

INTRODUCTION

American industry, by which I mean those for-profit and non-profit organizations that provide the bulk of our society's goods and services, has served us well, advancing the lives of people for over 200 years and helping to build a great nation. The foundation of this advancement is *capitalism*, which has as its premise, "the pursuit of self-interest benefits not only the individual but also society."

While this underlying premise has proved successful, it does have its limitations—and these limitations are increasing as our world becomes more complex, more interconnected and more interdependent. These conditions were exceedingly evident in the most recent financial crisis, where a few institutions—who absorbed substantial risks in the zealous pursuit of their own self-interests—hurt not only their own stakeholders but also had the potential to disrupt the world financial markets with disastrous consequences for all.

While this book acknowledges that the pursuit of self-interest has benefited society, it offers a new, more powerful paradigm—namely, the simultaneous pursuit of both "self-interest" and "concern for others." This new orientation provides a guide for behavior that reflects both the greatest aspirations of humankind and the reality of the world in which we live. This paradigm is not in opposition to the industry structure that has fostered our historic success, but rather stands upon the shoulders of what has come before.

We can act according to this new paradigm by creating what I call *exceptional organizations*—which are:

- ***viable***—in that they achieve their purposes and do so while acting according to society’s highest values
- ***sustainable***—by remaining viable over time
- ***valued***—in that all stakeholders—owners, employees, clients, providers and communities—see their association with these enterprises as being worthy, whereby they benefit to a significantly greater degree than they would with competing entities.

Such organizations foster the personal, professional and moral growth of their members and are, by definition, valued by society because society is one of their stakeholders.

An exceptional organization is potentially more powerful than a traditional organization because all of its members—by pursuing both their own self-interests and concerns for others—have a shared interest in sustaining the viability and value-creation of the enterprise. This is in sharp contrast to members of a traditional organization, who, by acting in their own self-interests, relate to the entity strictly on a transactional basis. Such members attempt to receive “the highest value for services rendered,” without regard for the enterprise as a whole or its other stakeholders.

Exceptional organizations are also more powerful because their leaders focus upon long-term viability and value-creation rather than attempting to optimize their own or any other stakeholder’s interests. By doing so, these enterprises are more likely to prosper and grow to the greater benefit of all. Paradoxically, this means, for example, that shareholders will likely receive higher long-term financial returns when their organizations do *not* attempt to “maximize shareholder value” than when they do.

PURPOSE

This is a “how to” book. It is intended for those leaders who in their hearts and minds are already committed to creating organizations consistent with the new paradigm but who have not yet found a vehicle for getting there.

By using this book as a compass, leaders will likely:

- expand their horizons of what is possible
- increase the likelihood of creating the type of organizations they truly desire
- reduce the time necessary to accomplish this task
- reduce, but not eliminate, the costs and consequences of missteps and false starts along the way.

AUDIENCES

There are many types of organizations. Our focus here is on for-profit and non-profit entities that vary by size, scope and complexity. Such enterprises include large corporations, small businesses, universities, hospitals, non-governmental organizations and charitable institutions. While each has its differences, they all have two traits in common. First, to remain sustainable they must generate a positive cash flow over time, where incoming cash exceeds outgoing disbursements. Second, the principles and techniques used to create exceptional organizations are applicable to them all.

The primary audience for this book are leaders and members of enterprises who aspire to enhance organizational effectiveness either by engaging in a comprehensive transformation of their institutions’ entire behaviors or by adopting appropriate principles and methodologies to achieve specific tasks. The concepts and tools presented are likely applicable to teams and departments within a larger

entity even though that entity might not pursue an overall initiative.

The secondary audience is comprised of those who desire to learn about exceptional enterprises and to assist in their creation. Included in this category are advisors, consultants, coaches, teachers and students, among others.

WHAT ARE THE KEY ELEMENTS OF EXCEPTIONAL ORGANIZATIONS?

Relatively few organizations are exceptional. Those that are can be characterized not only by the results they achieve—being viable, sustainable and valued—but also by the *key elements* that comprise them.

The answers to four questions are the basis of these elements:

QUESTION	ANSWER
Why do we do it?	Purpose
What do we do?	Action
How do we do it?	Culture
Who does it?	People

We can define these elements as follows:

- **Purpose**—why we exist, the mission the organization pursues
- **Action**—the work we do to achieve our purpose
- **Culture**—the values, beliefs, traditions and processes that guide behavior
- **People**—the organization’s members who do this work.

Each element has an *organizing principle* or theme that focuses behavior toward the achievement of the organization’s mission.

