting your blood pressure checked and your heart rate and whatever it may be.

So, these nine elements if we go to the next slide, now this slide didn’t come through as you can tell with the, in the translation on to the webcast but this will be available to you, it’s also available in the book and this provides kind of a very easy way to quickly assess your organization on the nine dimensions. It says in terms of each of these nine dimensions of health, where would I be? Where would my organization be? Am I ailing? Am I able or elite, those are the phrases we use. We’ll talk more about this definition later so given the [mercy]ness of this slide let’s go ahead and move on from that one. So at this point, I hope you have a sense of, okay important topic it’s hard there’s you know on assumption there is something new here and what is that something new? It’s this big idea that performance and health should be managed with equal rigor, we’ve got a little bit more about what health means these nine dimensions that you can actually measure, start to get an x-ray of a company and work with. So, how do you really use that? How do you make that practical in organizational life? That’s where we are going to go to now and that’s where the bulk of our time was spent was this small practical side of things. So, let’s go to the next slide.

So, the first thing is when we once leaders we were working with and we had a clear definition of health, we did ask them once they appreciated what we mean by health, what area do they wish they had more insights in? Is it managing the performance side how do I you know what are the types of business initiative I need to take to get my numbers up so to speak or is it the health side of things? How do I create an organization that is able to align quickly, execute this little friction in the system and renew itself to be able to continue to improve over time? By and large leaders told us health, health is the hardest. If you can add something into the world of how to manage the health side of the equation in a way that’s equally as rigorous as the way we know how to manage the performance side of the equation that would be really helpful. So, we talk both about
performance and health in...beyond performance book. We talk more about the health side because that’s where there is more of a need to flush out the management tool kit.

In this presentation I’m going to focus given time just on the health side but again just referencing there is a set of tools on the performance side too if someone wants to dig into those. So, let’s go ahead and move to the next slide please. So, our answer to how do you actually go about managing performance and health with equal rigor before getting into that we do want to share with you another Einstein quote to set the tone which is everything should be made as simple as possible but no simpler. We’ve done our best to abide by this in putting together the framework and approach that we are going to share, what it’s not and before showing the framework it’s important to say what it’s not is it’s not if you follow these five principles, you will be successful because change is just harder, more complex, more difficult than that. It’s also not a you know thousand page recipe book which is overly complex we hope we’ve struck the right balance to be able to both make it practical and helpful so here is where we landed in keeping with this, this kind of thinking, we go to the next slide please.

So, this slide is a little bit of font issue here coming through as well but it’s…I think it’s pretty clear. I’m going to start on the left hand side and then we are going to move to the right. What we said is leaders who want to make change happen in a way that balances performance and health, first thing is on the left hand side. We need to organize the journey we need to find a way to compartmentalize and structure the thinking and there is no real rocket science involved in this left hand side but it is very helpful and a number of these steps leaders do sometimes miss. So, what are the…how can we kind of structure the change journey, the leadership journey to improving performance and health. First is setting the aspiration, where you want to go and having clarity both on the performance goals as well as the health goals. It’s amazing the number of people when you ask them you know leaders in organizations, so what are your performance goals? What are your targets? They very quickly can [run a lot] hey we are going to double share price and that means this is for revenue, this is for cost or when you ask them well, what are your health goals? They often struggle and they often talk about well, you know we want to attract the right talent, retain our talent, engage our employees, we ask them well, what's the number? What are the ways you are going to measure it? What's the quantitative side of it?
A few organizations have maybe an engagement survey or something like that but it never goes as far as being really as robust on the health side as on the performance side, so we’ll talk a little bit today about well, how can you get that same degree of rigor? Once you have your target set though you know where you are going. Then the question is, a lot of leaders will go straight to step three which is alright let’s put together a plan and let’s, others will go straight to step four and say let’s just go there. But there is an important step two and that is assessing the change readiness of the organization. If you are going to take a journey by land to say you know I live in the United States so if I’m going Los Angeles to New York and my aspiration is to get there, how ready I am to go there is an interesting question and if I don’t have enough money for a plane ticket it completely changes how I’m going to have to make my way across the country.

