



## Operating in Uncertain Times The Compelling Journey to Enterprise Renewal

*A story about change and progress, the driving forces of enterprise and social development and entrepreneurial activity. For leaders needing to act now taking and shaping initiatives, creating new enterprises and transforming organizations, communities and society, in times of profound uncertainty.*

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## Introduction

Level Three Performance Solutions™ (“Level Three™”, “L3PS™”), is a consulting boutique, based in Reno, NV. It was established in 2005 for the purpose of developing greater insight and understanding in the phenomenology of disruptive innovation in business and social life. The knowledge and wisdom obtained in developing new approaches to business strategy and risk management and for operating in turbulent times are useful to businesses of all types and scale.

In the fall of 2008, global credit markets ceased functioning normally. Governments around the world began nationalizing financial systems. Currency and commodity prices fluctuated wildly. Housing prices declined significantly. The global economy slowed and consumers batted down the spending hatches. Business people now face a more uncertain business environment than most of them have ever seen or even imagined. There is uncertainty about the duration and depth of the downturn. The threat to the global system is such, we can only wonder if it will itself survive. This is the brave new world of business we are operating in now.

Under these circumstances and the likelihood the economic world as we knew it is only a memory, we have to overcome fear and the attendant paralysis of our individual will to take actions shaping the future, or not. Part of the challenge facing leaders in taking action is to obtain greater clarity and insight into the forces driving history and development. The risks leaders face are of three types: 1) Bad alternatives and options are considered because of blind spots, sacred cows and habits of mind, both individual, group and cultural; 2) Bad choices are made among good alternatives as related to the current reality of the business, the workforce, the sector, the economy; and, 3) Bad execution of strategic choices, resulting in failures and losses, leading ultimately to a death spiral and finally the death of the business through bankruptcy, shutdown or sale.

The challenges we meet and overcome in business are visible in the changes we make in order to become more aware, flexible and resilient in recognizing and in overcoming them, in ourselves, in groups and communities, in our businesses and in our political arrangements. This requires making rapid progress overcoming: (1) our individual and organizational cognitive and behavioral blind spots; (2) our sector, industry and paradigmatic sacred cows; and, (3) learning to operate more consciously in the moment at the intersection of the restraining forces from the dying and receding past, and the generative forces for progress and development, emerging in the future being born. This feat requires developmental thinking, the ability to think dynamically, to think thoughts which themselves grow and develop. We have to recognize the limits of our sense-bound thinking and to develop new thinking capabilities, lest we be overturned, swamped or drowned in a vortex of change, most of which we cannot avoid or even see approaching. In our hearts and souls, we can feel its approach and its destabilizing effects. In our minds, we can gasp the portents for change. However, we have not developed ourselves and our thinking to the point where we can work consciously with these forces which may be the only way to do so effectively unveiling their workings in each of us human beings first to overcome the blind spot of ignorance about the realities behind the pictures in our minds. It remains to be seen and is a matter of conjecture as to whether or not government, economic and political experts any longer can shape outcomes or even know the magnitude and pace of the tides of change sweeping our world being seen in this moment. History will write the final words.

Ironically, the foundation for Level Three's™ unique voice in the public discourse about risk, change, uncertainty and resilience, is a twenty one year longitudinal research project beginning in the mid-1980s. The initial focus was The Soul of Business, e.g. the inner life of human beings and businesses working in the West, the ways enculturation was inherently self-limiting. And the likelihood of major transformative changes to emerge for which there could be no preparation, for which conventional thinking would be unresponsive, and for which a more-of-the-same type of thinking and approach would be doomed to be swamped by a tsunami of change whose origins lie outside the material world.

A primary aim of Level Three™ in this regard has been to extend the current understanding of risk and of the forces driving development and change in the West in business and social life. Knowledge and perception of these forces, echoing still in indigenous and folk knowledge and in mythology, was lost in the West for the most part beginning around 1450, a period paralleling the development of natural science, modern political economy, and culminating in the Renaissance, and in the flames of the French Revolution. The consequences of this loss reverberate in all spheres of human life today. In these times of global financial crisis, political uncertainty, rampant fear and the loss of hope by many for the future, Level Three™ is going forward on the basis of its original research on loss, risk and change in business and social life in the West. The aim is to bring together the results and to potentially converge multiple streams of development and research since 1900 in a whole new way. In the sense we have succeeded, we have attempted something new through pragmatic business action; it is due to the foundation we were given upon which we build. In the sense we have failed to spark anything new or to provide inspiration and comfort to others seeking development worthy of Man, the author of this essay takes complete responsibility for the failures and for any others associated with the contents and forms of presentation in this essay.

## **About this document**

Level Three Performance Solutions™ (“Level Three™”) is a consulting firm based in Reno, NV. We specialize in entrepreneurial activity, innovation, enterprise and community development, and change leadership. We work with entrepreneurial people who lead and are accountable for the development and performance of their enterprises (businesses, organizations, communities, and social initiatives) and whose enterprise have a compelling need to develop, change and grow in today's complex, volatile, low-growth environment. We advise boards, C level executives, senior teams, entrepreneurs, investors, patrons, and organizational or initiative leaders, staff, volunteers and other key stakeholders on aligning actions, mitigating risks, and defining and implementing a course of action to accomplish tangible results. Such activities require the knowledge, skill and expertise to create and sustain the creative energy needed to implement real change and to develop the resiliency to overcome and learn from the inevitable setbacks and failures.

Level Three™ provides clients with an integrative perspective on enterprise development and performance improvement emphasizing entrepreneurial action, adjacent opportunities, risk readiness, governance and cognitive design as key to successful change. Our programs are tailored to your specific circumstances based on your implementation needs and priorities. We provide advisory and professional services related to the taking and shaping of initiatives to improve performance, align resources, develop capacities and capabilities, and to implement and execute growth and change strategies. Our practice focuses on leadership, culture, architecture and technology. We have extensive experience in strategy, culture change, change implementation, technology and adoption of innovation. We offer a unique perspective and technologies for identifying and addressing individual, group and enterprise *blind spots* which are barriers to enterprise success.

Deciding to change is easy. Actually successfully changing is very difficult — *Most change initiatives fail*. In recognition of this fact, Level Three Performance Solutions™ created *The Compelling Journey*® Program – principles, practices, methodologies and technologies, for enterprises of all types needing to change and accomplish tangible results. We will help you define and implement a course of action both pragmatic and tangible. Our entrepreneurial leadership and enterprise development innovations include opening organizational and group boundaries, changing the way leaders and people think and act so previously inconceivable opportunities can emerge.

Level Three Performance Solutions™ focuses on the people side of change. An enterprise's people, investors and customers are the foundation upon which to build successful development and change programs. By consciously grasping the principles of individual and enterprise development and recognizing the pervasive nature, presence and impact of group and organizational culture, our clients are able to achieve sustainable performance improvements, to improve their chances for success with change initiatives by reducing the risk of failure, and to improve their return on investment.

This document provides you with a wealth of new ideas, practical knowledge and information about entrepreneurial action resulting in successful change. It explains Level Three™ emphasis on developmental principles, the people side of change implementation, the importance of addressing information, infrastructure and culture in change management, and the potential applicability of *The Compelling Journey*® Process in meeting your specific needs. These programs are offered by Level Three Performance Systems™ in partnership with Krier McCormick & Associates™.

**Level Three Performance Solutions™ ... ACTION ... with tangible results.**

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## About Level Three Performance Solutions™

Level Three Performance Solutions™ specializes in entrepreneurial activity, innovation, enterprise and community development, and change leadership. There is a wealth of evidence that change initiatives fail more than they succeed. We bring to our work knowledge, judgment, skill and experience in strategy, innovation in business architectures and business models, culture change, technology change, change implementation, change management and risk readiness.

In today's unified global market, every business is challenged by the *gales of destruction<sup>i</sup> to change, grow or die*; deciding to change is easy; sustaining change and performance improvements is not as simple. According to Senn-Delaney Leadership, the world's foremost leadership and development consultancy *'More change initiatives, from strategy to I.T. systems to merger to reengineering, fail as a result of cultural issues than any other single factor.'*<sup>iii</sup>

The culture of an enterprise, initiative group, organization or institution consists of images, values, habits, customs, principles, models, rules and behaviors shaping the way its people act, feel, and think. At the deepest levels are the enterprise's purpose and potential, its fundamental image of man, its self-concept enterprises, and every individual, group and enterprise has barriers to success growing, changing and fulfilling their potential and becoming what they aspire to be in dynamic economic and volatile social conditions where change is necessary. Underlying the individual and collective barriers are *blind spots*. *Blind spots* are identifiable cognitive limiters in the form of assumptions, models, sympathies and antipathies, and judgments

The values of an enterprise both define what it can do and what it cannot do. The performance of an enterprise is a function of its resources, processes and values. The values of successful firms tend to evolve in a fairly predictable way on at least two dimensions: 1) acceptable gross margins – as enterprises add features and functionality to capture more attractive customers in premium tiers of their markets, they often add overhead cost. Thus to keep margins healthy, enterprises tend to migrate up market. This in turn is reflected in its deemphasizing entry-level tiers of the market having found the margins there are unattractive given changes its cost structure; and, 2) how big a business has to be to be interesting – a company's value represents the discounted present value of its projected earnings stream. Most managers typically feel compelled not just to maintain growth but to maintain a *constant* rate of growth. As the enterprise grows its growth needs dictate larger and larger business opportunities. As enterprises grow they lose their capability to value and to enter small emerging growth markets. This is not due to lack of resources but rather because their values change. Huge size constitutes a very real *disability* in managing innovation.

Culture shapes the way they meet developmental challenges, competitive threats and crises, and how they identify opportunities they want to pursue or not. Culture shapes the manner in which they treat people, customers, suppliers, alliance partners, other constituencies and stakeholders. And, how they define and fulfill the values, mission and purpose of the enterprise.

*“A corporation’s culture can be its greatest strength when it is consistent with its strategies. But a culture that prevents a company from meeting competitive threats, or from adapting to changing economic or social environments, can lead to the company’s stagnation and ultimate demise.”<sup>iii</sup>*

What is the key to sustainable success? Taking a developmental approach to integrating the people side of change with changes in culture, architecture, and information flows. Organizations that ignore the reality of the gales of destruction culture and its potential impact on change initiatives do so at their own peril. They are the least likely to achieve sustainable performance improvements.

Level Three Performance Solutions™ views culture, information, and architecture as keys to successful change and sustainable performance improvements. Richard Foster of McKinsey & Company states that in effect, in knowing the impact of culture, knowing the limits of our available approaches, we can go around them. Finding ways around these limits and changing the way people think, feel and behave not only provides better solutions to known problems, but also opens up unanticipated opportunities on an unimaginable scale.<sup>iv</sup> In their book on Creative Destruction, McKinsey’s Foster and Kaplan identify the essential role of divergent thinking at the periphery of markets in discerning opportunities and threats from the “gales of destruction”.<sup>v</sup>

At Level Three™, we provide our client’s with a unique integrated capability to change successfully and to realize sustainable performance improvements by utilizing developmental principles and focusing on the people side of change implementation. We work closely with our clients to bring about changes in their information, infrastructure and culture to sustain success. We greatly improve our client’s chances for success by reducing their risk of failure, energizing their initiatives, focusing their efforts and energies on success, and increasing their return on investment.

The poet Goethe said “... Whatever you can do, or dream you can do, do it. Boldness has genius, power and magic in it. Begin it now.” [If your organization needs to change, begin now with Level Three Performance Solutions™!](#)

## **THE CALL TO ACTION**

### **About the compelling need for change**

Level Three Performance Solutions™ has adapted *The Compelling Journey* program, originally developed by Ron Schultz, to provide enterprises, businesses and organizations needing to develop, grow and change with new approaches, strategies, tactics, capacities and capabilities for improved success leading and managing change. Because change initiative failure rates are so high, most organizations and businesses are unable to implement sustainable change and to fundamentally improve enterprise performance. The inability of an enterprise to successfully change leads ultimately to failure and death at substantial costs to its leaders, employees, customers or clients, owners, and the larger community.

*The Compelling Journey* program provides enterprises with a detailed and focused course of action for successful change. Why is plotting a course of action to change so important? It provides a tangible means to maintain direction and accountability and it focuses the people on what they have to accomplish together. The single most important cause of change failure is enterprise culture rooted in individual thinking and behavior. Successful change management requires changing the way the culture, the people and the leaders of an enterprise think, feel and behave. A survey of recent business literature shown in TABLE 1 – CHANGE RISKS shows the grim reality.

The survey further shows these failures are primarily due to people and cultural issues. Can your enterprise afford to absorb or even risk losses like these?

Under the weight of these staggering figures, taking an attitude of denial, “We won’t have that problem here,” does not show a great deal of business savvy. It also makes it very apparent why knowing how to get where you want to go and how to enable your workforce and allies to move in that direction is so essential to obtaining a successful outcome.

Ask the more than 50% of organizations that have recently attempted large-scale change programs and failed, or the executives that are now looking for other work because of those failures, if properly addressing the cultural and people needs of their enterprises might have made better sense. At Level Three™ we know it does and we are committed to your sustainable success.

**TABLE 1 – CHANGE RISKS**

- More than 50% of all change initiatives fail<sup>vi</sup>
- More change initiatives, from strategy to I.T. systems to merger to reengineering, fail as a result of cultural issues than any other single factor.<sup>vii</sup>
- More than 2/3’s of all mergers and acquisitions fail to realize their expected value<sup>viii</sup>
- More than 50% of all Enterprise Resource Planning (ERP) based programs fail. Of those only 58% were finished on time and under budget – executives of CRM software providers Siebel Systems and SAP report failure rates of between 60-70% and usage rates between 25-40%<sup>ix</sup>
- Employee disengagement levels nationally are in the 15%-20% range with an estimated annual loss in productivity in the range of \$350 billion<sup>x</sup>
- Employees are “disengaged passionately” – More than 40% of employees said they had negative feelings about their jobs: Nearly one-third is actively looking for other jobs.<sup>xi</sup>
- The impact of a strong culture on productivity is ... as much as one or two hours of productive work per employee per day<sup>xii</sup>
- Recent study shows the more successful companies achieved 68% ROI for IT investments<sup>xiii</sup>
- Payoffs to IT investment occur not just in labor productivity increases but also in multifactor productivity (MFP) growth, and that the impact on MFP growth is maximized after a lag of four to seven years. ... these returns are correlated with decentralized computing architectures, suggesting the diffusion and networking of computing throughout the organization contributes substantially to the payoff.<sup>xiv</sup>

- 70% of the market value of a typical US company resides in intellectual property assets.<sup>xv</sup>
- *Fortune* 1000 companies sustained losses of more than \$45 billion from theft of confidential and proprietary information (i.e. trade secrets).<sup>xvi</sup>
- More than \$70 billion is spent annually on training with little or no discernable impact on productivity or effectiveness.
- “We are clearly living through the death of the mass market.”<sup>xvii</sup>
- Institutional investors are willing to pay a 14% premium, on average, for shares of well-governed U.S. companies.<sup>xviii</sup>

## About the barriers to successful change

Given the compelling need for change to survive and prosper, why are so few human beings and enterprises able to consciously change successfully? Given the potential losses, why are so few leaders able to align their organizations and people to act in a coherent way to effect constructive, sustainable change? Understanding the barriers to successful change is the first step towards success in changing the way people think, feel and act. Second is developing the individual capacity to consciously see the unity in the multiplicity, to see the wholeness of the context in a situation. The third and final step is developing the ability to act in accordance with the phenomena to further the development of the enterprise or organism and whole of the context within which it exists and operates.

There are three types of barriers to success: 1) personal, 2) organizational, and 3) community. Personal barriers are rooted in the individual human strengths, weaknesses, capacities, capabilities, knowledge, skills, experience, and unique aspects of the individual destiny / biography. Organizational barriers are rooted in the identity, potential, purpose, and biography of the enterprise and its organizing idea. Community barriers are rooted in the ‘habits of mind’, paradigms and purposes in time of communities large and small in which the individual human beings and the enterprise are born, live and operate, the conditions of their birth, development and placement in the world, the conditions of education, cultural and political life, and the collective impact of the individuals, enterprises, and institutions with organizing ideas historically and at a given moment in time.

Human activity and entrepreneurial action are fundamental to life. Something which is intrinsically dynamic and indeterminate cannot be other than self-determining. There is an irreducible difference between living and nonliving. The latter can always be understood as being determined by something other than itself. But the former can never be understood completely this way. “There is always something left over, unaccounted for, and this self-determining, i.e. “forming itself out of itself”, is living. This is life itself.”<sup>xix</sup> The self-determining whole is the *organizing idea* or source of the call to action for human activity.

When we question and think about the world, we are separated from it. Through questioning and thinking about the world, we gain understanding. In understanding, we establish new connections with the world in which we live and operate.

By gaining clarity through the intellect, we establish a new relation to the object of our understanding. And, yet, since we are focused on a narrow fact or truth, we ignore our own activity along with the context out of which we have abstracted the fact. In this sense, all intellectual activity continually creates separation. Separation is the death of the living. This is the dilemma of science and the basis of the losses and failures of enterprises to change adapt and grow successfully.

We can go beyond viewing the phenomena including ourselves as separate objects. We can restore the context our science and outlook ignores by coming to know the enterprise and the environment. Neither can be understood without the other. Each enterprise and its environment present a new context, a new challenge to the flexibility of our minds. How we think determines the connections we make to the world. Our actions, and the results and effects of these deeds carry the signature of our minds.

It becomes eminently important, therefore, to examine the way we have chosen, or been taught, to grasp the world. This is the only means of establishing a conscious connection with the effects of our actions. It is the basis for taking responsibility. A contextual approach is not to be looked at as yet another solidified doctrine or theory. Rather it is a necessary complement to the prevailing conceptions and practices of contemporary science. It is a way of making science a healthier whole, modeled after the organisms and enterprises it studies.<sup>xx</sup>

By taking time into our considerations, the nature of time begins to reveal itself. Time is rhythm, is rhythmic activity; and this rhythm is of the nature of Breathing: not just the intaking and expelling of air, but the inbreathing and outbreathing by an organism of its essential being, incarnating and excarnating; and these polar processes express themselves in the form assumed by the organism at any particular moment. There is more than a little evidence that the pure FORM of the organism, considered as a thing in itself, can act in some way as a medium, a bearer of life.<sup>xxi</sup> When we consider the rhythms of life, and human and enterprise development as a whole, they assume great importance in understanding and overcoming the barriers to success.

