



Performance Improvement in the Far-flung Enterprise

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Introduction

The senior vice-president for a chain of 1,400 quick service restaurants is driving a customer service performance improvement initiative throughout the chain.

The vice-president of strategic initiatives for a 3,600 store auto parts chain is driving a significant reorganization of all of the stores to place more emphasis on consumers.

A vice-president of branch operations for a bank with 9,000 local branches is driving an initiative that integrates banking, mortgage and investment advisory services that must comply with complex legal regulations.

A program manager for a large global manufacturing company is spearheading a leadership initiative designed to prepare 200 managers in over 20 countries for executive responsibilities.

Quickly and effectively improving performance in far-flung enterprises (i.e., where the number of locations is large and the definition of “local” is stretched to its limits) can be staggeringly complex.

Fortunately, recent scientific breakthroughs have led to the development and use of a new “affirmative” model of change that is highly effective at improving performance in geographically dispersed chain and chain-like organizations. In particular, affirmative change solves two of the most critical and challenging problems for performance improvement in these enterprises – sustaining the improvement over the long term and scaling the improvement to a large population.

Affirmative change has been proven in a wide variety of situations including organizations as diverse as quick service food chains, insurance companies, federal agencies, large high technology manufacturers and many other large, complex organizations. It has worked



effectively in organizations spanning North America, Asia, India, South America and Europe. It has produced excellent results such as:

- A quick service food chain generated an additional \$2,000 per week per restaurant
- An auto parts chain saw a 5.25% increase in sales in 12 weeks
- A manufacturing company generated a benefit of \$2M per week per manufacturing facility by reducing machine downtime while improving product quality

The impact of affirmative change on the bottom line can be significant!

The Challenge

One of the primary strategies for growing geographically dispersed chain or chain-like organizations is to continually improve year-to-year same unit performance. Not surprisingly, there are many barriers to improving same unit performance in a far-flung enterprise including:

- Contact between headquarters leadership and each local unit (store, outlet, restaurant, facility, etc.) tends to be infrequent, limited in scope and strained.
- Each locale believes it is completely unique, encouraging local management to diverge, often inappropriately, from accepted and expected norms and standards.
- In many cases, such as when individual state laws differ, specific regional norms differ, or strong local competitors exist, the local environment actually is unique, requiring extensive adaptation of the organizations' marketing, processes, products and services to be successful.
- Computer network connectivity can differ significantly from location to location, with many local operating units unable to reliably connect to corporate networks.
- Senior managers are bombarded by so many problems and issues that they are forced into a reactive role, with little time for proactive, positive development of the overall system.

Even though the enterprise needs superior, uniform performance from every local operating unit, each local unit is usually only "loosely-coupled" to the organization, functioning at least partially as an independent entity. Naturally, in these circumstances, some units consistently and systematically outperform others, while others chronically underperform. These poorer performing units are a significant problem for the organization. In extreme situations, having a large a percentage of poor performing units can even threaten a chains' survival. Ensuring great performance in each and every local unit is a primary requirement for the long-term success of any far-flung enterprise.



Conventional Wisdoms

Most such organizations constantly work to improve the performance of both the chain overall and, in particular, their less effective local units. Their performance improvement initiatives typically use one or more of the following approaches:

- Implementation of a metrics system in which intensive monitoring of key metrics is expected to drive focus and performance improvement
- Development of process binders which are expected to guide behaviors with written guidelines of standard operating procedures
- Conducting training of various sorts (instructor-led, e-learning and learning management systems) which is meant to teach people the standard operating procedures and/or certify that the training has been completed
- Installation of knowledge management systems (e.g. document management, personnel profilers and communities of practice) which are expected to provide less effective personnel with access to best practices and/or the experts themselves

Most chains have already tried some or all of these approaches, yet most still have significant performance gaps. Why haven't they worked?

Each of these “conventional” approaches provides some value, but each has fundamental flaws that severely limit its impact (Figure 1). For example, metrics can easily become excessive, mis-focused or detached from performance improvement. In one retail chain, the district managers described their primary job as “staying off the (metrics) lists” since the lists were used to “punish” them. Similarly, process binders and training suffer from an emphasis on the “official story,” which is characterized by little differentiation in the importance of content, a distance from real situations and boring, long-winded formats. Knowledge management systems generally fail because experts consistently resist contributing documents and time because the system doesn't benefit them, and inexperienced users have extreme difficulties interpreting and applying the content, which is typically provided without context.

Overall, the biggest problem with all of these approaches is that local managers must interpret and discover how to apply the content by themselves. For instance, we observed a district manager of a quick service food chain demand that one of his restaurant managers “fix the food cost problem” that was visible in the metrics. Unfortunately, the district manager did not provide any guidance on how to solve the problem and the restaurant manager did not know how to solve it either. Consequently, the restaurant manager began a series of efforts that ultimately made the problem worse. The incomplete content and inadequate guidance of these approaches actually caused a dysfunctional result, costing time and money.