If I also don’t know how to drive that completely changes the way I need to think about this and organizations we find often miss this step of let’s understand our change readiness. Now, what does that really mean? That means number one, understanding the skill we have and number two understanding the mindsets and behaviors and whether those are supportive of the direction that the company is going to head. Whether they are going to breathe life into the program that needs to happen so a simple way to talk about it is the skill and will of the organization more sophisticated way is to say the capabilities and the mindsets of the organization that’s what that step two is.

Step three and once you understand or know where you are going, once you have a clear sense of well, how ready am I go to there? Then there is what's our plan? What's the path we are going to take so if it turns out I’m driving Los Angeles to New York I need to know well, what's, how am I going to get there? Am I going to use my satellite navigation system and let that lead me or do I want to stop and see some friends on the way or do you know how do I want to make that journey happen and so on the performance side of that there is typically a performance of an issue that will get the numbers and as also the set of things that leaders will do to shift the mindsets to become the needed mindsets to drive the new organization forward.

Once there is a plan in place then there is step four, you go on the journey and no journey typically happens the way you would conceive it especially in a world where there is as much external change as we see today. So, to use that driving analogy again some roads may be closed, whether it will happen the car might break down I have to be able to manage this journey to get where I’m going in a thoughtful way and so
there is a performance side to doing that and there is a health side too in particular on the health side it’s about how do you enable employees to feel deeper ownership? How do you measure impact over time on both performance and health? How do you breathe energy into the change program? Then finally there is a step at the end of kind of the transformation journey so to speak, the step change which is how do you keep things moving forward how do you keep them from instead of going to be an S curve sorry I’m just getting to know that I’m too close to the microphone but I believe I was already told that Andrew by you?

Andrew: That’s correct.

Scott: Okay I’m sorry [IB] assistance in handing me a note on that so if we are good I’ll keep going.

Andrew: We are.

Scott: So, this last step if you think of an S curve it’s how do you keep the S curve from becoming a bell curve so to speak. So, the changes you’ve made are permanent and that continues to get improved upon and again there is a performance side and a health side to that equation. So, when it comes to putting into practice how do you get equal emphasis on performance and on health? This is the road map so to speak this is the recipe or the formula to do so. Five steps and there is a specific way of thinking about performance and health in each one. We are going to click now into giving it a highlight on the health side of the equation. Now, as we get into that, leaders you know there is question I guess which is why is it so hard to help staff? And part of it could be it's not something you learn a lot about in, it's a school or in any kind of classical education as much as the technical or performance side. The other part of it relates to this slide here which you see in front of you and there's a little exercise where if I ask you which of these table looks longer. My assumption is that you're probably looking at this and saying well that left table looks longer and if you put down whatever you're measuring with and you look at this picture again, and I ask you the question, which one looks longer. Chances are

Now what I would encourage you to do is take a pen or a piece of paper or if you have a ruler near you. Put it up against the screen and actually measure this. Measure how long these two pieces are and if you do that, and you measure that table on the left and then you put it down where that table on the right is, what you find is they are the same length and if you put down whatever you're measuring with and you look at this picture again, and I ask you the question, which one looks longer. Chances are
you're still saying the left hand side. It's a very surprising thing, it's as if you didn't learn anything in the last thirty seconds and why is that, how does that work?

It's this fascinating phenomenon that there are certain ways that we as human beings are completely predictable. So it's very predictable that people would see the left hand side longer than the right hand side and we're also completely irrational. It's totally irrational to think that after showing you the difference, you would still the left hand side as longer and this comes from a field of thinking called, well predictable irrationality. There is some books out there on that topic.

That field has really transformed a number of other fields such as economics, building in the ways that people are predictably irrational, so to speak, into the field of economics, has created the fellow behavioral economics, which many of you would have heard of, which gives us a better predictive ability on how big systems would work in our economy.