Our research shows and our experiences confirm the potential value for developing wholeness in thinking, situational awareness in action, and a sense of personal accountability to the larger Community as the foundation for working with enterprises to overcome the barriers to success. Understanding the nature and interactions of polarities, rhythms in nature, and organizing ideas gives us with the proper individual preparation, the ability to see, imagine, or intuit in the moment, the course of action to overcome these barriers to success. To be successful in these endeavors we have to develop our capacity to see the adjacent possible, to cognize it, and to act on it. This is a key to our being ready to meet life, to overcome resistance to change, and to participate more consciously with personal accountability in creating our shared future. At Level Three Performance Solutions™, we strive to act out of and in concert with the *organizing idea* seeking to express itself in the constructive transformation of enterprises to create a humane and sustainable human future.

Level Three's research shows director, executive, employee and customer engagement and loyalty are the keys to creating sustainable high performing organizations. In looking at the thinking and behavior of individuals, groups and enterprises, it is possible to discern in the language of individual communications and group dialogue, in written communications, and in behavioral norms, the models, rules, principles, paradigms, and organizing ideas driving the enterprise. It is possible through using questionnaires and surveys to develop a quantitative assessment of these dimensions and how they change over time.

Level Three's process for successful change is to tease out, surface, document, reveal and make transparent the normative behaviors, rules, models, principles, and ideas at the board, senior team and key management levels, cascading across business units and functions, down the organization, before, during and after change implementation. Our technology for change involves direct research to discover and document the tacit normative behaviors, inspection and observation of the espoused norms of the culture, and quantitative research to provide a more objective, independent assessment of the culture. The research is based in part on ideas developed in marketing research, sociology, cognitive psychology, and anthropology on the attitudes, and psychological underpinnings of human behavior in groups. We have added evaluative dimensions for groups based on our own work in organization development.

Actors are the self-defining individuals, groups, organizations, institutions and communities that comprise our social life. Everett M. Rogers introduced and popularized the idea that the adoption or diffusion of ideas and innovation by actors follows the S-Curve form. Geoffrey Moore in his CROSSING THE CHASM provided the inspirational idea for creating the actor's psychographic profiles. **FIGURE 2 – THE ACTOR'S PSYCHOGRAPHIC PROFILE** is an early attempt of ours to aggregate this research creating a model of actor behavior useful in enterprise and community development, change management, marketing and sales activities.

We think this formulation and methodology is directly applicable to organizational life. Of special interest in this regard is our original research in the philosophy of science and enterprise and human development providing a deeper understanding of the forces and *organizing ideas* behind them driving behaviors over time and the laws governing enterprise development. Particularly important are research in cognitive boundaries, styles and limitations and their sources and consequences.

L3PS™ is focused on elaborating this foundation for use in addressing personal barriers to change. We are applying the same ideas to organizational culture as a means of characterizing and working with the behavior of enterprises, industries, markets, economies and communities of all types.

## About Creative Destruction

The term *creative destruction* is frequently used today by both critics and apologists alike in describing the source of material progress produced by mixed or democratic capitalism the particular mixture of government and business in economic life fostered in Anglo-American circles. This form of political economy which might better be called *Americanism* seems to have resolved once and for all any doubts about its potency relative to socialism. Yet, there remain fundamental unresolved issues around the distribution and gaps in wealth, sustainability and humane social structures related to Humanity as an indivisible whole.

The term *creative destruction* is widely today in commentary on capitalism and business. Both critics and apologists alike use the term in describing the progress realized by the mixed or democratic capitalism manifested in the U.S and Western Europe. The origin of the term *creative destruction* and its usage in the discourse on political economy is attributed to Joseph A. Schumpeter who first wrote about *the process of creative destruction* in his Capitalism, Socialism and Democracy<sup>xxii</sup>. He says basically the efficiency of the new corporation places such economic pressure on the old corporation, which cannot not change its ways quickly enough, so that it eventually cannot compete, and over time outlives its economic usefulness. Schumpeter describes capitalism—the never-ending process of creation and removal of businesses—as the *gales of creative destruction*. Although he was not talking about the processes that occur inside a company, the idea is applicable to a whole or parts of an enterprise. This does not necessarily mean the whole or part of the enterprise will die, it simply means the economic rationale for having it exist in whole or in part has ended or is about to end. That could be because the potential of the business has played out, or because the basic rationale for the enterprise has changed.

At L3PS™, we think it is important to understand the *gales of creative destruction* in order to improve performance and to sustain change. With a deeper understanding of the underlying forces driving change and the associated risks, enterprise leaders can pursue strategies and create cultures more likely to be successful. To this work, we bring a deep enthusiasm for change and broad and deep experience and understanding of *the process of creative destruction*.

In 2001, Richard N. Foster and Sarah Kaplan of McKinsey & Co. wrote CREATIVE DESTRUCTION WHY COMPANIES THAT ARE BUILT TO LAST UNDERPERFORM THE MARKET—AND HOW TO SUCCESSFULLY TRANSFORM THEM<sup>xxiii</sup>. They describe efforts at McKinsey & Co. over a decade or more to create a way to better understand long-term business performance culminating in creation of the McKinsey Corporate Performance Database for U.S. Companies with more than 1,000 companies in fifteen industries. Goals of the McKinsey research were to gather missing data on performance and its determinants, to define performance and objectively measure “good” and “poor” performance, and to surface the forces at work—seeing the contextual changes and their causes. Among the performance variables examined are sales growth, margins, return on invested capital, debt and debt ratings, R&D spending, and total return to shareholders or TRS (defined as the increase in stock price per year plus any dividends or special payments made).

McKinsey's long-term studies “of corporate birth, survival and death in America lay bare the myth of corporate performance—the myth of the company that continually performs better than the markets. Such a company has never existed.

The capital markets encourage the creation of corporations, permit their efficient operations (as long as they remain competitive), and then rapidly—and remorselessly—remove them when they lose their ability to perform. Corporations, which operate on the assumption of continuity, are not able to change at the pace and scale of the markets. As a result, in the long term, they do not create value at the pace and scale of the markets.” One finds superior performance, at least for a time. It is the companies that lose their ability to meet investor expectations that consume the wealth of the economy. The capital markets remove those weaker performers at a greater rate than even the best-performing companies. This process of creation and removal is called the *gales of creative destruction* by Schumpeter. Few corporate leaders have the energy or the time to manage the process of creative destruction, especially at the pace and scale necessary to compete in today's global markets.

Foster and Kaplan describe “the essential difference between corporations and markets is in the way they enable, manage and control the processes of creative destruction. Corporations are built on the assumption of continuity (Built to Last); their focus is on operations. Capital markets are built on the assumption of discontinuity; their focus is on creation and destruction.

The market encourages rapid and extensive creation, and hence greater wealth building. It is less tolerant than the corporation is of long-term underperformance. Outstanding corporations do win the right to survive, but not the ability to earn above-average or even average shareholder returns over the long-term. Why? Because their control processes—the very processes that help them to survive over the long haul—deaden them to the need for change.” Level Three™ was formed specifically to address providing enterprises and leaders with the capabilities to anticipate needs for change and the associated risks including the risk of not changing, to implement change successfully, and to measure and monitor enterprise performance to ensure the enterprise is able to both create and to destroy on the pace and scale of the markets.

Schumpeter identifies one of the fundamental problems we confront is drawing conclusions which are almost completely false from observations and theorems which are almost completely true. Particularly as these fragments are fragments of reality a writer or theorist has happened to grasp. No conclusion about capitalist reality as a whole follows from such fragmentary analysis. If we draw them nevertheless, we can only be right by accident. The essential point is in dealing with capitalism, we are dealing with an evolutionary (developmental) process. Yet the fragmentary analysis which yields the bulk of our propositions about the functioning of modern capitalism persistently neglects this essential fact.

Capitalism, then, is by nature a form or method of economic change and not only never is but never can be stationary. And this evolutionary character of the capitalist process is not due merely to the fact that economic life goes on in a social and natural environment which changes and by its change alters the data of economic action; this fact is important and these changes (wars, revolutions and so on) often condition industrial change, but they are not its prime movers. Nor is the evolutionary character due to a quasi-automatic increase in population and capital to the vagaries of monetary systems of which exactly the same thing holds true. *The fundamental impulse that sets and keeps the capitalist engine in motion comes from the new consumers' goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates. (Emphasis added)*

The opening up of new markets, foreign or domestic, and organizational development illustrate the same process of industrial mutation or adaptation, using a biological term, that incessantly revolutionizes (occurring in discrete rushes separated from each other by spans of competitive quiet with the process as a whole working incessantly in the sense there is always revolution or absorption of the results of revolution, both together forming what are known as business cycles). *This process of Creative Destruction is the essential fact about capitalism. It is what capitalism consists in and what every capitalist concern has got to live in.*

Since we dealing with a process whose every element takes considerable time in revealing its true features and ultimate effects, there is no point in appraising the performance of that process as *(ex visu following a vision )* of a given point of time; we must judge its performance over time, as it unfolds through decades or centuries. A System—any system, economic or other—that at every given point of time fully utilizes its possibilities to the best advantage may yet in the long run be inferior to a system that does so at *no* given point in time, because the latter's failure to do so may be a condition for the level of speed or long-run performance.

Since we are dealing with an organic process, analysis of what happens in any particular part of it—say, in an individual concern or industry—may indeed clarify details of mechanisms but is inconclusive beyond that. Every piece of business strategy acquires its true significance only against the background of that process and within the situation created by it, i.e. its context. It must be seen in its role in the perennial *gale of destruction*; it cannot be understood irrespective of it or, in fact, on the hypothesis that there is a perennial lull. *The problem that is usually being visualized is how capitalism administers existing structures, whereas the relevant problem is how it creates and destroys them.*

*In the capitalist reality it is not the kind of competition which counts but the competition from the new commodity, the new technology, the new source of supply, the new type of organization (the largest-scale unit of control for instance)—competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the existing firms but at their foundations and their very lives.* It is hardly necessary to point out that competition of the kind we now have in mind acts not only when in being but also when it is merely an ever-present threat. It disciplines before it attacks.

At Level Three™ we understand the need for enterprise discipline. We understand the value of readiness—which we define as the enterprise being ready, willing and able to act in the moment including an understanding of the pertinent risks including the risk of not acting. We understand the value of creating a culture able to consciously create and destroy. We understand the need for change, the ability to overcome “cultural lock-in”. Finally, we see the enduring and transcending value of individual entrepreneurial action; instilling, fostering and nurturing the entrepreneurial spirit of an enterprise; developing, hiring, incenting and nurturing individuals with the capability to act, to think, to lead an enterprise towards an uncertain future; individuals with the resiliency to overcome failures, to learn; individuals with the energy and will to act. Businesses serving real needs of the Community and Humanity. We see these as essential factors for business success in the coming decades.

### **About Entrepreneurial Activity**

An enterprise is a business, organization, social or community initiative or project that requires boldness and energy. An entrepreneur is the individual who calls the enterprise into being, organizing and managing its development and unfolding with significant initiative and at considerable risk. The entrepreneur’s capacities and capabilities express both the potential and the limitations of the enterprise at any point in time.

At Level Three Performance Solutions™, we operate on the premise that entrepreneurial activity is the key to success in enterprise development. For us, true entrepreneurial activity is only fully possible in a non-governmental enterprise. Otherwise, the potential and limitations of the initiative are bounded and circumscribed by the power, authority and interests of the government or applicable institution limiting the field of action and the freedom of the entrepreneur to act.

Individual people involved in entrepreneurial activities initiate and sustain entrepreneurial actions on behalf of the enterprise throughout the course of its life. Creating, nurturing and embodying this spirit is the ultimate entrepreneurial challenge. The personal and moral development of the entrepreneur shapes the way they obtain knowledge and acquire wisdom. These, in turn, shape the way the identity and potential of the enterprise manifest themselves. Since there are vast differences in the capacities and capabilities of individuals and enterprises, one of the fundamental leadership challenges is to meet the entrepreneurial needs of the enterprise by seeing that the proper capacities and capabilities are present when needed and the information and infrastructure required to support action are in place.

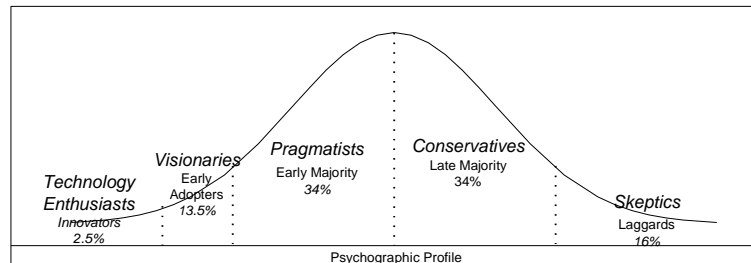
The leader’s knowledge, skills, experience and judgment, imbued with imagination, intuition, and inspiration, are his or her essential tools. Leaders decide how and when to act. The fundamental entrepreneurial leadership dilemma is to effectively fulfill both the enterprise’s capacity and capability needs, while anticipating and formulating responses to emerging developmental questions. All of this creative activity occurs while the leader must also tend to all of their other duties and responsibilities. In view of the complexity and challenge of this effort, it is not surprising how difficult it is for entrepreneurs to realize and sustain change leading to long-term success.

For Level Three Performance Solutions™, the keys to enterprise success are forged within entrepreneurial activity, fired by individual entrepreneurial action, and supported by a culture that nurtures and cultivates the entrepreneurial spirit of the enterprise. The essence of the Compelling Journey Program lies in these principles.

### **The Relationship between Entrepreneurial Activity and Risk**

Entrepreneurs are called to act, this is true whether they work within an existing enterprise or are trying to start one of their own. No matter the environment in which they work, they often see what others cannot. What separates the entrepreneurial spirit from those who see only “more of the same” is that they can envision the adjacent possibilities or opportunities that lay just outside the current world within which they operate and act on them (See FIGURE 3 – ADJACENT OPPORTUNITIES). These opportunities hold the greatest potential for innovation, development, growth and change. Claiming this ground can make the difference between moving forward or enterprise stagnation and death.

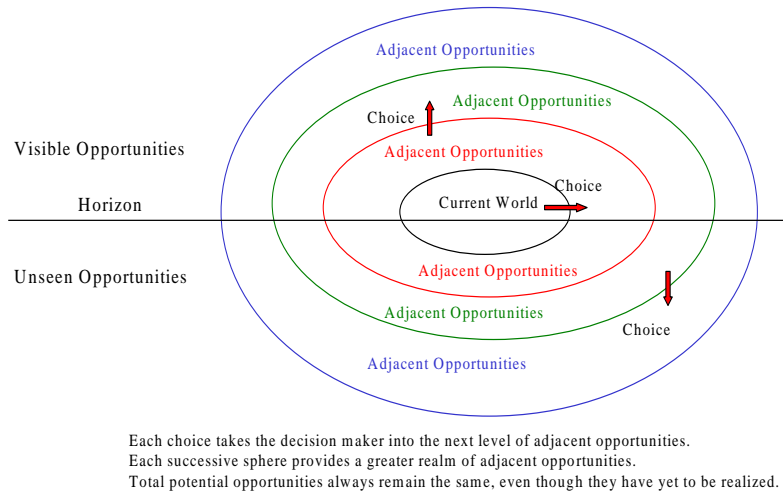
**FIGURE 2 – THE ACTOR’S PSYCHOGRAPHIC PROFILE**



	<u>Technology Enthusiasts</u>	<u>Visionaries</u>	<u>Pragmatists</u>	<u>Conservative</u>	<u>Skeptics</u>
<b>Psychographic Profile</b>	<p>Appreciate technology for its own sake.</p> <p>Appreciate architecture of product.</p> <p>Understand your competitive advantage.</p>	<p>Insight to match an emerging technology to a strategic opportunity.</p> <p>Not looking for an <i>improvement</i> but for a <i>breakthrough</i>.</p>	<p>“Pioneers are the people with arrows in their backs”</p> <p>“Let somebody else debug your product”</p> <p>“leading edge = bleeding edge”</p> <p>Goal is to make an incremental improvement.</p> <p>Value &amp; expect predictability.</p>	<p>Buy to stay on par with the rest of the world</p> <p>Fear high tech a little bit</p> <p>Buy at end of life cycle when prices are down and product is commodity.</p>	<p>Don’t worry about them</p>
<b>Adoption Profile</b>	<p>Want the truth without any tricks.</p> <p>Want access to most knowledgeable people</p> <p>Want to be first to get new <i>stuff</i>.</p> <p>Want everything <i>cheap</i>.</p>	<p>Like a project orientation - “pilot”.</p> <p>In a hurry.</p> <p>See future in terms of <i>windows of opportunity</i>.</p> <p>Tend to exert <i>deadline pressure</i>.</p>	<p>Care about The Company.</p> <p>The quality of the product.</p> <p>The infrastructure of supporting products and systems interfaces.</p> <p>The reliability of service.</p>	<p>Want too buy “bundled” with everything in a preassembled package at a heavily discounted price.</p> <p>Want not to “get stung”.</p> <p>Understand single function products like refrigerators.</p>	<p>Participate in marketing to “block” purchases.</p>
<b>Sales Profile</b>	<p>Sell <i>latest &amp; greatest</i>.</p> <p>Try it <i>just to see if it works</i>.</p> <p>Find the ones near and influential with the <b>Big Boss</b>.</p>	<p>Manage Expectations using a direct sales force to:</p> <ol style="list-style-type: none"> <li>1. Understand goals</li> <li>2. Give confidence in meeting goals</li> <li>3. Flexible about agenda</li> <li>4. Adapt to agenda.</li> <li>5. Carefully negotiate.</li> <li>6. Keep tasks with time frames.</li> </ol>	<p>Buy on the basis of living with the decision for a long time.</p> <p>Vertically oriented.</p> <p>References &amp; relationships are important.</p> <p>Maximize buying leverage and points of control.</p> <p>Buy from <i>proven</i> market leaders.</p> <p>Become conversant with the issues which dominate their business.</p>	<p>Think out the whole solution”</p> <p>Provide every element in a package.</p> <p>Low cost, no post sales support.</p> <p>Low cost distribution systems.</p>	<p>Neutralize their influence.</p>

Derived in part from Geoff Moore’s *Crossing The Chasm*

**FIGURE 3 - ADJACENT OPPORTUNITIES**



So, why isn't everyone activating this entrepreneurial energy and seeking this new world of opportunity? The answer is that because the opportunities lie outside the current world, in unknown or uncertain territory, they generate the greatest concern about loss and risk. This makes doing more of the same feel like potentially the safest action to take, when in fact, it is a proven path to dissolution. As we will demonstrate, it is this cultural fallacy that lies at the heart of our misconceptions about action in relation to risk.