Approach	Fundamental Flaws
Metrics Systems	<ul style="list-style-type: none"> - Easily become excessive, mis-focused and/or detached from actual performance improvement - Time consuming to both collect and interpret data; can become overwhelming
Process Binders	<ul style="list-style-type: none"> - Focus on the “official story” - Provide a static “snapshot” of the real situation and generally lag behind actual working environment - Relatively “dry” or boring format
Training	<ul style="list-style-type: none"> - Focus on the “official story” - Difficult to maintain consistency over time; different facilitators tend to emphasize different content
Knowledge Management Systems	<ul style="list-style-type: none"> - Experts consistently resist contributing documents and time - Inexperienced users have extreme difficulties interpreting and applying the content

Figure 1: Fundamental Flaws in Conventional Approaches

Few of these conventional approaches have produced meaningful improvement that can be sustained over the long-term. As the president of a large chain put it upon discovery of the continuing gap (addressing her senior staff), “Do you mean to tell me we have been working on best practices for the last two years and the metrics haven’t improved?” The answer from the staff was a timid “yes.”

Affirmative Change Drives Performance Improvement

What can a chain do to improve the performance of the less effective operating units, and thus the performance of the overall chain?



Recent breakthroughs in four areas of science – positive deviance, fair process, neuroscience and mass customization – as well as the emergence of a new technology – persuasive technology – have led to the development of a particularly effective model for improving performance in large enterprises called “affirmative change.” Specifically, this model has four components (Figure 2):

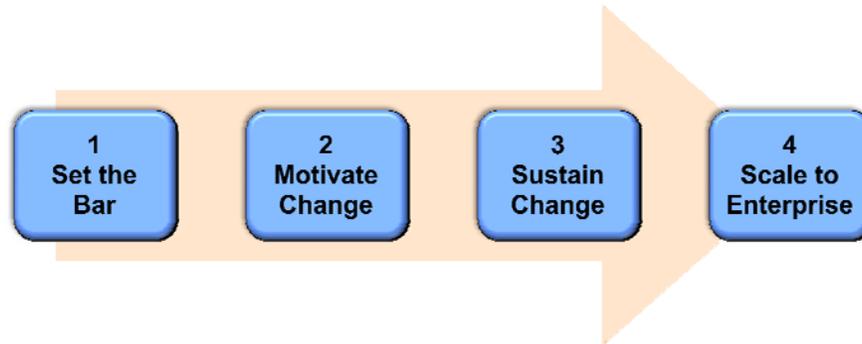


Figure 2: Affirmative Change Model for Performance Improvement

Set the Bar for Performance

A clear, powerful image of extraordinary performance that is applicable to all local units is critical for improving performance in the enterprise. With a clear, powerful image, everyone knows what is expected of them and how to achieve it. This image usually consists of a compelling purpose for the improvement as well as effective best practices for achieving operational excellence.

Universal alignment around a strong sense of purpose is the foundation for all performance improvements in a large scale organization. Historically, executives have been responsible for articulating that purpose, and that is still an important role. However, recent research on the role of “positive deviants” in organizations suggests that they can be a powerful supplement, sometimes even a substitute, for the executive vision.

Positive deviants are those people in an organization who consistently and systematically outperform others, even though they have the same resources and conditions as everyone else (Pascale, Sternin and Sternin, 2009). They are the organization’s highly respected “go to” people for situations that are particularly challenging. As such, the positive deviants have a disproportionate amount of the “tribal wisdom” of the organization, providing much of the informal leadership that makes organizations function effectively.

Positive deviants organize their attitudes, cognitive patterns and behavioral patterns into four main domains (Figure 3). The first of these domains is about their passion and “purpose.” Positive deviants love what they do. Underlying this passion is a commitment to a greater social



good or “purpose” (Pink, 2009). For example, positive deviant first line managers in a public utility were deeply committed to “keeping the lights on,” while less respected managers focused on short-term tactical management such as fixing the transformer. Positive deviants are consistently motivated to achieve a greater purpose.