What we found in our research is that the number of those truths, a number of those learnings where really smart people will underestimate or misjudge how other really smart people will actually act and practice. That hasn't been built into the field of organization behavior nearly [IB] of the two. And so what we're going to see as we go through each of these pieces of organizational health is there’s these irrational truths which tend to be the X factor between those leaders who get it sort of good versus really great in terms of being able to nail the whole side of the equation.

So let's keep the slides going and let's go ahead and dive in to this sort of, how do I set an aspiration with equal [rigger] on the health side of the equation as I would on the performance side of the equation. We spend a little more time here than on the others, there's a lot of very rich and interesting insight and simpler research here. So let's go to the nest slide please. So actually, with the next slide this one slipped out of order somehow.

So there is three things we would say, each of these steps has kind of three helpful hints for leaders plus the tools beneath them. So first is, if you want to set a target on health, you have to be able to measure it. So go and measure you're health. It's a bit like go to the doctor and get the x-rays done and get the typical diagnostics done.

The second is, set the right health aspirations and what that means is the right health aspirations, specific to your business and your strategy. We'll
talk about the tools available to do that. And the third is, and this is going to be one of those irrational truths, so to speak, the predictable irrationality coming into play, which is involving a broader leadership coalition. That makes sense to most people, that yes I should do that, but how to do that and the magnitude of impact that may have is often quite misunderstood. So we're going to click into each one of those now. Next, slide please.

So first thing to mention is, I showed you before the definition of organizational health. That was on the left hand side of this page. Now there is about nine elements that we say, that's the x-ray. Those are the outcomes that you could measure. You can, it's knowable of the motivation of your workforce. It's knowable whether you have a system that creates innovation or not. It's knowable how aligned people are on direction etcetera. It's also knowable and actually more helpful what we found is to dig even deeper when you're measure health and to, what are the things you're actually doing to create that outcome.

So this will be the equivalent of if you have high blood pressure, of being able to know, is that because of your diet, is that because of your exercise or is that because of a hereditary type thing, what are the practices? What's going on that's causing those outcomes? This is where when we measure health we suggest that companies think about, are you measuring both the outcome as well as the practices that lead to those outcomes because that's where you can really as a leader focus in. This will brought to life more as we go through, so the big take away here is, organizational health outcomes, measure the practices as well and next slide please.

When you do that and we have done that again for over 600,000 inputs of over 500 organizations and we said, well do people actually great at all of these practices, all those 37 practices to get the health outcomes that are healthy but then drive performance. And one of the exciting things about the research was it's very clear that the answer is no. In fact the answer is don't be broken on any of those 37 practices. I mean if and when you download this presentation have a look at those practices, you'll see they are pretty all encompassing of just the things you need to do to run an organization and you can't be broken at any one of them and still be healthy but you don't have to be great at all of them.

In fact the numbers say, the quantitative analysis says that having six or more of top quartile practices meaning hat you're distinctive in your industry in those practices. Yields of 80% likely hood of being top quartile in the overall health outcomes. So just being really great at six of the practices means that you're very likely to have a very healthy organization.
That's starts to feel very manageable and doable. The question now becomes, is it any fix. Can I just choose any fix practice and we looked into that and again we took a very analytical lens to it and if we go the next slide.

This slide is just illustrative of how we did the analysis and this is going to take a very simple view of what was ultimately a very complex analysis but it basically says, let's take the practices, the thirty seven practices and let's understand if there are any recipes. That if you put them together they will have a one plus one equals three type of effect or what is known as complimentary affect with one another. And this page gives an illustrative view of how that works. So this is real data but it's illustrative in the sense that it's just a, it compares two differences sets of practices as opposed to all 37.

So if you look on the left hand side of this page, you've got the different practices that drive motivation, better in the survey. So how do you motivate your workforce? They can be through any number of things but may include meaningful values, inspirational leaders, pre opportunities incentives, etcetera. And what we've, if we look just at the data we have for how important are each of these in driving the outcome of motivation. What we find is what basically all of management literatures found that all these are important and helpful in about the same way other than incentives. Which are actually less helpful, which a while back when research first came on this was a little bit counter intuitive because felt like well, we always though that money was the best way to motivate people.