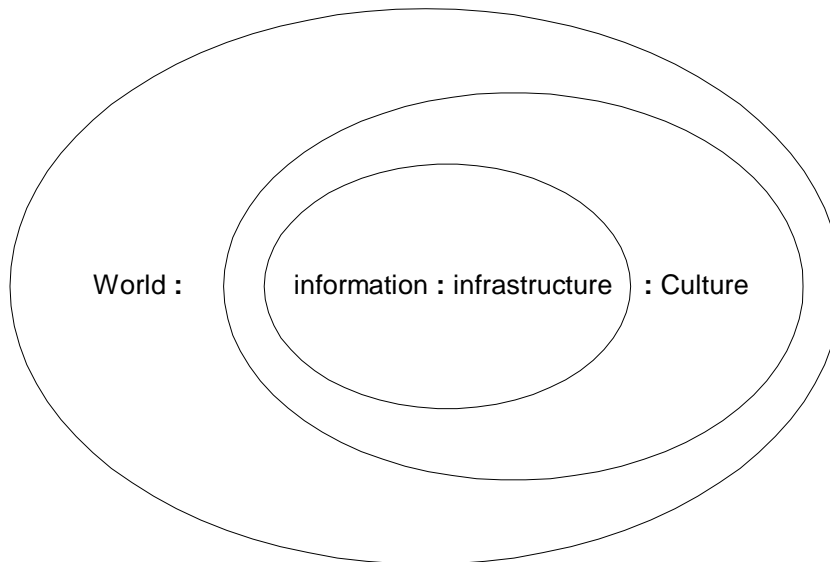
### **About Entrepreneurial Action**

Entrepreneurial Action is about individuals identifying and meeting the compelling need of an enterprise or community. We accomplish this by actualizing adjacent opportunities while recognizing and becoming ready to meet any associated risks. Readiness to act, in turn, requires that we overcome such personal and organizational barriers as anxiety, inertia, resistance, and opposition. The good news is that in doing so, we are not forced to make any rotten compromises along the way.

The capacities, capabilities and limitations of the entrepreneur are at the core of entrepreneurial action. Entrepreneurial activity is based on the relationship between the information generated internally and externally within ourselves and our enterprises, and the infrastructure initially erected with the intention of supporting the enterprise. These are then held in relationship to the culture of the enterprise, and finally to the impact of the world within which the enterprise operates. It is the interaction of these three integrated relationships that form the fertile ground out of which innovation and risk arise and provides the basis for differentiation and a unique value proposition. (SEE FIGURE 4—PERFORMANCE COMPONENTS).

## The Compelling Story

**FIGURE 4 – PERFORMANCE COMPONENTS**

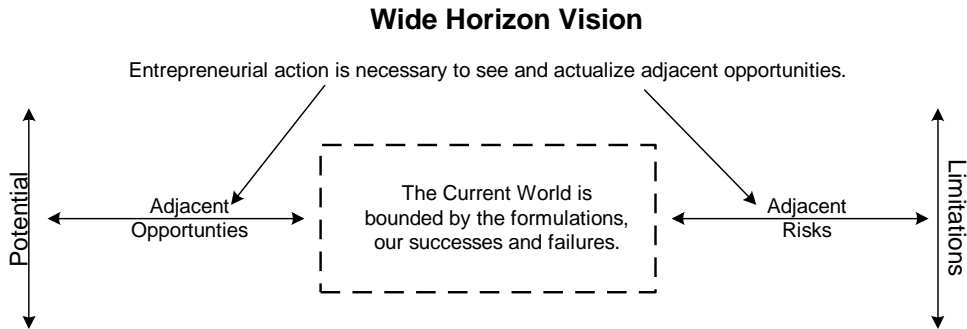


What emerges out of the interaction of these three elements is the formulation of our strategy for realizing the vision and potential of the enterprise. The process of enterprise development is, like Plato said, “one of everlasting becoming.” It follows the general form of unfolding action, which originates from the fountainhead of the enterprise as identity => potential => call to action => individual action => manifestation or actualization. This vision and strategy formulation defines the adjacent opportunities and all their inherent potentials and limitations. Why this is important to address is that our natural tendency, whenever an adjacent opportunity is actualized, is to lock within that formation all the potential and limitations of that opportunity.

If we were to look again at adjacent opportunities, risk and entrepreneurial action in relation to this distinction, adjacent opportunities would fall under the side of potential and risk in the realm of limitations. Entrepreneurial Action is influenced and actualized between these two poles (SEE FIGURE 5 – ENTREPRENEURIAL ACTION). Since both risk and opportunity reside within every Entrepreneurial Action, we must be prepared to address each of them in order to assure success.

# The Compelling Story

**FIGURE 5 – ENTREPRENEURIAL ACTION**



## About Risk Readiness

To more clearly understand the distinction between risk readiness and risk management, we should take a closer look at what has driven traditional risk management -- the minimization and containment of loss and exposure. The first issue is that the traditional approach doesn't necessarily look at the separate ingredients in the mix; it accepts the product as is, and works from that assumption. This is why it fails so often to protect the assets it was designed to secure. What we neglect when we look at risk in this narrow fashion are the sources of risk.

We divide these sources into three categories – 1) Ideas and alternatives, 2) Choices, and 3) Execution. These sources of risk are actually the products of a cognitive failure; a failure in our thinking surrounding what has to be accomplished and how to do it. In our drive to get things done quicker and more cheaply, traditional risk management accepts these failures of thinking as rotten compromises and attempts to minimize and contain their impact. (SEE TABLE 6 – RISK READINESS FOR RECENT EXAMPLES.)

We think there's a better way. We call it Risk Readiness. Being ready means that we must begin addressing risk as soon as we formulate a new opportunity so that we are aware of the limitations inherent in the formation. This requires us to have a clear awareness as to what we mean by each of our three risk categories.

### Ideas and Alternatives

This is the home of the rotten compromise. Since we can't identify a good alternative or don't see the reality of the problems and issues we face, we are forced to manufacture poor ones in the absence of good ones. In the name of expediency and getting it done, we make trade-offs that will ultimately be the source of our undoing. Our intentions may be good, but the thinking behind the decision is flawed. Bad ideas and alternatives abound.

**TABLE 6 – RISK READINESS**

<u>Example</u>	<u>Losses</u>	Risk & Strategy			Governance & Leadership		
		Bad Alternatives	Bad Choices	Bad Execution	Culture	Infrastructure	Information
Enron	Deceased	X			X		
WorldCom	Bankruptcy	X			X		X
AOL Time Warner	\$200 Billion	X			X		
Tenet	\$24 Billion		X	X	X		X
Arthur Andersen	Deceased		X	X	X		
Rhythms Netconnections	Deceased		X	X	X	X	X
Arthur Andersen / Andersen Consulting	Split Apart		X		X		
Qwest	At Risk		X	X	X	X	X
McDonalds	Troubled		X		X	X	X
United Airlines	Bankruptcy		X	X	X	X	
United Way	Troubled		X	X	X	X	

Accepting these rotten compromises is a reflection of our inability to envision reality and propensity to seek the “right” idea or engage others to discover the “right” idea when in fact there is only the adjacent possible. Facing that breakdown, we may call on what has worked in the past, without understanding that what has worked previously may not reflect the current conditions and situation. Bad alternatives are a reflection of the limitation and failure of our thinking – cognitive failures. And, as in any area, when the limitations outweigh the potential, failure is a foregone conclusion.

## Choices

When the alternatives before us are bad, we can only make bad choices. We think a choice *must* be made and rather than appearing to not know the right answer, or delay the decision, we are willing to proceed with the bad choice and accept the rotten compromise. Bad choices are a reflection of the limitations of our alternatives and a failure of imagination and courage to confront reality.

## Execution

Poorly implementing bad choices and expecting good results is a sure sign of disconnection from reality. But bad execution can also be the downfall of good alternatives and their subsequent good choices. Bad execution is an indication of the limitations of our ability to act, to have a clearly defined call to action and course of action to follow and issues related to alignment of accountability.

How an enterprise breaks this habitual pattern of bad alternatives leading to bad execution and changes how it views risk is through the development of what we call “Wide Horizon Vision.” (SEE ALSO FIGURE 3 – ENTREPRENEURIAL ACTION.) What Wide Horizon Vision provides is greater access to the adjacent opportunities available to an organization and subsequently, an increase in the number and quality of alternatives from which to choose.

Our initial tendency when confronting specific business dilemmas is to focus our perspective narrowly on the problem directly before us. Just put out the fire. By narrowing the focus prematurely or due to cognitive limits, however, we limit our alternatives to the exclusion of a raft of other opportunities that lay just one step away from actualization, and which may hold the key to innovative entrepreneurial action and growth. The fire may need to burn for a while to clear out deadwood, so that new growth can take hold.

## The Compelling Story

### Risk Readiness

Our concern and fear of the consequences of risk and loss lead to our attempt to manage it and end up limiting innovative pursuits, often creating the opposite effect for which our management of them was designed. Cultural lock-in manifests itself in three general fears—the fear of cannibalization of an important product line, the fear of channel conflict with important customers, and the fear of earnings dilution that might result from a strategic acquisition.<sup>xxiv</sup> And if the source of risk is, as we propose, the failure of our thinking, managing it only hides and delays the failure. The answer lies not in accepting and making bad choices and rotten compromises, but in the ability to access a wider horizon of opportunities and be ready for risk if and when it surfaces.

Enterprises often manifest this failure of thinking by creating greater infrastructure than is required to successfully run its operations. The thinking is that infrastructure equals security and less risk. In fact, excessive infrastructure fixes costs and establishes performance limitations that much like arteriosclerosis can lead to illness, paralysis and death. The same is true of other decisions like paying premiums to market for acquisitions, investing large sums on bad strategic bets, and the like that fix non-competitive cost structures. When analyzed in its essence, organizational insecurity is simply a fear of the death or destruction of the organization. In this fashion, security is playing to lose, rather than playing to win. On the other side of the coin, what provides an enterprise with growth, generating and regenerating the living organization, is establishing the proper ratio between information and infrastructure and a culture of change to adapt them to changing circumstances.

One way to imagine this ratio is to picture how we create color in paint. To create the specific color we desire, we mix the various colors available to us, adding just the right amount of each color required -- the proper ratio of ingredients – for our particular color. However, in differentiating our companies from one another, we are constantly striving to mix the colors available to us in new ways to create unique hues and shades.

Each business concern has its own ratio of information to infrastructure that is required so it can be the kind of distinct business it wants to be. The problems arise when the color created doesn't match the color envisioned. We haven't gotten the mix right for our business. This is further complicated when the cultural aspects of an enterprise are thrown into the recipe.

Of course, if establishing the proper ratio between information and infrastructure to facilitate a vibrant culture were as exact as blending colors at the hardware store, there would be fewer business failures and far less risk. All we can do within our organizations is to assess the situation within each operation to make sure that the ratio between infrastructure and information isn't limiting the scope of entrepreneurial action required to operate the enterprise successfully. What we are doing, then, is assessing our potential risk exposure caused by this incorrect ratio, while opening our thinking to greater sources of information and subsequently a wider view of the adjacent opportunities.

## The Compelling Story

Managing risk is an after-the-threat attempt to manage failure to delay organizational death. Risk readiness is identifying adjacent opportunities and surfacing risk before it arrives. We then have far more opportunities and time to address our exposure to create potential growth rather than be forced to make rotten compromises that only limit an enterprise's ability to prosper and grow.

Risk can and will surface, and it often arises in unexpected and devastating ways. But we can greatly limit its impact when we can maintain a wide horizon view of the potential and limitations of the adjacent opportunities that surround us.

How we apply what we see with our wide horizon view and the adjacent opportunities that surface is through the process of Cognitive Design.

### About Cognitive Design

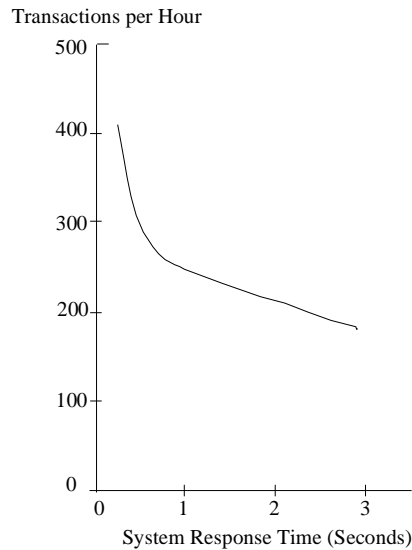
Cognitive Design means understanding the creative impact we can have on innovative development by using the whole of our human capacities and then using these capabilities more consciously as an integrating and binding force when implementing change. In doing so, we place ourselves, as thinking human beings, our knowledge about the human being, and our knowledge, skills and expertise at the center of all thoughts and actions about enterprise change and development. This places our true nature -- the way we think, make sense of what we perceive, and how we ascribe meaning to our experience -- at the center of our strategy, technology and change design. This then has a profound impact on the implementation of our infrastructure, systems, and processes.

Cognitive Design suggests there is a whole new way of thinking about how we create our systems, structures and information. It recognizes the unseen potential for performance improvement lying beyond the threshold of human cognition. These unseen potentials and attendant limitations are embedded in the relationships between information, infrastructure and culture. . What we are suggesting now is that by incorporating our ability to create infrastructures and transfer information that is more readily and efficiently comprehended by those who use it, we unlock the unseen potential that reduces the impact of cognitive limits on performance.

The power of cognitive design lies in providing instantaneous access to information at the speed we humans can cognize it and in the forms most readily cognizable. Research at IBM has established the basis, in fact, for achieving simultaneous reductions in cost and improvements in productivity from adopting Cognitive Design principles.<sup>xv</sup> FIGURE 7 – THE COGNITIVE DESIGN PERFORMANCE CURVE, also known as the Thadani Curve, depicts the potential value curve of the improvements. When there is something that requires response and action, even delays that fall below our conscious level of realization reduce accuracy, quality, productivity, and increase costs. This creates frustration and dissatisfaction, which become aggregated and eventually cause performance problems. These phenomena, in turn, create additional costs, increase training and support costs, and impede adoption of new practices and processes. Eventually, they undermine value propositions and business models increasing the likelihood of failure to implement sustainable change.

## The Compelling Story

**FIGURE 7 – THE COGNITIVE DESIGN PERFORMANCE CURVE**



The IBM research shows the applicable benefits of sub-second response time are:

- cost savings, improved individual productivity, better quality of work, and the ability to leverage resources to sustain higher volumes of activity and revenue.
- Improved employee and customer engagement, factors known to be strongly correlated with high performance.
- Improved individual productivity as all users benefit from sub-second response time. In addition, on average an inexperienced user with sub-second response time was as productive as an expert with slower response. A novices' performance became as good as the experienced professional and the productivity of the expert was dramatically enhanced.
- Cycle time compression on the order of 35%-40% was realized in complex activities with an associated 50%+ increase in productivity.
- In studies of the impact on other types of activities, productivity increases of 300%+ were observed suggesting broad applicability of the benefits on performance.

The results of these findings are of great importance within industry sectors such as health-care, financial services, retailing, and transportation. In customer focused businesses, labor is expensive, hard to find, and difficult to keep engaged and aligned. In sectors where accuracy and speed are highly important to avoid such things as: loss of life, injury, or illness, impacting individual and community health, or major financial loss due to inferior information and poor communication, cognitive design offers real possibilities for substantially improved productivity and effectiveness. Likewise, the impact of response time on performance suggests an even greater potential when we apply creativity to overcome cognitive limitations in business processes, information and infrastructure. [These are the multilevel factors referred to in the literature.]

## The Compelling Story

At the heart of Cognitive Design is a creative aesthetic, the integral beauty and simplicity of design to which we as humans respond naturally and intuitively. This elegance and wholeness of design, though often ignored over cost or lack of appreciation or understanding, is what engages us at levels of which we are not conscious. The combination of sub-second information access speed and the aesthetic, as two essential elements of design, allow us to more effectively actualize the adjacent opportunities before us, and engage our own entrepreneurial activity to make choices unfettered by inappropriate risk and rotten compromises. Creating these cognitive designs requires greatness, courage, and openness to the opportunities surrounding us.

### About Culture as Performance Limiter

Creating a culture to support an environment for cognitive design is not a trivial matter. Neither is a culture that understands the relationship between Entrepreneurial Action and Risk and the need for readiness and preparation. In creating our complex enterprises and constructing labyrinthine infrastructures to ostensibly support and protect our assets, we tend to ignore that which resides within those structures and systems. They are built not for human interaction, but as fortresses to protect property. Today, we even build fortresses to protect intellectual property.

In order to assure these assets are properly protected, we are required to keep operations tightly bound an action that by its very nature limits interaction and closes down our access to adjacent opportunities. The thinking is, we have our idea, our proprietary product we know works and we're going to keep that knowledge to ourselves. That's why we're in business. Narrowing our wide horizon vision like this feels intuitively logical and safe.

Unfortunately, a secret and protective culture is one that will automatically shy away from the entrepreneurial activity and discourage the entrepreneurial actions of individuals that renews life within an enterprise. Rather than widening our focus, we become occupied with burying treasure.

The roots of commerce are to provide value to the customer, and yet we create cultures within our enterprises that because of their insularity and selfishness produce the single greatest source of risk to the enterprise. People create enterprise failure. There's no one else to blame. Knowing this, we still focus on producing greater asset protection rather than addressing the source that generates the assets in the first place, the people and the culture of the enterprise they create.

### About Governance

Governance is the process of individuals exercising authority over an enterprise and how it acts and unfolds in the world. It is the responsibility of the leadership of the enterprise. Governance involves shaping the behavior, values, culture, information and infrastructure of an enterprise while providing and sustaining coherence and alignment with the identity and potential of the enterprise.

## The Compelling Story

Recent history provides us with numerous and significant business failures, bankruptcies, executive and investor misconduct, and government misconduct that are ready examples of situations where governance processes were ineffective in shaping and sustaining enterprises in a constructive and positive manner. In fact, efforts over the last ten years, efforts to reform governance, particularly in large public corporations, have failed to produce meaningful change in the occurrence of governance problems, jeopardizing the viability of many enterprises. We continue to see governance reforms from the NYSE, SEC, Federal and State legislatures, and others that speak to such things as: board membership, independent directors and their duties and responsibilities on the board, changing the roles and responsibilities of the audit, nominating, compensation committees and so forth. Interestingly, none of the reforms speak either to the need to oversee enterprise development or to provide a means for Community accountability.

While the barriers to successful reform are beyond the scope of this discussion, we think it is possible to picture a potentially healthier model of governance. We envision a model based on community accountability that involves holding enterprise leaders accountable, both individually and collectively, for governance failures. A minimum starting point for accountability is a published, annual, Board self-evaluation. This self-evaluation is then combined with an assessment by independent directors, or a third party on behalf of the Board, that looks at the enterprise's performance in terms of such areas as, operations, development, entrepreneurial activity, governance and fealty to its own identity and potential, and its responsibilities to the Community.