ELEMENT	ORGANIZING PRINCIPLE
Purpose	Inspiration
Action	Vision-Driven
Culture	Value-Based
People	Right-Person / Right Job

PURPOSE: The organizing principle for “purpose” is *inspiration*. The enterprise inspires its members to act for a cause greater than their own self-interests. Such inspiration gives individuals a sense of meaning in alignment with the organization’s purpose.

In the absence of this principle, the organization must assume that its members will act solely in their own self-interests. If this is the case, the organization is forced to utilize rewards and punishments as its primary source of motivation. This places a great burden on the organization to structure its reward-and-punishment systems to be in complete harmony with its purpose and with all of the expected actions required to achieve it. Furthermore, the absence of this principle reduces the level of commitment by members and inhibits their experiencing a sense of worth and well-being that comes from serving a greater cause.

ACTION: A *vision-driven* organization takes action to achieve an end result that, when achieved, supports the entity’s purpose. All activity is focused upon the achievement of the vision, and all decisions are made based upon the merits of whether or not a particular action supports it.

A component of this organizing principle is a *business strategy*, or business model, which creates a competitive advantage. When achieved, this advantage will generate a significant and sustainable cash flow. Work is aligned to execute the strategy which in turn supports the overall vision. The organization gathers both external and internal feedback to adjust its actions as necessary.

Without a vision-driven organizing principle, actions are frequently independent of the organization's purpose. This is especially true when the motivation for action shifts to meeting the needs of individuals higher up in hierarchy. When this occurs, decisions are made not on their merits but rather to please the boss, which leads to wasted or misguided efforts.

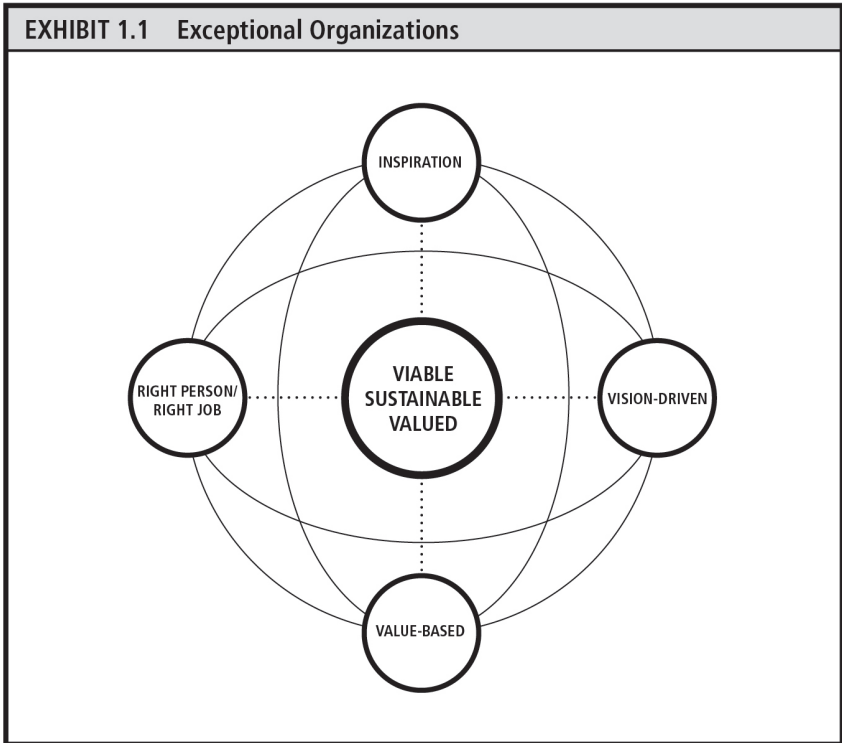
CULTURE: The culture describes *how* members behave as they work. It consists of the organization's values, beliefs, traditions and processes. A *value-based* culture of an exceptional organization behaves according to its expected norms which are consistent with the highest values of society.

Not being a value-based culture will result in the organization's members acting according to whatever they think is appropriate for the entity and themselves. This will result in behaviors often at variance with the organization's purpose, mission and values.

PEOPLE: The organizing principle that marshals the organization's people is the employment of the *right person in the right job*. All human resource activities focus upon structuring each position to be held by a highly-qualified and committed individual.

Not having the right person in the right job inhibits the organization's ability to accomplish its vision. Furthermore, placing people in jobs where they are unable to perform creates a hardship for them personally, either because of the stress of not doing well or the prospect of losing their positions.

Exhibit 1.1 shows the interrelationship of the four organizing principles relative to the key elements of exceptional organizations. The four elements interrelate with each other to form the organization as a whole with each element reinforcing the other.