Turns out it is not, it turned out in at least about a certain threshold it's not and that's pretty well known though. You know what's fascinating is most research would stop there because if we had the benefit of the 37 practices, we were able to do the analysis, saying well what about if you look at motivation in the context of other things that are happening in the organization. So say if you look at your environment. If you have a competitive environment, instead of a collaborative environment, what you find as incentives, if you look at the right hand side. They are much more powerful in a competitive environment than they would be in collaborative environment. In fact they are, that's a really good combination. If you have a very competitive environment, you want using incentives to motivate your workforce it’s a very good thing to do. Now this makes sense for any of you who run [cell] forces. This is essentially how you run many organizations run their [cell] forces. What's exciting then is we can take a look across all 37 practices, do the analysis to say, are there combinations, or what combinations of six make the
biggest difference that will help organizations. And if we go to the next slide please.

Here's the punch line in terms of what we found. We found it's not one recipe that creates a healthy company; there are actually four different recipes and the four different recipes are very applicable across all companies meaning that no company in our database or at least 90% of the companies in our database fell into one of these very clear archetypes, those who are healthy.

So very quickly, just to use our own company as an example McKinsey & Company, you could put Goldman Sachs in there or any professional services firm because they tend gravitate towards this. What a company like that would be distinctive at is acquiring talent, putting them in the right roles, ensuring consequences and rewards are clear, driving personal ownership, personal accountability and ensuring performance reviews are frequent rigorous.

Very much like an athletics team almost, getting the right talent in putting them in the right positions, if they are not playing well they are sitting on the bench excreta which is very different than if you look at a [Wall Mart], who has a different archetype we call it. The six that they will be distinctive are around knowledge sharing, around creative an entrepreneur behavior in the work force, in play involvement, talent development. Some internal competition but at a lower level than the knowledge sharing, which enables it not to overcome the sharing of knowledge but the people will gravitate to it and adopt it in a relatively quick way excreta.

That's very different from lets say apart from gamble, which we would say is a market focus sort of type and you can see the list there or like a [Pepsi Cola] which is a leadership driven archetype and what we, what we encourage companies to think about is what archetype is the archetype that most help you deliver against your business strategy and we do find that in every industry, there are examples for each of the four archetypes that are successful.

We do find in some industries more companies that are successful tend to gravitate toward a certain archetype but it is holding true in our research so far, that in fact just choosing whichever archetype makes the most sense towards your strategy, if they are helpful, will be a winning combination put it that way. And this is exciting and it is a very clear
focus or a very clear way to choose or to set an aspiration on health but hasn't really existed before in management thinking.

The very last point to make on this page is a lot of the really famous business folks out there, when we have looked at them we have seen an interesting pattern where many of them speak to one of these archetypes and so they are written from a context of these work in these types of companies who chose these archetypes. An example is Larry Bossidy's 'Execution'. Very much talks about how to build an execution edged company.

That's very hard to do or not the right thing to do if you need a market focus company. If you look at Clayton Christensen's 'Innovators' Dilemma' that is very much from a market focus archetype stand point. If you look at books like 'The War for Talent' very much from a knowledge core archetype excreta. So we feel this is a very interesting and helpful way and on the [Macuity.com](https://macuity.com) website you can actually go on and do a very quick assessment of your own company in relation to these archetypes to understand which archetype are you today and it is a very helpful way to think about are you doing, are you a healthy version of that archetype and is that the right archetype for you.

So let's go to the next slide and we’ll close out this section. The very last piece here in relation to setting the aspiration is how do you involve people in this setting of the aspiration itself and here is where the social science of predictability, rationality comes into play. In that what researcher does is they get two groups of people, first of they’ll get a bunch of people in the room, and they separate them into two groups of people, say it is 100 people for example, 50 people on one side 50 people on the other.