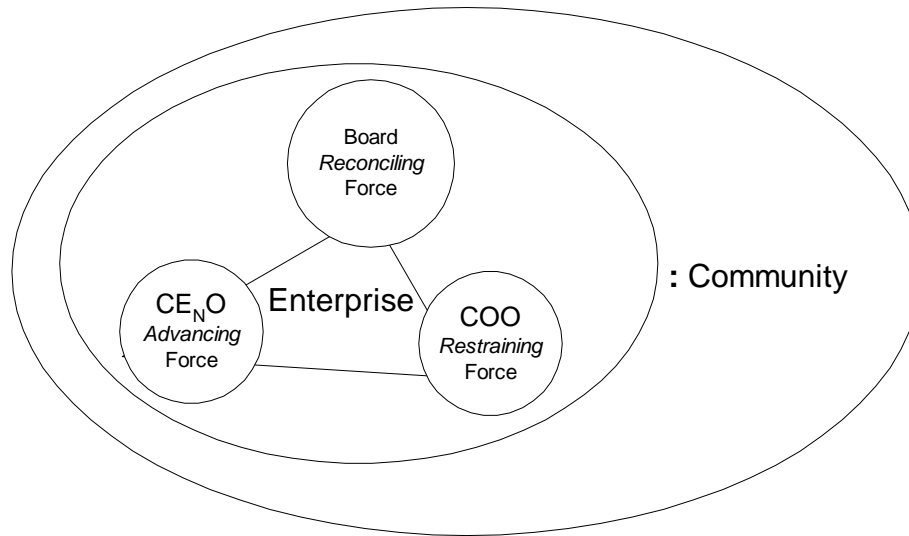
Based on our work in enterprise development, we are advocating alternative governance models for consideration. It is based on the notion of a Community to whom the enterprise is ultimately accountable and a threefold governance structure. The Community consists of the Market, Government, and Stakeholders like, employees, investors, retirees, and the various communities of interest or affinity within the larger Community. In addition, potential associations of interest that would include groups like, producers and consumers within other emerging communities should be involved.

## The Compelling Story

The proposed threefold governance structure is based, developmentally, on the enterprise being driven by the confluence of three fundamental forces: advancing, restraining and reconciling. Each of these forces has a role in relation to the others in both the developmental stage and the needs of the enterprise. In an ideal governance arrangement, an individual is designated as responsible for the care and nurturing of one of the three developmental forces, for example: the Chair of the Board (Board Chair), the Chief Operating Officer (COO) and the Chief Entrepreneurial Officer (CE<sub>N</sub>O). The Chief Operating Officer, representing the restraining developmental force, is, as within today's structure, responsible for the operations of the enterprise. The Chief Entrepreneurial Officer (CE<sub>N</sub>O), replacing today's Chief Executive Officer, represents the advancing developmental force of the enterprise, embodying all entrepreneurial activity and the care and nurturing of the entrepreneurial spirit of the enterprise. Finally the Board Chair, representing the reconciling force, is responsible for the long-term health of the entire enterprise. Over time, this involves the interaction and interrelationship between the advancing and the restraining forces, operations and entrepreneurial activity. All three positions serve at the discretion of the Board and are accountable to the Board who are, in turn, collectively and individually accountable to the Community. FIGURE 8 – THE ENTREPRENEURIAL GOVERNANCE MODEL depicts the three key roles in the enterprise governance process and shows the enterprise in relationship to the Community.

## The Compelling Story

**FIGURE 8 – THE ENTREPRENEURIAL GOVERNANCE MODEL**

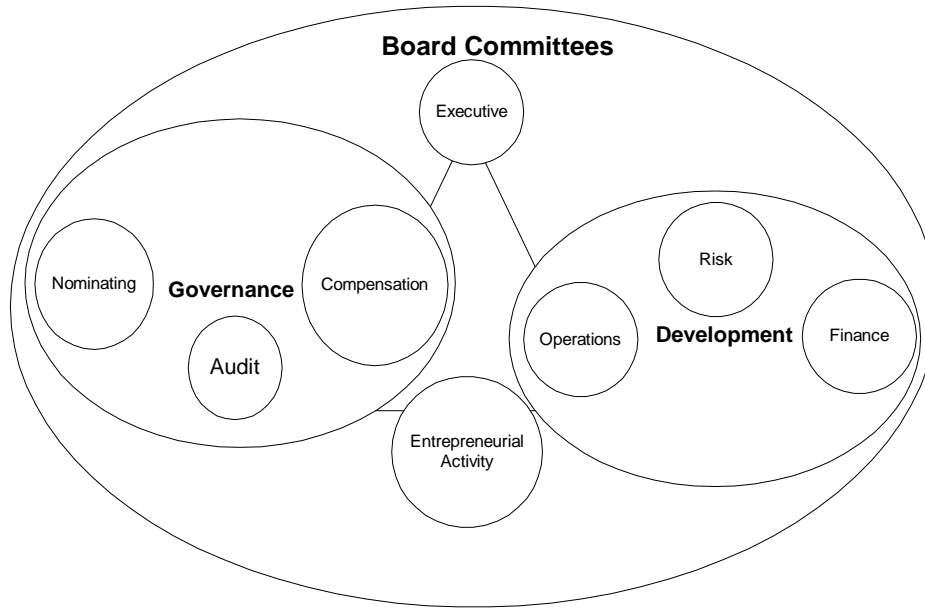


The Community consists ultimately of a single integrated whole—Humanity—and of all current economic, government, and social constructs including the market, the ‘rule of law’, consumers, interest groups, political parties, and as yet to be formed groups and associations of consumers, producers, and other interest groups. The central idea is the enterprise is accountable ultimately to the Community. If individuals cannot or do not provide for the legitimate needs of the Community then ultimately government and business will fill the gap providing the potential basis for an untenable situation based on power and special interest. The manifestation of that accountability, and the details of implementation, can and will change in time. It will also vary under different circumstances that will tend to anticipate the needs of the next developmental stage, but not impede or conflict with the needs and potentials of the enterprise and Community.

Considering the definitive and broadened roles, responsibilities and accountability of the Board, we offer a model Board arrangement for discussion. The formal duties and responsibilities for each committee are discussed elsewhere in the literature. For our purposes, the governance role encompasses the audit, nominating, and compensation committees. The governance committee is responsible for all governance issues and in the final analysis for the culture and how it stands in relationship to the Community and achieving the enterprise’s vision, mission, goals and objectives. The development committee’s scope of activity encompasses the operating, finance and risk committees. The proposed development committee is responsible for development at all levels, including Board development in accordance with the needs of the enterprise. The responsibility for entrepreneurial activity, governance and development is directly the responsibility of the Board Executive Committee. Figure 9 – Enterprise Accountability at the Board shows the proposed core committee structure for the entrepreneurial enterprise.

## The Compelling Story

**FIGURE 9 – ENTERPRISE ACCOUNTABILITY AT THE BOARD**

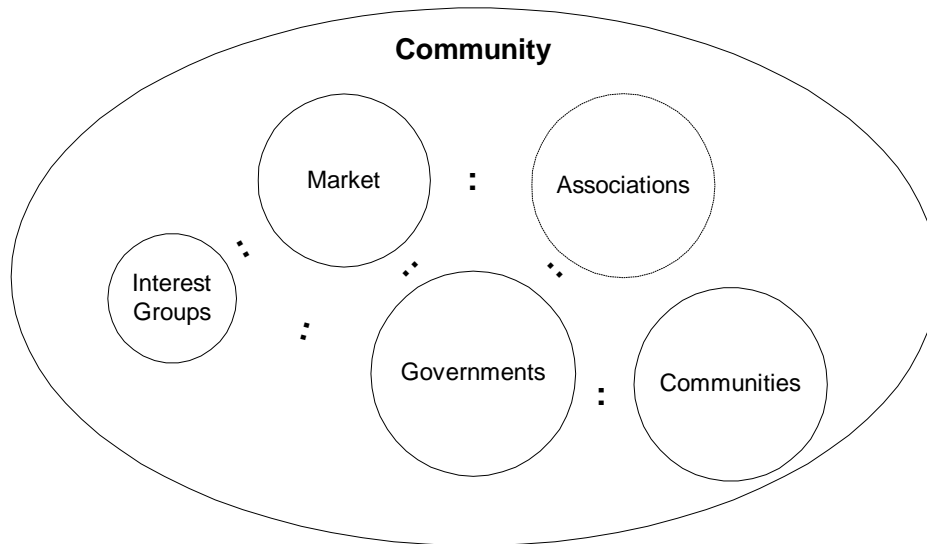


Implicit in these governance discussions is a picture of one whole Community consisting of diverse and varied communities of different types. The whole Community is coherent, and the emerging communities inherit that coherence. In fact, the presence and validation of the coherence is an important measure of the effectiveness of the overall process. This is not to say divergent and even opposing communities might not emerge and be present. It can even be argued that this inclusiveness is the only way to achieve wholeness. Yet the distinguishing point we wish to make is that the coherence of the whole is not fragmented, but rather a shadow whole emerges that is only reconcilable into a coherent whole at a higher level of synthesis. Each of the infinite emergent communities serves a legitimate need of the people for its duration and then ceases to exist. It is then subsumed again into the whole. The same is true for community created institutions. FIGURE 10 – THE COMMUNITY IN THE ENTREPRENEURIAL MODEL shows the various constituent archetypal components of the Community in relationship to one another.

This formulation permits both the unfolding and the transformation of existing Community elements that are driven by the entrepreneurial activity of individuals and groups of people. We think this formulation permits the entrepreneurial spirit to take hold and to manifest in whatever forms are effective in the Community without restraint by special interest groups and institutions with their own potentially conflicting interests.

## The Compelling Story

FIGURE 10 – THE COMMUNITY IN THE ENTREPRENEURIAL GOVERNANCE MODEL



In our view, the key issue to address in moving to an entrepreneurial enterprise developmental model is to overcome the limitations on entrepreneurial activity of existing governmental, economic and social structures, and to place individual accountability at the center of governance at all levels. In this regard, we pose placing the Board and the leadership in the absence of a Board, of all enterprises in an accountability relationship with the Community. In the proposed threefold structure, the  $CE_NO$  assumes responsibility and accountability for activating the enterprise, the CEO role as such no longer exists, the COO continues responsibility for operations, and the Board Chair on behalf of the Board mediates among them with authority and accountability to the Board. The Board, in turn, is accountable to the Community via the Market, Government, and the actions of the other Community elements, by way of full public disclosure of all information, and transparency in all governance processes.

The essential governance challenge then is to create a culture filled with the entrepreneurial spirit that promotes and rewards entrepreneurial activity. It is one that understands the necessity for change in how we develop our enterprises, how we respond to growth and complexity, and we promote Community learning. Community learning becomes, with individual wisdom, the means for balancing the disparate needs of the Community into a constructive whole. . In our view, governance becomes focused on guiding the enterprise toward its next developmental stage with appropriate structures and ideas.

We by no means imagine such changes can be achieved quickly. However, we think that, in time, a truly entrepreneurial arrangement will emerge that will transform the present forms of economic, governmental and social arrangements. By presenting this model of entrepreneurial activity and accountability, we hope to stimulate discussion as well as entrepreneurial action to bring about constructive change in economic, political and social circles on behalf of us all.

## The Compelling Story

When the limitations of our formations begin outweighing their potential, it's not time to renovate, put up decorations to hide the limitations, look solely for where our structures are at greatest risk of collapse. It's time to renew, to open us to the adjacent opportunities that surround our enterprises, and to widen our entrepreneurial horizons. We cannot ignore the structures within which we bound and limit our enterprises. We must be willing to enact new ways for designing how we do what we do, ready and able to address potential loss and risk, but not at the expense of the life of the enterprise. In short, it's time to take bold steps and create anew.

Goethe said, "Whatever you can do, or dream you can do, do it. Boldness has genius, power and magic in it. Begin it now."

### About Committed Action with Tangible Results

How to "begin it now" is what follows. It is one thing to promote theory from a distance, but what we propose is *pragmatic action with results*. What follows is a means to realize the breadth of our entrepreneurial activity without falling prey to the limiting risks created by the failures of our thinking. We call this a *Compelling Journey* for Enterprise Renewal.

At the end of the 20<sup>th</sup> century, we saw an expanding greed glorified and then run amok as we crossed over into the new millennium. There was no concern for enterprise health, providing customer value, community sustainability or fostering entrepreneurial action. The drivers were only profit and spoil. In many quarters remnants of that system still linger. That was the product of the thinking dominating the last 150 years in the Anglo-American world, and while it generated wealth for some, it has done so at the expense of the world Community, i.e. the system and those who are supported by the system.

This is a new century, a time when Entrepreneurial Action is required to point the way forward. Will the developing Civil Society movement temper the development of governments and transnational businesses? We can let last century's mentality succeed, cowering us in our fear of loss, while we self-destruct producing more of the same. Or we can accept the challenge of our new century and its adjacent opportunities to create a more sustainable system in which we interact to win over a more promising future.

Do we want more of the same with even more disastrous results or do we want to create a business environment in which enterprises can recognize the power of the adjacent opportunities that lay just one step away? How many rotten compromises must be made before we recognize there might be a better way? How many bad alternatives do we have to take, before we start widening our perspectives? How much do we have to lose before we recognize the source of our losses? Something new can be done.

# The Compelling Story

## About The Compelling Journey Program

*The Compelling Journey Program* provides a real basis for tangible success. We look at change in terms of 1) information, 2) infrastructure, and, 3) culture. Ron Schultz, who founded Red Tiger & Associates, introduced this notion in the book *Open Boundaries*.<sup>xxvi</sup> Thomas M. Hout of the Boston Consulting Group, commenting on complexity in business in his review of the book in the Harvard Business Review, said “the information-to-infrastructure message has real merit. Companies do become prisoners of their mind-sets and internal systems, causing them to shut off the flow of learning that otherwise might go on naturally.”<sup>xxvii</sup> Level Three Performance Solutions™ aims to dramatically improve change implementation results by focusing our change innovation efforts in these three areas.

Level Three Performance Solutions™’ *The Compelling Journey Program* spans leadership development, change leadership, change management, culture change and change implementation services. We develop innovative approaches, review and reformulate strategy, perform readiness assessments, provide coaching, training, and team building activities, conduct performance reviews and audits, and work directly with you implementing change. Our deep experience in the field of culture change, change implementation, and technology mean we can find the appropriate solutions. Our unique integrative perspective on the change leadership problem means our results are on target and focused so clients can act confidently.

Level Three™ offers innovative and creative delivery formats incorporating *The Compelling Journey Action Principles* for the key steps in successful change — defining a call to action defining the compelling need for change, overcoming personal and organizational barriers to success, recognizing and seizing inconceivable opportunities, avoiding inconceivable risks, plotting a course of action to accomplish the needed changes, defining the compelling story for change and sustaining value creation throughout the change process. Our programs enable enterprises to reach critical mass to adopt the changes faster and to sustain innovation using the sustainable model for inconceivable development. We provide consulting services working directly with your team in specially designed working sessions, facilitated activities, and workshops. All of Level Three™’s programs are customized and tailored to meet client specific needs and circumstances.

See the following sections for more specific details about Level Three Performance Solutions™ Compelling *Journey* program offerings.

# The Compelling Story

## THE COURSE OF ACTION

### About our Change Leadership Programs

Level Three Performance Solutions™ provides a complete set of change leadership programs and consulting services to its business and organizational clients. Our work is focused on your specific needs and circumstances — strategy, alignment, implementation, risk, return, capacities and capabilities, readiness, execution, and/or operating effectiveness— and tailored to the type of ownership (e.g. private sector, non-governmental organization, etc.). We work with your leaders, senior team and board to determine the focus and pace of the desired change, and then examine your specific issues in more detail to strategize our work. We also will work with your in-house staff, other consultants, business partners, suppliers, investors and others to provide you with a seamless integrated focus on sustainable success.

We facilitate workshops, working sessions, trainings, experiential work and other related activities. We provide transitional management, leadership and functional expertise for operations on an interim basis when appropriate. We conduct field research using interviews, questionnaires, surveys and focus groups. We review and analyze reports, conduct independent research on an organization, its markets and competitive situation, and the whole operating context affecting the organization, industry or their collective activities. We coach individuals and teams, train, evaluate, assess, audit, advise, recommend and implement our recommendations. And at the most fundamental level, we create and provide engagement activities in the form of exercises, instructions, training, education and feedback to individuals, dyads, small groups, and cascading for large groups.

We provide coherence throughout all these activities with a focus on the individual participant's experiences creating a feeling and possibility for movement towards the values, thinking and behaviors of a sustainable high-performing organization. Level Three™'s programs are delivered on-site in your workplace or offsite in a place appropriate to your needs and capabilities. We will arrange special destinations and location activities around the working sessions to meet your specific needs, goals and objectives.

A precondition to successful change involves looking clearly and objectively at your vision, mission, goals, objectives, constraints, priorities, compelling needs and benefits, alignment and engagement levels as facets of your competitive and operational situation. We will look at these with you in sufficient detail to determine an effective course of action for proceeding. The work plan for proceeding is designed with your participation and includes defining success and accountability for key actions and deliverables. When key leaders are aligned, priorities are clear, and resources are available, it is possible to commit for successful action. The change process begins. The following sections describe Level Three™'s offerings and capabilities to participate with your enterprise in a successful change initiative. We can provide a cascading implementation to address the needs of large scale organizations.

# The Compelling Story

## I. Change Leadership Programs

Level Three™'s change leadership programs are designed for stimulating entrepreneurial activity, entrepreneurial action and innovation. They are built to immediately improve enterprise and individual effectiveness and for sustaining change. The basic building blocks are two-day comprehensive work session components tailored for your organization. Separate and distinct programs are designed for the board, senior team, entrepreneurs, team leaders and mixed groupings throughout the change initiative cycle — before, during and after implementation. Our consultants work with you prior to the session to clearly define your compelling needs, benefits and your change objectives. We document the capacities, capabilities, potentials and limitations of your key people and current organization. We design and tailor the program to meet your specific needs. We also provide train-the-trainer programs if you want to use The Compelling Journey Action Principles and programs internally. We will work closely with you to design a cascading implementation of the change initiative throughout your organization.

### A. The Call to Action

The Call to Action process is the foundation of all the Level Three™ programs. In order to change successfully, there needs to be a compelling need to act, alignment on the need, and a readiness, willingness and ability to act. The Call to Action process is designed to capture succinctly the compelling need for action, the alignment of the needs with the essence of the enterprise, i.e. identity, potential, values, etc., the leadership, the established goals and objectives, the capacities and capabilities of the leaders and enterprise, and the capability of the leaders and the enterprise to act.

The Call To Action process involves meetings, interviews and research to document the current situation, the reality, priorities, constraints, and potential courses of action. The product of the process is a written summary of key findings and recommendations, and a recommended course of action. With this information the leaders of the enterprise can decide how to proceed.

The Call to Action process is both effective and pragmatic in that it answers four essential questions:

1. *What is the problem?* – The compelling needs for change.
2. *Why is it a problem?* – Alignment, focus and coherence around the identity, potential, vision, mission, values, goals, objectives, strategy, tactics of the enterprise are essential to sustainable success. What are the consequences of misalignment? The intention of this effort is to define a picture for the leaders to validate as embodying the information known individually and to affirm coherence with the fundamental impulse of the enterprise.