HOW THIS BOOK WILL HELP

This book provides a number of beliefs, tools and techniques that support the key elements described above. These principles can be applied individually to address tasks or collectively as part of a broad-based organizational-change initiative. When applied correctly, such an initiative will result in the organization and its members having:

- a shared vision of the organization's aspirations
- a shared understanding of current reality
- common beliefs and values
- highly effective and universally applicable tools and processes
- a common language across the enterprise.

As these attributes are embraced, the organization will slowly reach a critical mass after which it will quickly move toward becoming exceptional.

FORMAT

Chapter 2 describes how to use this book. From Chapter 3 forward, the book is divided into five sections. The first presents a case study of American Woodmark's attempt to become exceptional. I cofounded and served as CEO of American Woodmark, which is the third largest manufacturer of kitchen cabinets nationally. The case study provides an understanding of the challenges facing those who attempt a similar path and gives the reader a context for the ideas included in the essays and lessons that follow.

The second section is a collection of essays designed to challenge traditional beliefs about organizations and offers readers some new perspectives. The essays are grouped into four categories. "The Vision" describes what is possible—the results desired—for both exceptional organizations and individuals within them. "The Leader" presents the leadership imperatives necessary to create and sustain exceptional institutions. "Processes and Tools" offer various beliefs, insights and techniques in support of the four key elements of exceptional organizations. Finally, "The Journey" shares the challenges that face those attempting to create such entities.

The third section is a series of lessons that provide education and training for specific tools and processes that when applied will form a framework for creating exceptional organizations. The lessons are divided into the same four categories as the essays: "The Vision," "The Leader," "Processes and Tools" and "The Journey."

The fourth section is an interview with John P. Howe, III, M.D., the CEO of Project HOPE, an international humanitarian aide organization. Project HOPE is using materials now included in this book to support its efforts to become exceptional.

The interview shows readers how a different type of organization is applying the book's principles and methodologies.

The fifth section presents a step-by-step guide for deciding whether an organization should undertake a broad-based initiative to become exceptional, and if it should, how best to proceed. It also references an additional offering that will enable readers to customize the use of this material for specific presentations for particular audiences. Finally, this section shares my closing perspective.

THE JOURNEY

No book has all the answers for creating exceptional organizations. All such entities are viable, sustainable and valued. How they manifest these attributes, however, is unique to each. Furthermore, every organization starts at a different place. Therefore, getting from where you are to where you want to be must be a unique path that you develop together with your team and organization. At best, this book provides a compass to guide you toward your destination. While I hope this book will serve as a catalyst to help you think and behave differently, the onus is upon you to undertake your own journey and create the results that meet your aspirations. It is your choice. As challenging as such a journey may be, once completed, it will be well worth the effort. It will be transformational for both you and your organization.

HOW TO USE THIS BOOK

This book has two particular uses. The first is to address specific topics or concerns, and the second is to assist in the development of broad-based efforts to create exceptional organizations. The “Essays” and “Lessons” sections speak to its use in particular situations. Exhibit 2.1, included at the end of this chapter, is a subject index that shows where specific topics are addressed. All sections are relevant to the creation of organization-wide initiatives.

AMERICAN WOODMARK CASE STUDY

The case study provides a narrative of American Woodmark’s efforts to become exceptional. It is of particular value to those leaders who are trying to understand what to expect in taking this path. While this case study provides a context for both the essays and lessons which follow, it is not necessary to read it prior to using these materials.

ESSAYS

The essays are intended to challenge your thinking and pique your curiosity. They can be used for individual reading or as topics for group discussion. They can also be read in anticipation of lesson presentations on related topics.

LESSONS

Each lesson applies to a particular situation. Since each is independent of the other, they can be used in any sequence desired. The lessons are educational in nature but where appropriate also focus upon skill-building. They are easy to learn but powerful in application. While each lesson stands on its own, collectively they act as building blocks that support the creation of exceptional organizations.

AN INTERVIEW

The interview with John Howe, III, M.D., President of Project HOPE will give the reader a perspective on one leader's attempt to create an exceptional enterprise. It will be of particular benefit to leaders and their senior leadership teams who are considering their own such ventures.

IMPLEMENTATION

Chapter 37 helps leaders to understand whether or not their organizations are ready to pursue a broad-based cultural-change effort and, if they are, how they should best proceed. Included in the chapter are hints and suggestions based upon the experiences of others.

Chapter 38 describes an additional offering which provides individualized articles based upon materials from this book. Included are PowerPoint™ slides of each lesson for group presentation. Where providing this book in its entirety may be neither necessary nor appropriate, leaders can create customized presentations for particular audiences. A useful way to present specific topics to groups is to provide relevant essays prior to a group session, to conduct a lesson on the topic utilizing the PowerPoint™ slides, and finally to give the written version of the lesson as a follow up.

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