In order to do run this experiment they give one side of the room a lottery ticket, it is a ticket with a number on it and that is going to be your number and if you win you get X dollars and then on the other side of the room they give a blank piece of paper and they say to people, pick any number between 1 and Y and that would be your lottery ticket number. So people write down whatever number they want and then the researchers before they pull the winning number from the front of the room to say here’s the winning number for the lottery, they call time out and they say, "I'm willing to go back on the floor and we are going to buy back your lottery tickets, so how much will you sell yours for, how much will you sell yours for?" And they do the deal so the researchers go back on the floor and what they are looking to find is how much more, if anything do you have
to pay those people who were handed the number versus those people who wrote their own number on the lottery ticket.

And what researchers have found, most people when they think about that, they think people who wrote there own number I bet they had to pay a little bit more to those people because they were more emotionally attached. Other people will say, "Well no they should haven’t paid any more because there is no more probability of winning, people are smart they should all be counting the same attachment to their lottery ticket.

What's fascinating and fascinating for a leader striving change, is that researchers have never found in any geography, in any demographic that have to pay any less than five times more to those people who wrote there own number than those who handed the number. And this has very interesting implications for leaders if they think about involvement and engagement as they are setting the target.

The extent to which leaders can help employees feel like they are writing their own lottery tickets around the direction of the company and the aspirations, will have a very disproportional impact much more so than most leaders think to how much people will be committed to executing against that.

So we encourage leaders to think about it even if you take twice as long as you otherwise would to engage others in the thinking and to get there input. If you are going to get five times the commitment or impact out of it that's a pretty good return on your investment and there’s a number of examples and specific tools available in Beyond Performance to find out more about how to apply this.

So if we go to the next slide, that hopefully gives you a real sense for okay if we want to set an aspiration on health we can measure it. We have got to weigh a guide to set the right aspirations to the archetypes. And we know we need to involve a broad leadership coalition in doing that. And what you will find is that for each of these elements of health there is a similar set of two of the three things that will make the biggest difference. I'm going to key in on a couple more but I'm not going to spent as much time on anyone as I have this step. This is to give you a sense of the type of thinking you would find in each section.

So let's move to the next, next slide please. The next slide was just, now you know where you want to go so how ready are you to go there, do you have the capability and the mindset to get there. In relation to mind sets this is a
place where leaders often feel like, "Oh, that's the role of Psychologists." That's the role of you know I can't put my employees on the couch and interrogate them into there deeper feelings. Can I really manage that with any real degree of rigger? And it turns out you can and there are very simple and helpful tools to do that. If you go to the next slide please.

The best way top describe it is you see Gerald Hammond had a story about monkeys and bananas, and he talks about a group of four monkeys in a cage and a ladder going up to a platform that has bananas on it and the monkeys when they see the bananas they climb up the ladder and try and get the bananas. What the monkeys don't realize is the researchers have put a large stream of water to blast the monkeys of the ladder on the way up. What happened then is over time the monkeys getting blasted off this ladder decide well it's not worth it to go up and try and grab those bananas because they will get blasted off and it is not a comfortable experience.

So what then happens is the researchers take the blast of water out of the room without the monkeys seeing it, they take one monkey out of the cage and they put a new monkey in who had never seen the blast of water and the new monkey sees the bananas and starts to go up the ladder and what do the old monkeys do? They actually pull this new monkey down and they pull the new monkey down into there social creatures and there is an implosive like hey, bad things will happen to you if you go up that ladder. And so the new monkey kind of looks around and says then, "Wait a second there’s bananas up there I'm going." Tries it again gets pulled down, this happens a couple of times, and then the new monkey decides, "Well I'm having fun getting pulled down by my new colleagues here. I'm not really going to grab the bananas or go up that ladder because it doesn’t seem like that’s the right thing to do."

What’s fascinating is researchers over the period of a week continually take out one original monkey putting in a new monkey and the same phenomenon happens again and again such that at the end of the time there are four monkeys in the cage, they've never seen the blast of water, there’s fresh bananas that have being put up on the top of the platform and no one is going for them because there's an implicit mind set up that we don't do that around here.