## The Compelling Story

3. *What are the alternatives?* – The defense and intelligence communities dealing with the war on terror and homeland security have forwarded the idea for assessing risks, threats and alternatives within the framework of the known, the known unknown, and the unknown unknown. By validating the alignment and coherence of the enterprise for use in exploring adjacent opportunities, Level Three™ brings a unique capability to help you examine the adjacent possibilities lying in what we call the new world of opportunity, i.e. the unknown unknown.
4. *What do we recommend?* Given this picture of the current reality, what do we recommend as a course of action and what are the compelling benefits of acting on this now?

The recommendations might range from doing a Change or Risk Readiness Assessment, further assessing the capacities and capabilities and how to obtain them, doing a Compelling Journey for Enterprise Renewal workshop, or a related program, identifying and engaging other resources to provide needed capabilities, waiting to act until key resources and capabilities are available, finally to not proceeding and reexamining the fundamental strategy, alignment, and so forth. The key is you will accept accountability for pursuing a course of action and the level of information and knowledge required to proceed.

### **B. The Compelling Journey for Enterprise Renewal**

The basic enterprise renewal and change leadership program is a work session for mixed groups or small teams who need to generate alignment, commitment and sustainable movement towards a major chosen path of change or accomplishment. It produces a charted course of action, aligned accountabilities and a compelling story for change to which everyone is deeply committed and engaged.

### **C. The Heroic Business Journey**

This program is for boards of directors, senior teams, entrepreneurs, start-ups and/or other leadership teams who are grappling with major decisions on strategic issues and particularly with the need for a call to action to define, reexamine, or change the vision, mission, direction, and/or goals of the business or organization.

### **D. Realizing the Inconceivable (Adjacent Opportunities)**

This program is for leadership groups, i.e. board, senior team, entrepreneurs, venture capitalists, and leaders, who sense pervasive stagnation in the growth and evolution of their business or are convinced there are other alternatives to be explored beyond those being considered and want to engage in a proven methodology for discovering and exploring heretofore inconceivable possibilities for future action to stimulate growth and/or development of all aspects of their business.

## **The Compelling Story**

### **E. The Sustainable Model for Inconceivable Development**

This program provides leaders facing seemingly intractable problems in moving forward into a new world of opportunity with a proven approach to breaking down habitual patterns of thinking and behavior in people, groups, functions, and whole organizations in order to pursue the now-conceivable development paths in their new world of opportunity.

### **F. Team Alignment and Development**

In this program, facilitated activities are designed to improve team alignment and to foster team leadership, development, and communication across functions and organizational boundaries, forming the basis for developing coalesced teams that can generate real thrust toward mission specific objectives.

### **G. Governance and Risk Management**

#### **G.1 Governance, Risk Readiness, and Risk Management**

Recent developments in several market sectors combined with new mandates and regulations have focused attention anew on boards of directors and their governance responsibilities. Recent developments with potentially profound effects on governance include the Gramm-Leach-Bliley Act (GLBA), the July 1, 2001 Federal Financial Institutions Examination Council (FFIEC)/GLBA “joint rule” on safeguarding customer information, mandated risk assessment compliance requirements for financial institutions, recent and emerging requirements from the SEC related to governance specifically to the role of independent directors, requirements related to the Health Insurance Portability and Accountability Act (HIPPA), Homeland Security, and other likely administrative reforms relating to risk management and transparency, and issues related to business interruptions, business continuity and exposures to information technology risks related to strategic systems and operations. Programs for board members focus on the role and responsibilities of the board and its key committees – governance, nominating, compensation and audit committees – and compliance with extant regulations and mandates. In addition, we introduce the potential use of the proposed governance and development committees to provide complete coverage of the governance of an entrepreneurial enterprise. The governance program produces new understanding, alignment, and level of engagement, and transparency in the governance process and a course of action to change and improve the governance process.

## The Compelling Story

### G.2 Due Diligence

This program provides the board, senior team, investors and other interested parties with an independent assessment and evaluation of strategic decisions or transactions prior to implementation. The resulting “highly confident letter” details the likelihood of success, risk readiness, change readiness, and specific action recommendations to overcome identified risks. The program produces new understanding of the potential impact of the decision or transaction on the organization and its key stakeholders.

### G.3 Implementation Audit

For organizations that are already immersed in change, Level Three Performance Solutions™ conducts meaningful audits of change plans, status, and results before, during, and/or after implementation. In addition to better understanding the status of the change, the causes of any incompleteness or lack of quality in the change process, and what needs to be done to achieve the intended benefits, the organization also learns where it stands in terms of adopting the change throughout the organization, and whether the change has become self-sustaining.

### G.4 Board Performance, Accountability and Alignment

Level Three Performance Solutions™ provides independent governance assessments touching on the appropriateness and effectiveness of the current duties, roles and responsibilities of the board of directors and its key committees and members. The outcome includes recommendations for producing the needed alignment, levels of engagement, and transparency in the governance process and for changing the membership.

## H. Change Implementation

This program provides the board and senior team facing major decisions with an independent assessment of major change initiatives, risks, returns, readiness and the likelihood of success and potential impacts on the organization. The program produces new understanding of risks, returns, and the potential impact of the change on the organization and its key stakeholders.

# The Compelling Story

## II. Change Leadership Consulting

Level Three Performance Solutions™ offers a complete system of architectural, design, implementation and delivery services to guide your major change efforts in business units, functional groups or whole organizations. The needs, goals and objectives of your change effort—and therefore its design and implementation—are unique, not only to your organization, but also to the *initiating cause* or reason for the change, which is typically one of the following:

- a new business strategy or pursuit
- needed change in organizational capabilities and/or spirit
- technological change
- needed change in your value adding processes
- needed change in your core business processes

In order to qualify as “complete,” change leadership consulting services must successfully embrace and enable the following elements, if and when they are required:

- The *strategic* foundation for the change, and how the change effort will carry out both the *external and internal* aspects to a holistic business strategy;
- Conceptualizing and envisioning the desired end state of the change process in a way that captures all the critical future dynamics within and among the business’ *people, technology, and work processes*;
- The *cultural* implications of the change to the organization, and enabling organization members to increase their awareness of, and dedication to change, the culture to meet new business and value requirements;
- The requirements of *leadership* to fulfill their natural roles in generating vision, alignment and thrust throughout the organization through the call to action and a course of action, and then providing direction and guidance during the change;
- The *re-structuring or redesign* of roles, work processes, and organizational interactive processes and systems to enable carrying out the change and living out the desired end state with real effectiveness;
- *Developmental work sessions* aimed at producing the new capacities and capabilities needed at all levels of the organization to live out the desired state;
- Well-designed and facilitated *implementation* planning and execution.

## The Compelling Story

Your change process will be strategized and designed to include as many of the elements above as necessary to ensure a successful and inspiring change. Our approach to determining what is necessary is to conduct a change readiness assessment up-front with your leaders' involvement, and then carry out the change process through your leaders to ensure that order, quality, control and accountability for the process is maintained in your hands.

### III. Assessments

It is imperative that your leadership has an accurate, objective assessment of the *current state* of your enterprise, business or organization prior to engaging in any major strategic or operational change. This assessment forms the very ground or foundation from which the change will ensue; to proceed from an inaccurate or incomplete assessment of this foundation is to increase the risk of failure. Level Three Performance Solutions™ utilizes a blend of scientific and systems thinking concepts with wholeness and integrative thinking as the foundation to conduct complete assessments in the following areas:

#### A. Strategy Assessment

Every business or organizational strategy is limited in its completeness and appropriateness by the limitations in the thinking that created it. It can be extremely helpful to have an independent assessment of the strategy along four overall dimensions:

- The potential value or benefit of what is to be pursued through the strategy;
- What is not being pursued through the strategy, and the potential cost of not pursuing it?
- The risks inherent in the strategy, and how these risks can be managed toward mitigation or irrelevancy.
- The unseen, unknown, unknown, risks inherent in the strategy and how they can be identified, examined and their potential impact reduced.

#### B. Change Readiness Assessment

The purpose of this assessment is to determine the state and condition of assets, including people, processes, systems, and structures, and to what extent they have the capacities and capabilities to proceed with the planning and implementation of an intended change. Level Three Performance Solutions™ conducts this assessment, as well as producing a plan for developing the desired state of readiness in information, infrastructure and culture.

## The Compelling Story

### C. Risk Readiness Assessment

The purpose of this assessment is to determine the state and condition of operational risks, threats, transference of liability, and other risk elements associated with outside service providers and internal operations and to what extent they are mitigated and in compliance with all relevant regulatory and legal mandates. Level Three Performance Solutions™ conducts this assessment, as well as producing a plan for developing the desired state of risk readiness in all pertinent areas.

### D. Creating the Developmental Business Organization

When the foundation for working systemically on the organization as a whole enterprise is in place, management has the opportunity to choose to go beyond these early and fundamental stages of leadership development to their ultimate extension—the creation of a Developmental Business Organization.

A Developmental Business Organization is one in which the leadership focuses every person and every team is self-developing and self-focusing on the systematic and systemic pursuit of ever-increasing value to all stakeholders: customers, owners, employees, and community. This aim is completely aligned with the enterprise's corporate values and its long-standing traditions of providing ever-increasing real value.

A Developmental Business Organization goes far beyond the ordinary in its ability to generate year-over-year increases in revenues, margins, and earnings that surpass all competition, due to its rates of innovation, its people's ingenuity, and the ongoing pursuit of perfection of its industry-leading products and services.

The organization's well-earned destiny has been one of providing the highest value to its customers through its elegant designs; its high quality, reliable products; and its commitment to customer relationships. With this as its foundation, the organization is well-positioned to go the extra mile in harnessing the potential of its people at all levels and applying it to the achievement of its business aims.

The immediate and ever-growing benefits of creating a Developmental Business Organization include the following:

- Values: It can reconcile differences and gain alignment on plans and organizational approaches among management, unions, shop floor employees, and all functional groups because it operates from systemically aligned values that ensure all such actions will be good for all stakeholders groups, simultaneously.

## The Compelling Story

- Innovation: It can generate innovations and improvements in processes, products, and work quality at rates that far exceed the competition because of its focus on increasing value *as a way of approaching all work*, at all levels and in every team and department.
- Aligned Action: Its functional and cross-functional teams can translate business pursuits into objectives and actionable strategies that guide achievements as a normal part of the way work is planned and carried out.
- Lean: It continually eliminates waste and redesigns work processes without requiring a short-term “special project” emphasis, because working toward increased efficiency and effectiveness become *a part of each person’s everyday job*.
- Change: It can adapt and change as needs and circumstances dictate, and bring order out of apparent chaos with a minimum of wasted effort or energy.
- Value-Adding Focus: Teams are focused on their areas of the value-adding stream in which they can take initiative to streamline processes and improve products that make both their part and the whole more successful.
- Whole-Stream Partnering: The promise of partnering with suppliers and customers to reduce cost and increase value creation/innovation for the entire stream is realized to its fullest potential. Key suppliers are developed to the point of focusing their most talented people on making the organization and its customers more successful in what they are trying to achieve.
- Soft Measures: Reduced turnover, absence, tardiness, behavioral discipline, disputes, and demotions, if any of these are currently problems; improved safety, orderliness and shop appearance; improved

Unique and continuously developing capabilities will underlie those achievements, including the following:

- Values and Character: People are learning to think and work from values, typically expressed in the form of principles that lead them to discover what is right and good for each situation and all stakeholders. They hold themselves accountable for operating from these values, individually and as teams.

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- **Leadership Process:** Leadership is viewed more as a *process* than just a role in the organization. Self-leadership is evident in day-to-day operations, and organizational leadership processes are placed in the hands of those who are ready to assume leadership for them—managers and non-managers alike—when those processes are needed, for a one-time activity, on a project basis, or as a continuing role.
- **Expanded Sense of Ownership:** Every person works from an understanding of the business and the entire value-adding stream, in addition to their focus on their own part of the whole. Therefore, for example, they can organize cross-functional, multi-level business teams that can successfully deliver on both one-time projects as well as ongoing business needs because of their freedom from the “silo” mentality of most organizations.
- **Enlarged Sense of Responsibility:** Innovation moves faster because people in the organization take responsibility to improve upon technologies, organizations, processes, support systems, and products—simultaneously. This is part of what it means to them to think and work systemically.
- **Increased Understanding:** Their problem solving, decision making, and planning skills are structured, systemic, and very comprehensive, reflecting the needs for such thinking processes in any complex system.
- **Systematic Approach:** They can design and improve upon the managing systems by which important operational and support processes are organized, carried out, and systematically improved upon.
- **Self-Generating Spirit:** They bring greater spirit and creativity to every day and every task, due to their simultaneous focus on self-development, team development, customer satisfaction and business results.

Our technology and methodology for helping you to create a Developmental Business Organization (DBO) include the following:

- This stage begins with a thorough assessment of the organization’s readiness to begin the journey. The assessment points the way to the capability gaps and any value gaps and mis-alignments in the organization that should be the focus of our early work.
- Company and union leaders typically then go through the Compelling Journey Workshop, in which the journey is envisioned and the course of action articulated. The vision created is one that marries the principles of a DBO with the uniqueness of your organization, its people, its history, and its business vision.

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- The middle management/leadership levels are then brought into alignment with the top group's work, and they go through their own Compelling Journey Workshops, typically organized by business units.
- For each business unit, a strategy for implementation is developed to ensure that the development process proceeds in an orderly way, both within that business and aligned with the whole of the organization. The leaders of each business unit take responsibility for guiding the development process as a whole.
- The “thinking technology” of the DBO is brought in through a series of workshops in which natural, multi-level teams work together, wherever possible, with several teams participating in the same session.
- They use their particular business challenges, problems, strategies, and goals as the content on which they work in the sessions, and apply the thinking concepts introduced to generate plans for improvement and other changes.
- Each team takes their plans back into the workplace after the session for implementation, and we provide on-site consulting between sessions, upon request, to reinforce the learnings and help follow through on applications. The benefits of these sessions begin to emerge immediately, as teams will gain enthusiasm and make successful changes in the workplace beginning with the first session.
- The frequency and number of sessions will depend upon the gap between the assessment and the vision, as well as the pace at which union and management leaders wish to proceed.

In summary, the promise of creating a Developmental Business Organization is the realization of the dreams and aspirations of everyone associated with the organization:

- Ever-improving performance in providing value to customers and sustaining industry leadership over all competition.
- Ongoing improvements in the ability to increase revenues, margins, and earnings, and therefore to mitigate the impact of cyclical downturns in the economy on your business.
- An increasingly inspiring workplace in which all employees experience their full potential to contribute, and union and company leaders at all levels experience greater ability to solve mutual problems to mutual benefit.
- Increased value brought to the communities in which your organization lives through more stable employment and the greater capability its employees have to bring leadership to community endeavors.

# The Compelling Story

## E. Improvement and Effectiveness programs

### E.1 Conceptual Selling

The Conceptual Selling program is offered in conjunction with Miller Heiman. It focuses on the effectiveness of the individual sales call. Unlike other systems that stress trial closes and other manipulative techniques, it concentrates on understanding the “customer’s concept” or “solution image” that determines why customers really buy.

### E.2 Strategic Selling

Also offered in conjunction with Miller Heiman, this program focuses on the strategic analysis that must precede every call to a complex customer organization—one in which there may be several people who are buying influences, each with their own unique needs and aspirations.

### E.3 Strategic Large Account Management

The Strategic Large Account Management Program offered in conjunction with Ingenium Associates provides sales executives and account managers with an assessment of the effectiveness of their sales managing systems, and a process and action plan for putting in place the managing systems to energize and sustain a much more effective large account program.

### E.5 Value-Creating Collaborative Partnerships

This program offered in conjunction with Ingenium Associates addresses how to prepare for, initiate and sell successful collaboration with customers and suppliers to improve products and services and to create new products and services for the emerging needs of consumers and new customers.

### E.6 Creating High Value Functional Alliances

This program brings together entrepreneurial development for businesses and organizations with their alliance partners to look at the unique challenges and opportunities strategic alliances provide for creating value, reducing time to market, and for providing unique value propositions to the market.

## The Compelling Story

### E.7 Program Management Performance Improvement

This program brings together the elements essential to creating and sustaining a successful Program Management office or function to use in creating and establishing, improving, or renewing a Program Management program in your organization. Program Management is a comprehensive strategy for accountability and improved effectiveness managing portfolios of projects or business activities. It is both important and useful to have alignment on Program Management in order to realize success. This working session is oriented specifically to the needs of Program Managers.

### E.8 Project Management Performance Improvement

This program brings together the elements essential to creating and sustaining a successful Project Management program. It is useful in creating and establishing, assessing, improving, or renewing a Project Management program or a specific project. Project management is essential to the success of large projects involving technology, business processes and people. This working session is oriented specifically to the needs of Project Managers.

## IV. Warp Speed Design

Warp Speed is a design process for conceiving the constructive acceleration of change of all types using archetypal concepts and systems thinking. Using Warp Speed principles and systems thinking, organizations can develop the capability to move faster with greater self-assurance of success in making changes.

The acceleration and increased pace of business change in today's markets make it critical for organizations to learn how to move faster. Given the risks inherent in major change initiatives, it is imperative they also learn to mitigate risk and to improve the return on investment while creating sustainable change. Therefore, it is important to be clear about the nature and roles of advancing, restraining and reconciling forces or energies introduced by developmental processes and their potential effect and impact on change processes. This is a key understanding for operating at Warp Speed.

Level Three™ applies systems and developmental thinking and principles in wholeness to an organization's culture, infrastructure and material and information flows to achieve sustainable results and compress the time to reach critical mass adoption by 50% or more, and more reliably, as compared with conventional thinking. We operate at Warp Speed, demonstrating how organizations can move beyond the limits obtainable from a *philosophy du jour* and into a new world of opportunity.

# The Compelling Story

## V. Meta System Architectures for Enterprises

By viewing all change processes as instances of a primal or *Ur* change process where potential and identity are shaped by context, environment and consciousness, think of the rose or an ocean wave, it is possible to obtain maximum leverage from and reusability of the concept of self-adapting models to drive change wholistically. Viewing an organization's culture, infrastructure and technology, and material and information flows from the perspective of general models in nature provides a means of invoking this powerful thinking. For example, by approaching the information flows of an organization from this perspective an organization can provide the means for separating the technology of the information flows from the information flows themselves permitting more rapid unfolding of needed capabilities. Meta-system architecture provides the means for accomplishing this creative leap.