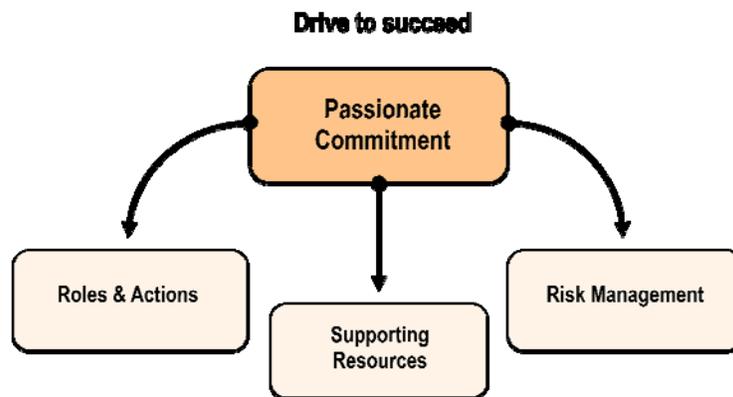


Figure 3: Positive Deviant Pattern Domains

The remaining three domains are how the positive deviants achieve operational excellence or “mastery” (Pink, 2009). They are very efficient in the actions they take, the supporting resources they use and how they identify and manage risks. The positive deviants are simpler better at their functions than others.

When combined, the positive deviant purpose and operational excellence give organizations a template for how each local unit can and should perform. It is the tribal wisdom of greatness in a function, and because it came from highly respected personnel, it tends to be immediately accepted by the organization.

However (and this is critical), positive deviants are “unconsciously competent” – meaning they don’t know what they know – so you can’t just ask positive deviants to explain why they are so good. They can’t effectively answer that question.

Fortunately, a simple, effective process called a “Wisdom Discovery Workshop” has been developed that guides positive deviants into discovering their best practices. Wisdom Discovery Workshops require that only 6-8 positive deviants gather for 2-3 days to be effective, regardless of the organization’s size. At the end of the workshop, the organization has a set of best practices that can be used throughout a far-flung organization to achieve drastic performance improvements. This literally means raising the performance of the entire organization to the level of the top performers.



Motivate the Enterprise

One of the most difficult challenges for executives of large enterprises is creating wide-spread motivation to embrace a performance improvement. When the organization is large, personal contact is minimal and motivational messages get diluted. How can a large enterprise be motivated to drastically improve performance?

Here too new science is making a huge difference. In particular, the science of fair process, the neuroscience of positive visualization and the neuroscience of group support are providing large organizations with capabilities that were not thought possible even 2 years ago.

Fair process research shows that performance improvement initiatives that enhance individuals' sense of personal honor and dignity tend to be embraced while those that diminish personal self-perception are rejected (Kim and Mauborge, 2003). By presenting a performance improvement initiative as an opportunity to be as well regarded and successful as the positive deviants, and by emphasizing that the best practices came from the positive deviants, people begin to see themselves as being able to contribute to achieving the greater purpose.

As people visualize themselves as being as effective and socially important as the positive deviants, there appears to be a release of brain chemicals (called a "dopamine squirt") that has been shown to increase people's openness to new ideas and willingness to learn (Rock, 2009). Furthermore, if people write these positive images in their own words, research has shown that portions of the brain associated with fear and resistance are suppressed while portions of the brain associated with a sense of empowerment are stimulated (Alleyne, 2009). Still other research shows that working with the positive deviant content, particularly their social goal, with a team produces additional positive neural effects (Rock, 2009). People working in teams around a strong purpose release neural chemicals that reinforce the openness to initiatives and ability to improve performance. Overall, as a result of intensely engaging with the positive deviant purpose, one of the biggest challenges of a far-flung enterprise, mass motivation, can be efficiently handled.

All of this research has led to the development of a simple effective process called "group coaching" in which a district manager (or equivalent) leads a highly structured discussion about the positive deviant content and guides the learners to record their learning. It takes one day to train district managers in this "leader-coach" role. During the training, they learn how to lead a team through a transformation the organization deems necessary for a significant performance improvement while maintaining daily, operational excellence. As a result of local manager-led group coaching, local teams become highly motivated to improve performance.

Sustain the Improvement Everywhere

While some of the traditional approaches to performance improvement in large enterprises can build excellent content and motivate people in the short-term, none have been effective at



ensuring that a performance improvement is sustained indefinitely. As one executive for an insurance company put it, referring to the impact of centralized training on sustained performance improvement, “We consistently see something called ‘airport amnesia.’ This is when people forget everything they have just been taught by the time they reach the airport on their way home.” Converting the initial impact for a performance improvement initiative into a long-term, sustained performance improvement is a significant challenge for large enterprises.

Here too, recent scientific advances, particularly in the neuroscience of learning, are providing large enterprises with new and more powerful means for ensuring that a performance improvement is permanent throughout the entire enterprise.

The foundation of all learning is the neuroscience principle of “neurons that fire together wire together” (Schwartz and Begley, 2003). When people learn something, their neurons pack together more tightly, creating faster, more complete mental processing. When there are many repetitions of the learning experience, neurons wire together permanently. Learning activities that provide short, frequent, highly personal and realistic mental repetitions drive increased neural density which ultimately leads to sustained learning.