Even though the formal incentives had changed, had been gone for a long time, the prevailing mind set had premiered the community far longer than it was relevant and that's the [crack] of this understanding mind sets. Then what you will find…what you will find in the book is tools related to specifically to how do you identify this mind sets, how do you focus on
the critical field of the matter. And then another one of these predictably irrational pieces which is around focusing just as much on the positive as you would on the negative.

I'm going to ask to flip a few slides forward actually so let's go on the next one and the next one and one more. And I do, this is the slide on my third point that I shared on the…the slide that I walked through which is focusing equally on the positive and the negative. There is one more of them yet and again just to give you taster on the kind of helpful and different thinking that it is available to leaders in the space of health.

This is another one from social science where researchers take two teams and watch them and film them bowling and so the teams bowl there game and then the researchers cut the tapes, the game tapes. One with all the gutter balls but here’s all the things to this team that you didn't do well and they give kind of a mandate to don’t do... you know study these, forget how not to make these mistakes and do these set of gutter balls and come back and bowl again.

The other team they cut the game, takes up all the strike for all the times they did it perfect, all the times they did it well and they’d say, ‘ study these, understand what you did well, figure out how to get more of it, come back and bowl again. They’ve done this… repeated it many times in different sports and what they find each time, those teams come back and do well. They actually do better than they did before; they’ve never found that the team who study their strikes does anything less than two times better, the team that studied their gutter balls. And as a human psychology, [IB]which is we often in particular in Western societies focus on the problems and the negatives and what went wrong versus having a bias towards pointing out what’s going well and discussing how do we remove the interference to more of that. So I can just to give you another example of one of these counterintuitive insights that appear in relation to each of these steps on health. So let’s go to the next slide please and we’ll start to bring it home.

So when it comes to that step two, it’s identifying the mindsets, focusing on a few and having a sense of both what’s working well and what isn’t to be able to create energy. The third step, next slide please… the third step relates to how do you shift mindsets that need to be shifted? Once they’re there and some of you maybe heard the phrase I didn’t have enough time to write a short memo and we feel like we’ve taken the time over the 10 years of research to write the short memo in relation to how to shift mindsets and let’s go to the slide please, and there’s one more as well…
This would be our short memo for leaders in terms of is there a set of mindset shifts that you feel like you need in the organization we need to move people from a transactional mindset to a relational mindset with our customers, we need to move from a silo mentality to a collaboration mentality etcetera. We have a, the way leaders can do that, number one is role modeling, number two is telling a compelling story, number three is something we call a re-enforcing mechanisms which is kind of a grouping of the processes, system structures and then kind of the that the plans are experiencing and the last one is the skills required for change view to emplace up the confidence and the skills to do what you’re asking them to do.

What we found is leaders who adjust the employee environment using these four levers, who do things to shift the two or three mindsets that matter, they’re extremely successful in getting the culture shift required to enable the help required to deliver on their performance and aspirations.

Let’s go to the next slide please and we’ll go past this one and get to the front and everything and one more as well. I see one more, here we go…

So we then move to the next stage the act stage and then there’s the advance stage and given time I want to try and take some questions but I’m hopeful if you have a really good sense having walked through the first three steps over the types of thinking that are available to you as a leader, as you walk through the journey. I’m not going to walk through all the slides again in the spirit of making sure we stay on time but I will talk a little bit about each of these further steps using this slide here as my jumping off point.

In terms of helping employees take proud ownership, there’s a whole set of thinking around how do you eliminate the tyranny of thousands of initiatives, often when companies are trying to make change happen, every initiative gets branded as oh well, this is part of that program because that program happens to be the type of program you know that is clearly getting senior sponsorship and there’s a whole set of tools to avoid that tyranny of a thousands initiatives being attached to one program and really while it’s a good idea, nothing is getting done because too much is getting done. I know it when we were interviewing people for this work, A.G. Lafely talked about the importance of having a not to do list, A. G. Lafely being the former CEO of Procter and Gamble and that was a very important part of his transformation was cutting off as many things as he was putting on in terms of initiative to ensure the organization was very focused in the activity they were doing.
It also in that step the whole thing around measuring and how do you measure impact over time etcetera, and then finally in that advanced step, that last step if I go to step five, which talks about well we go ahead and flip through to where that is, which will be a few pages up, keep going, one more, two more sorry, there we go.