## VI. Cognitive Design for High Impact Systems

Cognitive Design integrates Warp Speed Principles, Meta Systems Architectures, and the knowledge, skills and expertise of culture change, change implementation and technology into a single coherent design process. Cognitive Design means the conscious adoption of aesthetics as the cohering force in implementing change. It also means including fast response time and recognition of factors across the threshold of cognition as primary determinants of productivity, efficiency, costs effectiveness, accuracy, quality, satisfaction and engagement. The underlying basis for the coherence is the intention to place the human being at the center of all thinking and as the source or archetype of all thoughts about leadership, organization change and development. This places the true nature of the human being, the way they cognize, make sense of their percepts, and attribute meaning to their actions as the locus of change implementation and the design and implementation of structures, systems, and processes.

## VII. Antinomies

A fundamental problem confronting organizations and businesses today is the problem of new developments, new creative ideas, and progress in a complex, interdependent, volatile and conflicted world. Level Three Performance Solutions™ calls this the new world of opportunity. In complexity thinking, it is called the world of adjacent possibilities.

All real human problems arise from the *antinomy* of order and freedom. Antimony is a contradiction between two laws: a conflict of authority; opposition between laws and principles that appear to be founded equally in reason. Antinomies is our initial attempt to develop a holistic science for working with antinomies – an example is advancing and restraining forces or impulses for change.

## The Compelling Story

F. Scott Fitzgerald said “the test of a first-rate intelligence is the ability to hold two opposed ideas in mind at the same time and still retain the ability to function.” We pose a number of antinomies as examples for contemplation in developing a feeling for the impact such contemplation has on one’s thinking. The goal of the contemplative work is to create a more fluid, dynamical thinking and increased consciousness of the reality in the pictures behind the thinking.

Bodily Nature	<u>Restraining</u> Softening Rejuvenating	<u>Activating</u> Hardening Calcinating
Soul Nature	The Fanciful The Fanatical Mysticism	Pedantry Philistinism Dry Reason
Spirit Nature	Going to Sleep	Waking Up

The solution to the problem of the opposing forces is to incarnate or invoke consciously a reconciling force that works on both and limits the influence of each within boundaries established by consciousness and the reconciling force. The facility to work consciously with these underlying realities is a product of inner contemplative work and moral development. The latter is a determining factor in the transformation of knowledge in wisdom in application in these areas. A discontinuity occurs when these boundaries are changed or break down and the opposites operate outside the consciousness and reconciling forces. Discontinuities are characteristic of development in a complex world. However, s-curves and developmental thinking enable Level Three Performance Solutions™ to work consciously and effectively antinomically across discontinuities.

The whole crux of organizational, social, political and economic life is that they constantly require the living reconciliation of opposites that, in strict logic are irreconcilable. Yet each has its role to play in the unfolding of life. A healthy unfolding occurs when both are present with the presence of the reconciling force. An unhealthy unfolding occurs when one or the other gains ascendancy and the whole is rendered out of balance. A healing unfolding occurs when the reconciling force mediates to return movement towards a healthy balance. The healthy interaction occurs when all three are present and interacting under the shaping of the reconciling force. This is a condition that will occur in the future.

It is not simply a question of mitigating the opposition of two competing needs by some compromise that satisfies neither of them, but to recognize them both and to compromise neither. In this sense, Level Three Performance Solutions™ strives and aspires to find a middle way that reconciles the opposites without degrading or excluding either of them. Thus, there is no final solution to this kind of problem. There is only a *living* solution achieved day by day on a basis of a clear recognition *that both opposites are valid*.

## **The Compelling Story**

Level Three Performance Solutions™ strives in our work to bring about wholeness and healthier, more successful, sustainable organizational life by offering and serving in the capacity of one of the antinomical poles where appropriate to provide capabilities for an organization or business to reach its fullest potential in a particular context. More importantly, Level Three Performance Solutions™ strives to assist sacrificially incarnating, invoking and shaping change via the reconciling force enabling an organization or business to more successfully change and adapt and to sustain the changes over time.

### **About our Technology Consulting Services**

Level Three Performance Solutions™ offers a full range of technology consulting services including technology strategy, implementation and project management as components of change management and Web 2.0. We have in-depth knowledge, skills and expertise in enterprise information architectures (EIA), enterprise resource planning (ERP), customer relationship management (CRM), business process reengineering (BPR), and the development of custom software. We have specialized expertise in the integration of custom, commercial off-the-shelf, web enabled and legacy systems, and the entire spectrum of issues related to creating and operating a high performance infrastructure with both voice and data communications, locally and globally. Level Three™ is experienced in ramp-ups, crisis management, turnarounds, infrastructure upgrades and updates, and transforming systems, infrastructure and information flows quickly and efficiently.

Level Three Performance Solutions™ offers clients a truly unique perspective on technology in change management based on high performance, high availability architectures developed and tested in large-scale international organizations and in securities trading on Wall Street. These are integrated in the cloud architecture now emerging using the Internet. The basic architecture is founded on asynchronous, message based processing with sub-second response times as key to delivering scalable, high availability, high performing applications. We offer sophisticated strategy, planning and implementation capabilities and innovative techniques using meta-system architectures, warp speed development, warp speed adoption, and cognitive design to deliver inconceivable technology value.

### **About the foundations of our work**

In today's complex and highly competitive consulting environment, Level Three Performance Solutions™ stands out as a unique source of innovation, imagination and inspiration for leaders and enterprises needing to change. Most consultants offer more of the same rhetoric and approaches developed during the 70s and 80s, recycled in the 90s, and repackaged in the new millennium. Some of them were uniquely creative. Nevertheless they have a shelf-life and are proven limited in addressing the actual needs and current realities of today's enterprises. We think this is symptomatic of a lack of understanding within governance and leadership circles about the reality confronting them and their preference and choices for narrow one-sided interests.

## The Compelling Story

With the loss of any meaningful understanding of context of community and the wholeness of humanity and nature, the course of action and behavior of leaders and leading institutions leads further into the abyss of destruction so characteristic of the last century. It is not solely a matter of placing mercantilism above other impulses in a *pax Americana* but rather an unremitting hatred and misunderstanding of humanity leading opposition to human collaboration and cooperation, and apparently irresolvable conflicts that threaten humanity and the Earth itself. This threatens each individual with the loss of their own humanity and human dignity when compelled by others to act in situations against themselves, their own interests and development. Those who chose to serve and become instruments for such impulses present another type of dilemma for the freedom-seeking individual human being.

### About Entrepreneurs, Entrepreneurship and Entrepreneurial Activity

Entrepreneurs are people who act with boldness, imagination and energy to organize and manage important and difficult initiatives. We think in this post-industrial age, it is the knowing doer, the entrepreneurial impulse – in the social, business and scientific realms, who will establish, vitalize, develop, grow and renew social, commercial and scientific enterprises and initiatives in response to the real needs of humanity. We view entrepreneurship as essential to reconciling our needs for a sustainable humane future with establishing business and economic, social and governmental arrangements to meet these needs. Therefore, entrepreneurial action and activities are a prime concern for Level Three Performance Solutions™.

The dynamic thinking required to be entrepreneurial across the spectrum of potential human activity is acquired by study – the sciences and social sciences, by action – personal choices, business and economic activity and social activity, by self-reflection and knowledge – contemplative and meditative practices and study of work based on same, and by research – work to integrate the capabilities developed by study, action, and self-reflection into new individual capacities and capabilities to be applied to further study, action and self-reflection. In other words the goal is to strive for personal development and the emergence of capabilities for mobility and fluidity in thinking, knowing and doing, allowing one to more consciously participate as a knowing doer in the development of humanity.

Another key factor is resiliency. How resilient are the entrepreneur and enterprise? In the midst of uncertainty and meeting resistance are they ready, willing and able to act? To move forward? Or are they uncertain about how to proceed? The course of action to take? Level Three Performance Solutions™ works to acclimate entrepreneurs to expect the unexpected and to be prepared when at the threshold of success to anticipate the emergence of unexpected events and circumstances that jeopardize their success.

# The Compelling Story

## About Development Models and Thinking Developmentally

At the core of Level Three Performance Solutions™'s work is research and study of the human being, nature, business and social life. We use systems thinking and a developmental model to understand and work constructively with change. The term development refers in organic phenomena to growth within a structure or model until a limit is reached. Beyond the limit the existing structure or model can no longer impose order on the larger mass. The consequence is either disintegration (death or chaos) or a step up to a higher level of order. These phenomena are observable across the continuum from the single living cell and higher organisms according to intrinsic patterns and potentialities, to human created economic and social organizations.

In human development and economic and social enterprises there also is a psychological development that occurs. Therefore, change initiatives must accommodate both the human and the enterprise physiology and psychology. To think and to act developmentally means to set in motion changes in the direction of the next stage of development of which only the general outline is known. The form and content of the next stage emerges out of the actual potentialities of the people involved. The developmental process is ongoing and irreversible.<sup>xxviii</sup>

## About Strategic Models

Level Three™ uses a strategic model to integrate our research and the development model. In the strategic model a larger and more comprehensive system contains two or more active subsystems each of which possess either no information or incomplete information about the criteria governing the other's choices. A strategic model assumes a continuum of motive, aim, interest and action between joint consultation and collaboration or conflict and strife. Thus, each entrepreneur and enterprise faces on-going complexity resulting from how it chooses to interact with its owners, employees, partners, allies, customers and competitors, between the poles of collaboration and conflict.<sup>xxix</sup>

With the strategic model and developmental model, Level Three™ is able to integrate and to resolve contradictions within an enterprise among conflicting principles and models and to address conflict-creating dissonances by objectifying the purpose and identity of the activating force embodied in the vision of the enterprise. These foundational elements are useful in characterizing the cohering aspects of the initiative and for validating and affirming its presence and assessing its effectiveness in implementation and operation.

## About Enterprise Coherence and Conflict

An enterprise is an initiative, business, organization, group or project undertaken by human beings, especially one that is important or difficult or requires boldness or energy. Level Three Performance Solutions™ takes as its point of departure for *The Compelling Journey* a wholistic view of the enterprise as a coherent, organic, living whole, a system with identity and potential in the process of becoming. The enterprise develops as it unfolds becoming a fuller and more articulated system manifesting the driving impulse in the world.

## The Compelling Story

The leadership challenge is maintaining enterprise coherence over the course of its life while balancing the needs of the enterprise, people and community. As leaders confront these dilemmas conflicts inevitably arise threatening the coherence. Leaders are called upon to choose a course of action that preserves both the coherence and vitality of the enterprise while enabling it to meet the legitimate needs of the individuals and community.

The enterprise operates within a temporal environment defined by the community consisting of the social and governmental arrangements within which the enterprise is based and the norms within which it operates. The exercise of political and economic power and the actions of related interest groups leads to other conflicts in the environment in which the enterprise operates.

These conflicts, the resulting crises, and the way the individuals and the enterprise meet them, provide learning opportunities and meaning to all involved. They also provide the foundation and context for the emergence of new possibilities and opportunities for community needs and their fulfillment as well as for individual accomplishment and entrepreneurial expression.

A developmental model for enterprises needs to take into account all of these primary factors – the factors driving the creation and sustaining the existence of the enterprise, the principles governing living organisms and the human being, the historical and temporal context of the situation, and the environment and times within which the development of the enterprise occurs.

In this exceedingly complex and emerging world, there are infinite potentials and opportunities for growth and change. Similarly, there are infinite barriers and obstacles to success. The measure of accomplishment on a continuum between success and failure depends on the actions of individuals, groups acting in concert or interdependently, and the innumerable interactions of all individuals, communities, enterprises and institutions at all perceivable levels by which the complex whole develops.

Level Three Performance Solutions™ is involved in an on-going effort to tap directly into the sources of innovative ideas to help clients meet their needs. Innovation is the introduction of new ideas, concepts, techniques and practices into economic, social and intellectual life. In searching for improved effectiveness, we strive to innovate in pragmatic and tangible ways. We especially are seeking innovations taping the sources of greater individual engagement, personal commitment, and individual and collective innovation.

Achieving maximum individual engagement in an enterprise is a key to long-term success as both employee and customer engagement are significantly correlated with long-term success. Individual and enterprise meaning and the constellation of allies and adversaries all change over time requiring continual adjustments in order for the enterprise to develop. Development is an irreversible process that compels changes either to fulfill the purpose of the enterprise, its allies or adversaries, the community and the individuals involved. Thus is established the psychological and social dimensions of the challenge leaders must confront.

## The Compelling Story

The enterprise leaders also must confront the social and psychological dimensions and consequences of its purpose and life in the form of the search for meaning of the individuals involved their aims, and purposes. Over time this creates another dimension of dynamics as the dilemmas between and among individuals and the enterprise, and the enterprise and the community emerge and change the need for different types of leadership is visible in order to overcome the inertia and resistance of the environment and internal conditions and culture, and to reconcile the on-going dilemmas of group life, and to align them in order to fulfill the purpose of the enterprise.

Recognition of the complexity of enterprise leadership in a changing world is fundamental to understanding Level Three Performance Solutions™ work. So is recognition of the importance of entrepreneurial individuals who are able to intuit, identify and align with the needs of the community. These individuals act with sustained energy and sometimes at great personal sacrifice to overcome inertia and at times against the sustained resistance of special interests to introduce innovations to meet these real community needs.

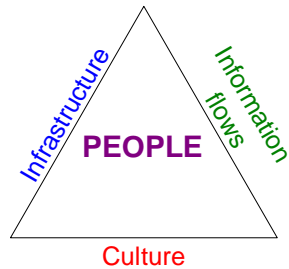
### About Sustaining Change Efforts

Change leadership is the overall process of bringing about change in enterprises. The fundamental question addressed by change leadership is - How can an enterprise successfully change? Level Three™ addresses this important question directly — The culture and the way people think and behave have to change. The desired outcomes driving change might be adopting a more effective strategy, gaining more effectiveness implementing a strategy, staying in-the-game, changing the value propositions - improving quality, reducing costs, improving service, becoming more productive, or sustaining performance improvements. At another level, the change drivers might be coming from a new world of opportunity. Since businesses are complex social organizations, functioning at level 8 in Boulding's hierarchy of complexity, we need an expanded consciousness and more dynamical thinking to address change leadership more effectively.<sup>xxx</sup> Static and simplistic thinking in terms of level 1 frameworks, from the natural and social sciences cannot reliably represent the reality and complex phenomena of human organizations. So, we have to bridge to another way of thinking about the problem of changing organizations. Yet the fundamental question remains: How does an organization successfully fulfill its purpose, realize its potential and retain its identity and coherence?<sup>xxxi</sup> In the final analysis, the culture and people have to change in order for the organization to prosper and survive. Coherence, vision, alignment, accountability and catalyzing values and behaviors are the essential ingredient for success.

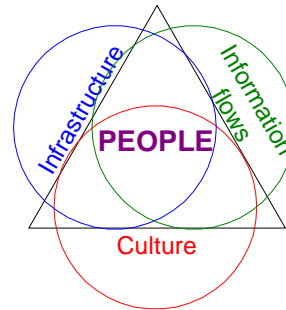
To achieve sustainable performance improvements an organization must adapt its culture, infrastructure and information flows and their interrelationships to provide for new opportunities to emerge, be recognized and adopted. These changes are linked to strategy and involve the ongoing efforts and attention of the senior team, the enterprise's leaders, and the people at all levels. FIGURE 11 – THE PERFORMANCE IMPROVEMENT PYRAMID shows the key elements in Level Three™'s developmental model and the fact an enterprise's people are central to all productive activity.

## The Compelling Story

FIGURE 11 – THE PERFORMANCE IMPROVEMENT PYRAMID



11.1 The Pyramid



11.2 The Interdependencies

Our experience and research confirm the findings reported in the change leadership and business literature - culture is the single most likely cause of change failures. Since the culture of an organization is pervasive, it both shapes and is embedded in the actions, feelings and thoughts of your people; Level Three Performance Solutions™ places the people at the center of its change management activities.

### About Preparing the Ground for Change

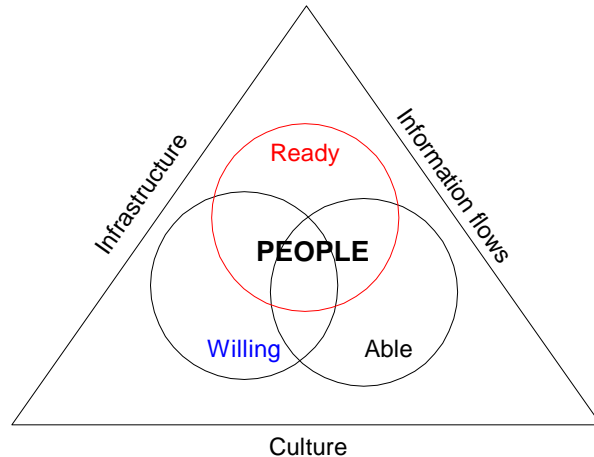
*The Compelling Journey* program is pragmatic. It is a course of action based on practical experience, innovative new thinking, and established best practices in the change leadership field. Our programs, methodologies, technologies, techniques and knowledge are developed, tested and refined at major international corporations and the preeminent consultancies. They are supported by research at universities and the major business schools.

At the beginning of a change process it is essential an enterprise is capable of change. *The Compelling Journey* change readiness and culture assessment processes mark readiness and identify gaps and limitations in capacities and capabilities needed to change successfully. An action plan is then charted to ensure your people are ready, willing and able to change. Similarly, we assess readiness of your infrastructure, information and technology providing an appropriate action plan for preparing to change. Finally, we integrate all of this information into the change readiness assessment to produce a course of action or action plan to provide the overall capabilities needed to support the planned changes. All of the findings and recommendations are integrated into the change implementation plan with appropriate accountability.

## The Compelling Story

A ‘rule of thumb’ in change management is the people cost of change implementation range from 20% - 25% of total change initiative costs. With this in mind, we work closely with you to establish realistic budgets and schedules. We also work with you to ensure cost controls and performance against plan including allocating or sourcing resources to provide needed capabilities. FIGURE 12 – CHANGE READINESS AND CAPABILITIES ASSESSMENT depicts the overall assessment process.

**FIGURE 12 – CHANGE READINESS AND CAPABILITIES ASSESSMENT**



### About *The Compelling Journey* Value Proposition

The key to implementing any innovation or change initiative is to understand that no matter how varied and complex the components of that change are, there is always a way of getting at the essence of the transition and making it simple. Level Three Performance Solutions™’ organizing principle – *The Compelling Journey* - supplies the cohering perspective necessary to unveil what may be inconceivable on the surface or at the periphery, yet will ultimately provide the difference between successful change and another change failure. This is why we feel safe in saying that we can promise tangible deliverables and inconceivable results.

### About the Value and Risks of Change

Level Three Performance Solutions™ brings a mature risk management philosophy to change management. While your organization invariably has its own particular viewpoint about risks and returns, we advocate broadening risk assessment to include: costs of failure, costs of inaction, and costs of making bad choices. Our risk assessment focuses in three key areas: 1) Execution Risks, 2) Return on Investment, and 3) Return on Equity. We define change management risk as the cost of the initiative plus the loss of expected value creation plus all other related opportunity, resulting and unanticipated costs. In the final analysis, the ultimate risk is jeopardizing the long-term interests, value, potential, identity and viability of the organization.