The best source of the learning activities that optimize neural packing is the positive deviant wisdom. As part of the Wisdom Discovery process, the positive deviants are asked to list the experiences that helped them develop their positive deviance. They describe things like a challenging project they worked on, a great mentor they had, classes they attended, and many other real-world learning experiences. By converting these experiences into learning tasks that are consistent with the neuroscience research, a learning program can be developed that gives people sufficient effective practice to quickly internalize the new purpose and master the required skills.

Once a list of potential learning tasks is available for each local unit, the district manager continues the “group coaching” by leading the team through understanding the intent of the learning tasks (i.e. what it is trying to teach), adapting it to specific local conditions to optimize its value for each learner and scheduling the learning task. After a learner completes the tasks, which usually involves some real and challenging application of the positive deviant concepts, they return to the group coaching to share their learnings. Finally, at the end of the group sharing, the learner records what they learned from the experience. Typically, this entire process drives a minimum of 8-10 mental repetitions of the key ideas, each of which becomes more refined and specific, driving progressively deeper internalization. The simplicity and visible value of this learning process make it extremely effective at easily and quickly driving a sustained performance improvement throughout a large enterprise.



Scale to the Entire Enterprise

The biggest and most difficult challenge for improving performance for far-flung organizations is, of course, sheer size. When organizations get big, they naturally spread-out making alignment, communication and a host of other business processes more complex. This has been one of the primary limits of traditional approaches – they simply don't scale well.

Fortunately, new applications of mass customization and the emergence of a new technology – persuasive technology – are giving large organizations the ability to significantly improve performance regardless of size or geography.

Mass customization is a methodology for simultaneously enabling the efficiencies of mass, centrally-driven change and ability to adapt the changes for unique local conditions (Pine, 1993). As such, it is ideally suited to performance improvement in a far-flung enterprise. In performance improvement initiatives, central organizations need all of the economies of scale, consistency and quality standards of a mass produced program while encouraging appropriate adaptation to local requirements. For example, a global hotel chain that was working to improve customer service emphasized the importance of a warm greeting for new guests by personnel at the front desk, but guided each hotel to develop this greeting to be consistent with the culture of the host country and also the culture of each guest. Large enterprises always have to balance central and local perspectives.

The positive deviants are one of the keys to making mass customization work for performance improvement initiatives. The positive deviant purpose and underlying organizing principles tend to be applicable to all units in a chain so anyone, anywhere can understand and align with these powerful ideas. At the same time, the expectation of adapting the learning tasks to maximize their applicability for the learner inherently makes them completely customized for each learner, again regardless of location. By having both universal concepts and local adaptation, the needs of both the central organization and the local organization are met and performance improves with minimal resistance.

While it is theoretically possible to scale a performance improvement to a large organization without using technology, it is extremely difficult. Fortunately, persuasive technology has recently emerged to guide performance improvement initiatives for large enterprises. Persuasive technology is designed to change what people believe and do (Fogg, 2002), which is the foundation of any performance improvement initiative. Persuasive technology that is for use in organizational change (there are other variations that are used in marketing) is designed to leverage positive deviant wisdom, guide the motivational group coaching, and drive the learning tasks (including the recording of key learnings).

In addition, persuasive technology gives the executive team the ability to monitor progress throughout the enterprise with minimal effort. Persuasive technology provides summaries of



each organizational unit's progress, enabling senior managers to literally "see" progress and intervene quickly if the initiative gets off course. As one executive put it, "I finally know what is going on throughout the organization, anywhere in the world."

As such, persuasive technology is really provides the means for large scale performance improvement because it can ensure that everyone, anywhere in an enterprise can experience a great learning program and, as a result, improve performance.

The Critical Role of the District Manager (or equivalent)

We have alluded to the role of the district manager (or equivalents such as area managers, group managers, etc.) several times in discussing this methodology. District managers provide critical performance coaching in a far-flung enterprise. They bridge between the more strategic focus of corporate and regional management, and the intense, all-consuming tactical focus of the local operating units (Figure 4). Chains consistently indicate that it is coaching by the district manager that determines the success of local units, and ultimately the success of the overall enterprise.



Figure 4: Area/District Managers as the Bridge

Affirmative change gives critical support for the district manager role. It enables district managers to be great transformational leaders, leading their teams to new capabilities, while maintaining transactional excellence. This models lets organizations in general and district managers in particular have both the best of change leadership and on-going operations.

Summary

Success in geographically dispersed chains or chain-like companies requires constant revenue and profit growth. Each unit of the chain must contribute by continuous, superior execution. Affirmative change enables these enterprises to quickly, efficiently and cost-effectively improve the performance of the less effective local operating units to nearly the same levels as the top performing units. The changes are often visible in just a few weeks and can yield millions of dollars in additional sales and profits for the chain.