If we go to that last step which is a transformation or a change program is a great place to develop the leaders you need to drive continuous improvement overtime and we have this as the last step, but really it actually plays out throughout the entire process of the five steps we have here by the end of a change program you will want to have developed a group of leaders to have the right mindsets and behaviors for continuous improvement and the exciting thing about that is organizations who do a step change using this process, what we call the five frames the [Spyros] archetype act advance, equal emphasis on performance and health.

They’re able to make significant transformational shifts in performance but if they’re also able to build the leadership required to drive continuous improvement, that means they’re able to then move into place of continuous improvement where they will stay ahead of. They will not only keep the changes but they will continue to improve upon the changes they’ve had and most organizations will always run into some sort of discontinuity change in the competitive environment, change in the customer behavior that requires a step change in performance so that they master that and they master continuous improvement.

They’ve essentially mastered change because when they need the big shifts they can get them using the five frames, when they don’t, they’re able to just continuously improve and stay ahead of the competition, take a rest if you will, rather than trying to have continuous transformation all the time. And again the companies we studied and we saw were able to do that and that enabled them to be sustainably winners over the long term and that’s where the tools and [beyond] performance come into play. Let me stop there and let me take some questions.

Andrew: Absolutely Scott, and one of the first questions that comes up from the audience we’ve noticed it from several people is about the way in which employee performance is measured. Managers setting appropriate goals or helping employees to set their own goals, one listener pointed out these changes that would improve health may occur throughout the year, is there a risk of setting goals in one place and having them change or is there
another possibility that you have sort of fluid goals that change throughout the year?

Scott: This actually is great, thank you for the question and that you asked it. This really does get out and we didn’t spend a lot of time in this web cast but in that step for which is when you’re on the journey probably there is an initial goal setting thing that happens with … that’s highly involving of the work force but ultimately comes down to senior leaders making decisions but over time, you typically measure and manage regularly over the course of the year you wouldn’t wait till a whole year to go by just pushing forward on a change program and not kind of pulse checking on how is it going on the performance and [the health] of things and what it will do and it will help you adjust and adapt because the external environment might change and it might require some adjustment.

It might be that the initiatives you’re taking aren’t having the impact you thought they would or it might be that you’re getting what some call the squeezing of the balloon where you’re getting impact on the areas you were focused on but it’s creating unintended consequences elsewhere. So we would advocate a relatively continuous measuring measurement approach to sort of a pulse survey methodology on performance and health as you go through the journey and I think that would address what a lot of people are considering with that question.

Andrew: Another frequent question from audience members today is about the way in which the change process begins, one of the things that a couple audience members have pointed out is that there tends to be an appeal to employees that these things are necessary as a way to serve the customer, is it a smart strategy to use customers as the basis as the buy in or is there another way in which there could be more of a shared wind throughout the organization?

Scott: Again, thank you for the question and there’s actually a whole set of thinking in beyond performance which deals with exactly this and the nutshell answer is to say the best way to position a transformational change program is actually not to hinge on one thing like the customer or the team member or the company, it’s to hinge onto what we call five levels of meaning or five sources of meaning.

So if you can make your change program appeal to those who are serving the customer as their most important thing that you should do that and you should also appeal to those where the company or shareholder value is really what drives them, they really care about being number one in the
industry or beating the competition and you should also be able to appeal to those people where you know the reason they come to work everyday is it’s about the team and about how we work together in teams and you should be able to think about how does your change program appeal to those who it’s really about them, it’s about their pay, their development etcetera.

Finally there’s a groups of people out there who are you know the reason the come to work everyday is a bigger societal, global, we’re making a difference for the world kind of thing, what you find is companies who are thoughtful about making sure the reasons why they’re doing a change program appeal to all of those sets because you find all of those motivators typically in a large scale workforce and that’s the secret recipe rather than hinging just on one or you missed out on others primary motivators.