## The Compelling Story

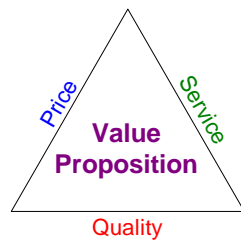
In light of the risk of loss, Level Three™'s methodologies are designed consciously to focus on making the right decisions at the right time and on effective implementation thereby capturing full value or more from anticipated changes while mitigating their risk of failure or loss.

Level Three Performance Solutions™ methodologies help clients manage risk by requiring change management planning to include steps:

1. To correctly identify and understand the need for change and the scope of needed changes;
2. To identify and make good choices among available alternatives; and,
3. To implement the changes effectively and efficiently.

We work closely with your enterprise to meet its return on investment objectives by conducting a comprehensive risk readiness review of the change, before, during and after implementation, to ensure it is aligned with your business strategy, what you want to accomplish, and the course of action for accomplishing it. Key to a successful change initiative is clarity about the value proposition for the change. By this we mean the combination of price, service, and quality perceived post change by the customer. Our overarching goal is to balance the cost, risk and returns and to deliver your value proposition. FIGURE 13 – THE VALUE PROPOSITION depicts the value proposition components.

**FIGURE 13 – THE VALUE PROPOSITION**

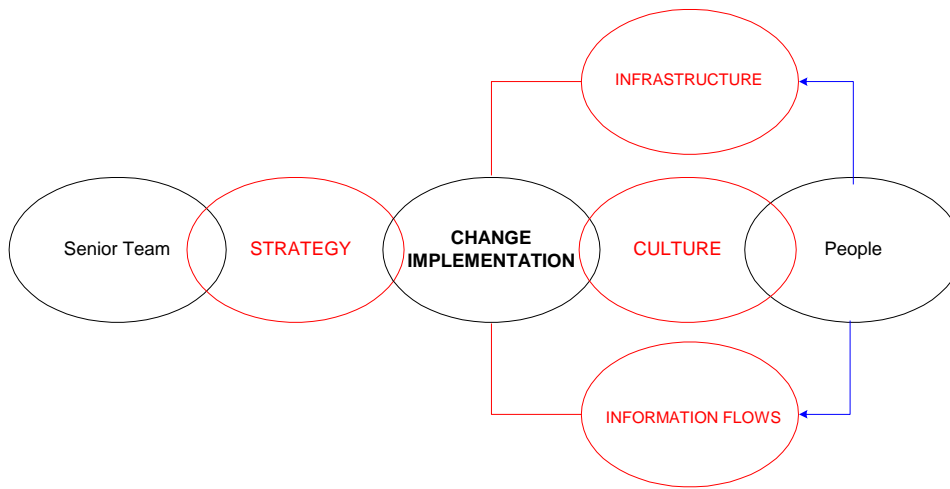


Our risk assessment experience and approach help assure your enterprise is aware of risks across information, infrastructure and culture. By exposing the risks and putting strategies into place for mitigating them, your organization greatly increases your chances for success. Level Three Performance Solutions™ adds value to your change implementation by reducing your risk of failure and increasing the likelihood of your success.

## The Compelling Story

FIGURE 14– CHANGE READINESS ASSESSMENT\_ shows the components Level Three™ deems critical to successful change. Our change readiness assessment process is designed to ensure that all of the areas essential to success are assessed and the business case and value proposition are validated to ensure realistic timelines, resource commitments, priorities, potential impacts and benefits, and critical interdependencies. We cover all of the important issues in the process.

**FIGURE 14 – CHANGE READINESS ASSESSMENT**



### About Adopting and Measuring the Pace, Scale and Scope of Change

Level Three Performance Solutions™ provides pragmatic advice and counsel on change initiatives. We have a bias towards action for successful change. We call successful change - the diffusion of key values and guiding behaviors - ‘adopting’ the change. At each level of change implementation, it is desirable to measure and monitor adoption. With respect to culture we specifically mean adopting the desired values, thinking, and behaviors determined essential to success. Success means leaders are modeling the needed values and behavior. Success means the people are adopting the needed values and behaviors. We use a variety of measurement techniques to assess adoption including quantitative performance measures and qualitative measures obtained by interviews, through surveys and questionnaires, and focus groups.

Research has shown that adoption of changes follows the now familiar form of the s-curve. Level Three™ advocates using s-curves as a change management and strategy evaluation tool. An s-curve shows the pace, velocity or rate of adoption over time within limits. It incorporates the expected value creation or return on investment. The s-curve also is useful for illuminating the potential impact and consequence of discontinuities during change implementation on strategy, execution, and change management plans.

## The Compelling Story

When adoption of change reaches critical mass adoption becomes self-sustaining. After critical mass change leadership and resource requirements change radically. Therefore, it is important for change leadership to know about adoption phenomena so as to be aware when management tasks, resource requirements and priorities change. Our methodologies focus efforts on the problem of reaching critical mass and then on providing clients with different levels of implementation support and focus.

### About Alignment for Change

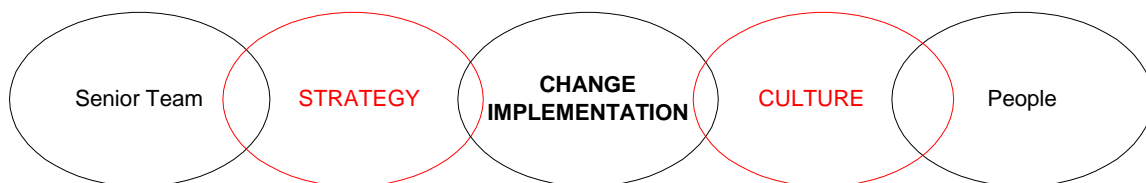
Level Three Performance Solutions™ considers alignment a key change leadership success factor. Alignment means agreement among leaders, people, and interest groups, i.e., all of the affected change elements, on the nature, direction, and pace of change. Alignment provides and sustains coherence throughout a change initiative. Therefore, it is vitally important that key change dimensions and elements are aligned and there is accountability.

In change management, we look on alignment among the Senior Team, Business Strategy, Change Implementation, Culture and the People as key to success. The Senior Team is accountable for the Business Strategy and the change initiative. The change leadership process is accountable for the Change Implementation that aligns the Culture and the People with the strategy. All must be aligned for success. The alignment must be sustained for success.

*The Compelling Journey* process checks continually to ensure there is alignment and accountability throughout the change process - before, during and after the implementation. Each of the five key alignment dimensions is vitally important to the change process and cannot be ignored. Properly and sustainable alignment is the most significant way to contain change management risks.

Level Three™'s methodologies and implementation designs touch all these key areas integrating them into a comprehensive, executable and controllable change plan with accountability. FIGURE 15- ALIGNMENT FOR CHANGE depicts these key components as aligned.

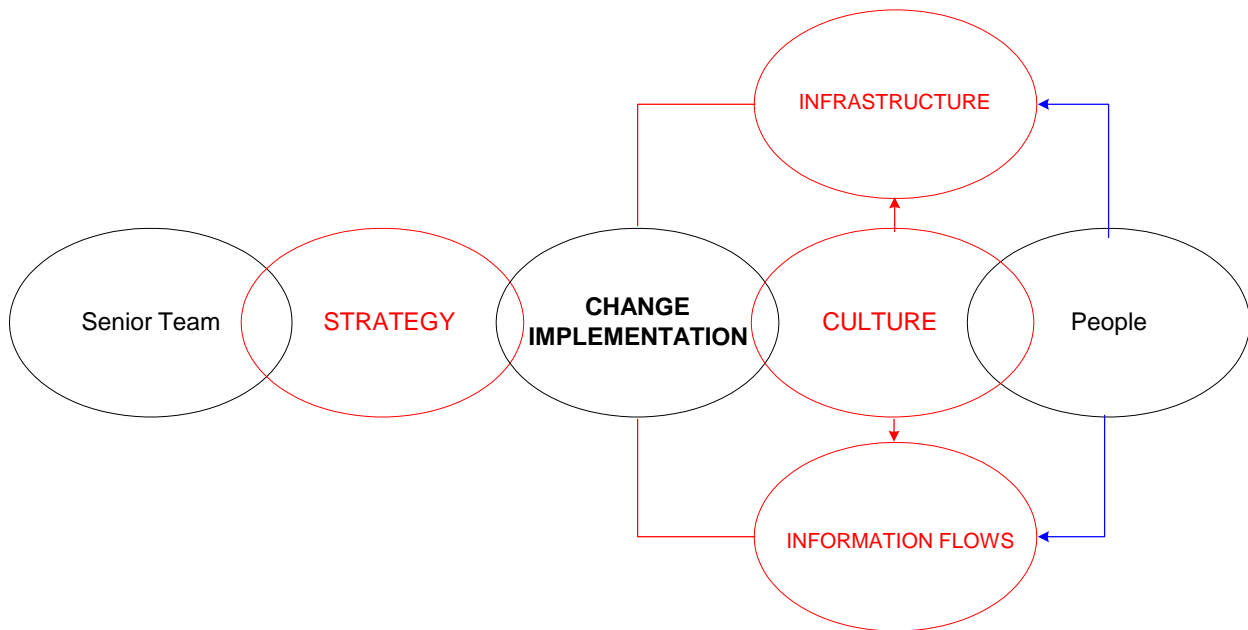
**FIGURE 15 – ALIGNMENT FOR CHANGE**



## The Compelling Story

Level Three Performance Solutions™ provides innovative techniques for monitoring alignment, adoption of changes and for tracking the pace and effectiveness of change initiatives. Diffusion is the process by which changes are communicated and take effect over time among the people in an organization. In change management this means adoption and convergence of the people on culture, i.e. values and behaviors, and the organization on infrastructure, i.e. structures, functions and activities, and information flows. FIGURE 16 – THE KEY ELEMENTS FOR CHANGE SUCCESS depicts areas to be integrated in a successful change implementation.

**FIGURE 16 – THE KEY ELEMENTS FOR CHANGE SUCCESS**



The pace of adoption or the rate change is diffused into an enterprise is important since the value propositions and expected benefits from changes are time bound. S-Curves or adoption curves have been shown to realistically depict the adoption or diffusion of change in enterprises and complex social systems.<sup>xxxii</sup>

Level Three Performance Solutions™ advocates using adoption curves with other management, control and planning techniques. Adoption curves are powerful in their ability to picture concisely the pace of adoption or diffusion over time against plans. Adoption curves are particularly effective indicating cultural change, i.e. the diffusion of values and behaviors essential for successful, sustainable change, and for realizing benefits, the value proposition, and the return on investment.

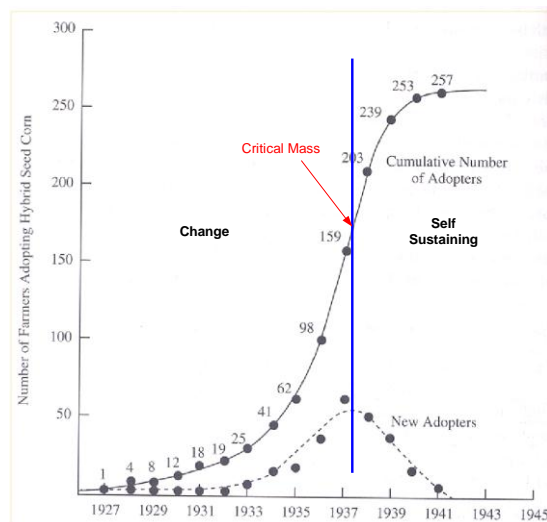
## The Compelling Story

Using s-curves provides Level Three™'s clients with an accessible picture of change strategy and implementation status over time. If the curves are congruent the change initiative is being implemented effectively. If they diverge, the reasons need to be identified and assessed. The divergence may result from inefficiencies in execution, cultural resistance, other internal forces, or from markets and forces external to the organization. Nevertheless, a loss of effectiveness during implementation shown by the divergence of the curves is a very strong indicator of potential failure.

Another compelling reason for using s-curves is their ability to depict realized benefits built into the strategy and change initiative. The adoption curve reflects the value proposition driving the change in time and magnitude. A divergence of the adoption curve from plan is a strong indicator of risk of failure, and risk of loss of direct and indirect benefits. This form of change implementation performance monitoring is especially powerful in providing the Senior Team and change managers with a clear, concise picture of the state of the initiative at key points in time.

For change leadership, the central value of the idea of diffusion is a change initiative will reach critical mass and become self-sustaining. Self-sustaining means the changes are sufficiently diffused in the organization to impel further diffusion without substantial outside impetus. On reaching critical mass, the organization can redeploy assets, resources and attention to other uses. By using integrative assessment techniques with s-curves, Level Three™'s clients can measure the number of adopters, diffusion of values and behaviors, and realization of benefits. Monitoring and managing the entire change process in this way strengthens risk management. FIGURE 17 – THE ADOPTION OF CHANGE shows these ideas superimposed on a classical adoption curve.

**FIGURE 17 – THE ADOPTION OF CHANGE**



The use of s-curves for risk management is another example of Level Three™'s aggressive innovation to improve chances for success in change management.

# The Compelling Story

## About our Technology and Approach

The principle underlying Level Three Performance Solutions™'s programs is the notion of archetypes. In life, an archetype is the original pattern or model from which all things of the same kind are based. We have found that successful change programs have the five common components we call The Compelling Journey Action Principles (SEE FIGURE 18 – THE COMPELLING JOURNEY PROCESS). We use the notion of archetypes to work with these five components. They are as follows:

1. Call to Action – The compelling need and business case for action, with clear value premises and risk evaluation aligned with business, human capital and technology strategies;
2. Course of Action – the proposed or planned course for accomplishing what is required to satisfy the Call to Action.
3. Aligned Accountability – alignment on an Action Plan or Calendar of Accountability for what is to be accomplished, by whom and when. The Action Plan defines success, addressing the scope of action, change or work, key success factors, priorities, constraints, resources, budgets, timelines, business case and value proposition, risk assessment, and management sponsorship. The Action Plan provides the basis for effective and efficient implementation execution with appropriate program and project management elements and reviews.
4. The Compelling Story – a specially crafted, concise distillation of the business case and rationale for the initiative, succinctly presented in a style conveying to all who read or hear it the compelling rationale for the initiative, with sufficient clarity and feeling so they are compelled to act to support it.
5. The Return – When the change initiative is completed successfully and adopted by the group, the knowledge, skills and experience gained from implementing the changes are shared with the larger organization, thereby amplifying the benefits and modeling behaviors, thoughts and values essential to sustainable change.

## The Compelling Story

### About the Fundamental Dynamics of Change

Imagination and innovation create an entrepreneurial culture that thrives on change. It fosters a tradition of success at companies like 3M that even in a market downturn, still finds a way to increase its market and profitability. Organizations that have fallen into the trap of doing more of the same, only faster, cannot unleash this same power of creative innovation because they are incapable of successfully bringing about change. They get stuck in the repetition of what feels safe, which can never move them outside the world in which they are currently operating into a new world of opportunity.

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### *What If:*

*Your leadership could create a compelling story that would align your work force to travel into a new world of opportunity? Would you be interested in reading more?*

*Your executives could chart an accountable timetable to differentiate your offering from your competitors or increase your market share? Would you be interested in learning more?*

*Your project managers could plot a detailed and focused course of action to successfully implement any major cultural or technical change you wished to undertake? Would you be interested in knowing more?*

*Your workforce could complete whatever your organization wants to accomplish? Would you be interested in hearing more?*

If your organization is interested in bringing about the changes that maximize imagination and innovation, Level Three Performance Solutions™ can help you make it happen. We do so by working closely with you to align your actions for success. We help *your people change* by changing the way they think, the way leaders lead, and the way your organizational culture accomplishes its objectives. Our methodologies are based on emergent change, strategic interactive thinking, and conscious leadership. Our workshops and consulting programs improve alignment, while activating accountable collaboration, joint ownership of success, and a mutual commitment to making the changes essential to that success.

Our change leadership programs provide detailed and focused directions to successfully achieve what you need to accomplish. Why is plotting that course of action for success so important? The enormity of the problem of failed change initiatives shown in Table 1 and the resulting economic and social consequences provide the answer.

### **About Meeting Enterprise Change Requirements**

Change affects an enterprise's culture and people, its infrastructure, and its information. Implementing change requires alignment of cultural and resource priorities along with an examination of your enterprise's strategic vision and what you want to accomplish – often translated as your mission, goals and objectives. These may include strategy implementation, addressing leadership issues, organizational infrastructure redesign, enterprise technology adoption, or “partnering for performance” programs (customer / alliance relationship-building.)

In the midst of these issues, most enterprises are faced with an environment full of uncertainty and complex interdependencies. These factors contribute to a climate of risk, reluctance and avoidance that foster, at best, an unreliable implementation capability. Although these challenges make a commitment to change difficult, entrepreneurs are still compelled to act on their strategic ideas. But, as the numbers stated earlier show, wanting to change and implementing change do not always go hand-in-hand.

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Confronting their next change initiative, business leaders need to ask themselves and their organizations, not only, “how can we beat the odds?” but also, “how can we achieve results beyond those predictable by our current ways of thinking and acting?” For Krier McCormick & Associates change implementation *is the people*. We provide a powerful and compelling approach to answer these questions based on our extensive experience, pragmatic perspective on leadership, organizational design, and cultural change. We can help your organization catalyze inconceivable opportunities and accomplish unimaginable results.

Why do we focus so strongly on culture? Culture is comprised of the organization’s people and their collective values, beliefs and behaviors. It is both the power that limits and impedes organizational renewal and the key to an organization fully realizing its future potential.

As author James Champy states:

“Everything we’ve learned drives toward one solid conclusion: The rules of governance (and self-governance) for effective business enterprises today are being determined by their culture, not their organizational structure.”

### About Our Change Leadership Practice

Level Three Performance Solutions™ provides change leadership consulting services across the full initiative cycle — before, during, and after implementation — including: change readiness assessments, risk readiness assessments, implementation strategy; transition management and performance assurance; post-implementation audits, recovery and renewal; and technology.

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## THE COMPELLING STORY

### About The *Compelling Journey* Process

At the forefront of our change implementation methodology is the *Compelling Journey for Enterprise Renewal*<sup>™</sup> methodology. The archetypal methodology is the foundation for all of our activities, working sessions, workshops and consulting work. Developed originally by Ron Schultz, a California based writer and social entrepreneur, at his Red Tiger & Associates; it is a proven means for rapidly establishing a foundation for successful change. Based on this organizing principle – *The Compelling Journey*, we work with client teams to rapidly establish what they need to accomplish, set a course of action, determine leadership requirements and define and assign accountabilities. After initial issue identification and discovery consultations, the process begins with six to ten participants completing a day and a half *Compelling Journey Workshop*<sup>™</sup>. By unleashing the “wisdom of the team,” this workshop helps enterprises overcome initial resistance and its barriers to success and produces tangible results in the day and a half that include:

1. A clear statement of what needs to get done – The **Call to Action**.
2. A detailed and focused course of action for whatever is to be accomplished – The **Course of Action**.
3. Alignment of accountability with a *Calendar of Accountability*, clearly denoting responsibility for actions and agreed-on times for completion of those actions; and,
4. A *Compelling Story* for success, that is clear, concise and motivating to align people and move them toward the success they want to accomplish.