Andrew: What’s interesting about that Scott is that we’ve had several other people right into this with the comment that while again some organizations base their efforts on serving the customer there’s even more that are tending to base their all aspect of change on saying that their are their greatest assets and I guess one thing that someone chatted into us about was the debate between either getting an organization to practice that if that’s what they but don’t do, or how do we get them to stop saying it and is there a way to communicate that across all lines?

Scott: Well here’s that, this is in away get’s the value of the archetypes because an ideal number of these will access in speeches and a lot of people will ask me but at the end of the day leaders aren’t paying enough attention to people and they need to do more on that front when they’re doing it and what I say is well if you’re going to be a knowledge core organization that’s absolutely right, if you’re a market focus organization, you’re actually better off pushing your distinctiveness in other areas and not being bad at the people stuff but doing it well but not necessarily pushing it to a distinctive level and I think making that active choice at the top of the house is the most important thing and then being able…that will stop people from communicating that yes we want to be number one and having people as a competitive advantage or whatever it might be because it actually known to know what we really are emphasizing are these other things. It will help harmonize the messaging with the actual behavior in a way that actually gets at what’s most needed for performance.

Andrew: I’m running a little short on time but I think we have time for one more question so why don’t we close with the question about the culture leadership because the change process can take a considerable amount of
time for the company to go through and in that time there maybe
opportunities for promotions, there maybe people who move on from an
organization. Some people have asked about keys to help their employees
develop the leadership skills that are needed for the future of the
organization, what are some methods that you know that can help to grow
the pool of leaders within a company?

Scott: Yep again thank you for the question and I would point those people who
really want to go deep in this to chapter 7 of the ‘Beyond Performance’
because it is all about leadership and leadership development but a natural
answer is to say as part of on any change program there’s this unique
opportunity to do what is called field and forum development for leaders.
Field and forum means that there’s classroom oriented training to help
leaders develop the character attributes and the skills they need to be the
leaders of a contagiously improving organization which is where you want
them to be but it’s not just classroom works, it’s fieldwork as well.

So they’re actually working on performance and help initiative, putting it
into practice and that happens in an adult learning sort of way where you
do it, you go put it into practice, you come get feedback on how it’s going,
you put it into practice again, you adjust and we found that if these large
scale transformation programs, any performance initiative or [help]
initiative is being done is a leadership development opportunity for anyone
involved and if done well you’ll end up with a huge [IB] of leaders that
you didn’t have before in terms of the capabilities and mindsets they have
to lead going forward.

Andrew: Change is never easy but Scott I think it’s a lot of the information you’ve
provided us today, you’ve definitely shown that it is a tremendous place
for opportunity within an organization, thank you again for being with us
today.

Scott: Thank you very much and happy holidays to everyone.

Andrew: I’d like to thank Scott Keller for appearing today on Soundview Live and
mostly thank all of you for participating and providing us with such great
questions, special thanks goes to Ursula Sharp the executive producer of
Soundview Live and you know folks a quick of our event archive it’s
summary.com will tell you that 2011 has been a great year for Soundview
Live and we’re hoping you’ll continue to join us each week as we head
into the new year. I’ll be starting strong in 2012 as we welcome Stephen
M. R Covey to Soundview Live on Thursday January 5th at noon Eastern.
He’ll be there to provide us with insights into his highly anticipated new
“How to Achieve & Sustain Organizational Excellence”
Presented by Scott Keller

book “Smart Trust”. You will be among the first people to get the chance to ask Stephen questions about his next sure to be best seller. Don’t forget if you’re a Soundview subscriber you can attend Soundview Live for free. We’ve got an outstanding holiday offer right now, if you buy one Soundview gift subscription for a colleague or a client you’ll also receive a second gift subscription at no charge.

To learn more and for full offer details visit Soundview’s website summary.com. Soundview Live is a production of Soundview executive book summaries, a division of Concentrated Knowledge Corporation. This program is copyrighted 2011 Concentrated Knowledge Corporation. Soundview Executive Book Summaries. My name is Andrew Clancy thank you and have a happy holiday and good New Year.