The results realized from this workshop are improved alignment, trust, collaboration, joint ownership of success, and a mutual commitment to make the changes essential to success. Clear and constructive communications are established that acknowledge individual and group contributions, while providing appreciation and constructive feedback within a ‘safe’ working environment. At its core, this workshop assists the development of the values and behaviors essential to achieving sustainable success. It not only provides clarity about them, but also addresses the organizational and personal obstacles that must be overcome to be successful. Level Three<sup>™</sup> can adapt the contents of this workshop to working session and consultative formats to meet client specific needs.

The methodology, depicted below in FIGURE 18 – *THE COMPELLING JOURNEY PROCESS*, begins by understanding the current world and its call to action. Once that has been accomplished we can then gather the compelling knowledge necessary to overcome all barriers, both personal and organizational. At this point, we cross the threshold into a new world of opportunity, meeting the initial tests of our ability to operate here and discovering who our allies and competitors are. Then we focus on the leadership required to meet the challenge before us, and the actual steps necessary to accomplish our objective. We also define success and how to reward it, integrating what we have learned so that we can return to the current world and provide long-term benefit to our organizations and communities.

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The results of the workshops or sessions are compiled and delivered to all participants within a few days of completion. After the *Compelling Journey Workshops*, Level Three Performance Solutions™ consultants work with the team in follow up sessions, for a minimum of one day in each of the two successive months. These sessions address additional issues arising out of the participants' work plans, overcoming new barriers to success and the unexpected events of organizational change. They take the form of two-hour to half-day on-site team workshops and can be combined with leadership coaching. Leaders play an essential role in the change implementation process, redefining and shaping the current and future culture by modeling the core values and behaviors they want others to integrate. The success of any organizational change implementation is a factor of its leaders modeling the desired values and behaviors, again, again and again.

### About The Compelling Story

The taking and shaping of change initiatives requires a compelling story that touches and moves people in an enterprise to change. The power of the compelling story sustains and supports the change. To do so it must touch people at a deep, emotional and personal level. Since organizational culture is the single most important factor enabling or jeopardizing success, a compelling story is needed to change an enterprise's culture.

The power of a compelling story is captured by Goethe saying - *"the moment one definitely commits oneself, then Providence moves too. All sorts of things occur to help one that would otherwise not have occurred. A whole stream of events issues from the decision raising in one's favor all manner of unforeseen incidents and meetings and material assistance which no man could have dreamed would have come his way."*

The *Compelling Journey Process* involves identifying a call to action; barriers to action, both personal and organizational, and the knowledge needed to overcome them; identifying a course of action or action plan to accomplish something; aligning individual accountability for essential steps; defining and measuring success; creating a compelling story; overcoming the unexpected; and, bringing the knowledge, skills and expertise created during the journey back to others in the organization or larger community.

The *Compelling Journey* is an archetypal developmental model, used since antiquity in all the worlds cultures, applied in a new way to change leadership in the post-industrial world. It is a unique innovation and contribution of Ron Schultz, the California based writer and entrepreneur to the practice of change leadership. *The Compelling Journey* archetype is powerful and effective. Level Three Performance Solutions™ has adopted it as the foundation essential to all of Level Three™'s activities. We also strive through contemplative practice, meditation, research and study to elaborate and to improve the effectiveness and applicability of our human insights, wisdom and understanding with organic developmental ideas to the seemingly intractable problem of successful change leadership.

## The Compelling Story

Level Three™'s *The Compelling Journey* programs recognize the centrality and essential nature of a compelling story for change management. Our processes are specifically designed to expose the Call to Action and to lay the foundation for and to create a Compelling Story to enthuse your people for change, to create allies in change, and to ensure the ingredients, commitments, and priorities for success are present.

In a culture many behaviors serve the purpose of sustaining the existing culture. Our programs are designed to identify these and to adapt them for success. Otherwise, they can become a major impediment to change. Creating a culture for success means creating one that is future oriented since the new world of opportunity lies ahead. The challenge is to create a culture by adapting the existing one.

Each and every enterprise has its own unique story. The enterprise's story is embedded in a composite of stories about its founders, of people and circumstances that represent the essence of the enterprise – its heroes. There are stories about why it exists, how it started, how it became what it is, how it overcame obstacles, survived crises, became successful, and so forth.

Each individual human being has a particular and specific story. These stories are determined in part by one's physical heredity, circumstances of birth and education. Another and fundamentally important factor for individual stories in modern life is the impact and effect of institutions and organizations on the individual. Individual human beings undergo a process of development in which they come in contact with, work for, and are shaped by institutions, enterprise, organizations, businesses and government in the social and economic life. Individuals are in turn able as a product of their capabilities to create, shape and direct the unfolding of enterprise. Enterprises and individuals are co-participants in the evolving social, economic and political life.

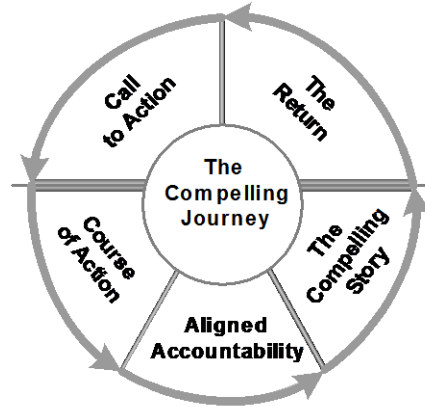
The circumstances of life, the times, and these stories have the power to engage, educate and enthuse people compelling them to act. In recognition of this reality, Level Three Performance Solutions™ has created *The Compelling Journey Process* as a way for enterprises to work more consciously with the archetypal power of stories to shape and align culture and individual actions.

*The Compelling Journey Process* is one part practical, addressing the pragmatic needs for moving an enterprise forward, and one part archetypal, calling on an enterprise and its leaders and people to change the way they think and behave in order for the enterprise to move towards the future with confidence and assurance in a coherent organizing purpose.

Each of these offerings is formulated according to the five foundational elements of the Compelling Journey organizing principle FIGURE 18 — THE *COMPELLING JOURNEY PROCESS*, which views every change initiative as a compelling journey that crosses an unknown terrain toward an unknown future. If any one of the primal elements is missing, it puts the integrity of the entire implementation at risk.

# The Compelling Story

FIGURE 18 – THE COMPELLING JOURNEY PROCESS



A call to action	– What needs to be done
The course of action	– How it gets done
Aligned accountability	– Who does it and when
The compelling story	– How we communicate it
The return	– How we give back to the community within which we operate

Working closely with senior executives and project teams, and applying The Compelling Journey organizing principle, we can help your organization define and implement your initiative to achieve the results you want – on time and on budget.

How can we make such claims? Level Three Performance Solutions™ is a growing and responsive association of experienced senior consultants, with diverse backgrounds and expertise, dedicated to successful change implementation and organizational renewal. What unites and distinguishes us from other, larger, “change leadership organizations” is our focus on implementation, our effectiveness with leveraging the power of culture, our commitment to community, and our reliance on the alchemy of human capability to accomplish what often seems impossible.

Level Three Performance Solutions™’ change implementation practice draws on its associates’ extensive experience with Senn-Delaney Leadership, one of the leading organizational culture consultancies in the U.S., with the Pacific Institute, the Institute for Developmental Processes, and other widely recognized performance improvement and change implementation approaches. Our consultants have particularly strong expertise in the adoption and application of emerging information technologies with change.

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For large-scale initiatives, such as enterprise-wide systems implementations or business integration, we work with your organization to co-create, and initiate, a comprehensive strategy to assure that your people are ready and willing to make the often difficult transition and will be able to perform effectively in the new environment. We then help your organization sustain the momentum by supporting the initiative, where needed, with our expertise in the areas of cultural alignment, leadership development and coaching, team building, communications, training, and performance planning and management.

In such engagements Level Three Performance Solutions™ operates in partnership not only with your teams and functional experts but collaboratively with other technical consultants such as systems integrators, we bring our proven methodologies and tools, implementation-focused consulting, and coherent leadership coaching all aimed at assuring the initiative's success and long-term sustainability. And, *our* long-term goal is always to renew and reinforce the generative capacity of your people through transfer of technology and building an internal continuous-implementation capability.

**FIGURE 19 – THE COMPELLING JOURNEY METHODOLOGY**



The *Compelling Journey* action principles inform all of Level Three™'s work with clients and unify the above-mentioned programs and delivery formats.

## The Compelling Story

### About the *Compelling Journey for Enterprise Renewal*

Level Three Performance Solutions™ has prepared this document as both a statement about change and a contribution to the discourse on change leadership. We intend to engage, contribute and participate with others interested in change leadership or confronting the need to lead or participate in organizational change, in taking the road less traveled. We are confident in the necessity and wisdom of doing this. While the challenges are many, few are the answers.

In recent months while working on strategy, we have discovered, a common call to action in a poetic statement about change by Goethe. The full text is quoted below. Our source for this translation is *Vision in Action*.<sup>xxxiii</sup>

‘Concerning all acts of initiative and creation there is one elementary truth the ignorance of which kills countless ideas and splendid plans; that the moment one definitely commits oneself, then Providence moves too. All sorts of things occur to help one that would otherwise not have occurred. A whole stream of events issues from the decision raising in one’s favor all manner of unforeseen incidents and meetings and material assistance which no man could have dreamed would have come his way. Whatever you can do, or dream you can do, do it. Boldness has genius, power and magic in it. Begin it now.’

Perhaps this impulse also resonates with you?

Level Three Performance Solutions™ ... *ACTION* ...with tangible results.

# The Compelling Story

## Afterword

Level Three Performance Solutions™ strives continually to develop its capacities and capabilities to meet the emerging needs of its clients and the times. Rather than delivering ‘more of the same’, as most consultants have done these past thirty or so years and continue to do, we are actively working to observe unfolding phenomena more objectively in order to see the symptoms of the times more clearly, to see the reality behind the pictures in people’s minds more clearly, and to surface and meet the real needs of organizations more effectively. This is evident in our research and development initiatives for entrepreneurial action, wide horizon vision, risk readiness, The New CE<sub>N</sub>O : Chief Entrepreneurial Officer, cognitive design, antinomies and the like.

In the face of the difficulty of implementing consciously sustainable organizational change and the long record of failure of enterprises to change successfully, new knowledge and new ways of thinking are required. We see a strong correlation in successful businesses and organizations of customer and employee engagement as a sure indicator of the path to greater success in change leadership. We hope in this way to help individuals and organizations meet the personal soul consequences resulting from the conditions and times in a way that provides them with sustenance and the ability to return again and again to their respective communities in order to transform themselves and the communities for the future.

Level Three Performance Solutions™ work is based on archetypes and developmental principles and laws applicable to both the social and economic realms. These in turn rest upon human knowledge and experience since time immemorial represented in all of the great cultures and learning of antiquity. The loss of an individual human connection to working with this knowledge and the substitution of a materialistic *scientific knowledge* with abstract theories disconnected from reality and humanity have resulted in human misery and suffering, and the destruction of the Earth and natural resources to an extent not previously known or imaginable. On this foundation we are actively researching a number of ideas relative to the work described herein. They are:

- Consumption or destruction of capital at 20% - 25% annually
- Creation of new capacities and capabilities to meet needs of communities
- Creating associations to mediate consumption/production levels
- Individual accountability and self-development through study, contemplative practice and life
- An enlightened spirit of brotherhood represented in the entrepreneurial spirit in man – the knowing doer
- Working to develop the World Community with brotherhood and sustainability as the central organizing principles

## The Compelling Story

We at Level Three Performance Solutions™ strive through our contemplative practice, meditation, research, study and our work together to discover and to develop our individual capacities and capability to reconnect with the living impulse in time that is the Earth. We also strive to develop true human knowledge and to apply our capabilities to the seemingly intractable problems of sustainability, development, and successful change leadership in enterprises and communities as the basis for societal change. We hope to see the emergence of new communities, communities of practice and interest, and *elective affinity* or communities of conscious personal choice and commitment as an antidote to the decline we now experience and see in life worldwide.

### Acknowledgements

Level Three Performance Solutions™ owes a special debt to Ron Schultz and Steve Heffernan for their work with Bill McCormick at Red Tiger & Associates that defined and shaped many of the ideas embodied in this Story. Many others have shaped over the course of time the thinking embodied herein including: Jim Johnson, Johnson & Associates; Craig DeForest, DeForest Associates, and Ingenium Partners; Janet E. Krier; and, Jim Knight, Koan Human Systems.

## The Compelling Story

### About customer testimonials and comments in the business literature

How much will it cost your organization if you don't accomplish your key strategic goal? Level Three Performance Solutions™ has a proven methodology that will plot a detailed and focused course of action to accomplish your objectives.

Here is what some of our clients have said about working with *The Compelling Journey Program*.

“Your work enabled our team members to discover their potential for collaboration/synergy and personal commitments/accountability. The methodology performed exactly as promised.”

*Peter Kindzierski*  
*Knowledge Management Platforms*  
*Knowledge & Content Management*  
*ICN IT KM KCM*  
*Siemens AG*

“I've written to express my enthusiasm for the workshop conducted here. The team of matter-of-fact, high-tech engineers I lead recently examined a big challenge we face. As a consequence of The Compelling Journey Workshop, we became a closer-knit, more effective team, we saw a way to achieve our goal and we conquered the obstacles to achieving our goal. The two-day session ended with tangible results as we proceed with completion and launch of our NASA spacecraft.”

*Zubin Emsley*  
*Program Manager, ICESat*  
*Ball Aerospace & Technologies Corp.*

“It was an exceptional process for enabling our board to think through its vision, mission and values, and to develop an action plan for the next six months. We now have a better idea of the nature of our journey, the roadblocks that we are likely to encounter, and the steps that we need to go through in order to overcome such obstacles.”

*Bernard Amadei*  
*President, Engineers Without Borders – USA*

## The Compelling Story

“I went into this hoping to simply walk away with a Calendar of Accountability. What I actually received was far more. We now have a Call to Action; we’ve confronted our personal barriers; we know who our leaders are and what’s expected of them; and most of all we have a Compelling Story that we can turn to for inspiration. And we accomplished all this in a day and a half!”

*Michael Kerber  
President, CEO  
Red Wheel/Weiser Publishers*

Here is what the press has said about The Compelling Journey methodology:

“A powerful and pragmatic set of exercises for exploring how we think, how we create the world around us, and how we can change it.”

*Fast Company*

“They make [you] rethink [your] assumptions about how much managers truly understand the flow of business.”

*Harvard Business Review*

“It’s as much about changing our perception of business as it is about changing business.”

*CIO Magazine*

# The Compelling Story

## Biographies

### Janet E. Krier

Ms. Krier is an original founder of Krier McCormick & Associates. She currently lives and works in Denver, CO. Janet is the source of many of the practical ideas on change and the emphasis on team building in this Story. Janet has extensive experience in the securities and mutual funds industries. She has held senior management positions and worked as a consultant to several major investment banks and telecommunications companies. Janet holds a B.S. from Metropolitan College, Denver, Co.

### Bill McCormick

Mr. McCormick is a founder of Level Three and operates Krier McCormick & Associates a boutique consulting firm specializing in organizational development and change, and business and technology strategy and implementation. Mr. McCormick has extensive experience as a CFO and CIO. He was formerly Chairman and CEO of Consonant Technologies, Inc. in Santa Fe, NM. Mr. McCormick has extensive knowledge in the financial services (securities trading, clearing, settlement and compliance), health care, telecommunications, distribution, logistics and retail industries and in non-governmental organizations. He was formerly Vice President, Cantor Fitzgerald & Co., Inc. an investment bank and Director of Corporate Systems at Tenet Healthcare (the former American Medical International) that owned and operated over 300 hundred hospitals in the US and around the world. In these roles he led implementation of securities trading, clearing, settlement and market making systems, and a range of budgeting, billing, cash management, procurement, labor management and financial management and reporting systems for worldwide operations. He also worked as an integration consultant to Vanderbilt University Medical Center and other research and teaching facilities, as well as in regional and urban medical centers. Mr. McCormick has a BS and Masters in Business and worked on a Ph.D. in Business Strategy at the Claremont Graduate University, Peter F. Drucker Center for Executive Education. Mr. McCormick has been involved with Waldorf education for almost twenty years as a parent and a leader and member of the Boards of Waldorf schools.

## The Compelling Story

### **Craig DeForest**

Mr. DeForest operates DeForest & Associates in Santa Fe, NM. For the past 20+ years, he has helped corporations incorporate an advanced technology for change and development of their businesses, their organizations and their people. He has worked across the U. S., Europe, and parts of Asia with small and large corporations who are striving to further develop their strategic, leadership, and operational capabilities in systemic and integrated ways. Mr. DeForest began his career of seeking and implementing improved approaches as a manufacturing manager in Procter and Gamble. He later applied these approaches as a manufacturing director, HR executive and internal consultant for Mars Inc. Mr. DeForest is a senior member of the Institute For Developmental Processes of Carmel, California. For over twenty years, the Institute has studied and developed technologies, philosophies, and methodologies for creating advanced business organizations which reap the full potential of their employees at all levels and apply that potential to the delivery of superior customer value and the achievement of ongoing business growth.

### **Jim Johnson**

Mr. Johnson is a Managing Director or Level Three Performance Solutions™. He founded and operates Johnson & Associates, Reno, NV. Jim is an experienced business leader and consultant. He has extensive experience with leadership development and change implementation. Mr. Johnson has been successful in strategic planning and change management initiatives with state and local governments, native American communities and non-profits. Jim also works with international companies and major corporations like Electrolux, Hilton Mackie Designs and Holiday Inns on marketing, business development and strategic planning.

Mr. Johnson holds a B.A. in Social and Behavioral Sciences from Johns Hopkins University. He is involved in a number of community service activities including: Our Lady of Snows Pastoral Council; Mountain View Montessori School Board of Trustees, and Manogue High School Blue Ribbon Committee.

## The Compelling Story

### J. Marshall Knight, Ph.D.

Dr. Knight is an experienced senior executive and consultant with extensive experience in business development, leading-edge operations, strategic & business planning, process re-engineering, transitional management and implementation in diverse industries who is a key player in turnarounds and fast-track growth. He has demonstrated success in the development and implementation on new processes that substantially reduce waste, improve efficiency and productivity. For example, Dr. Knight helped a client turn a \$7.7M loss to a \$3M profit in 18 months with no added capital by leading employees with action oriented methods. In addition, they increased productivity by 28% through direct program innovations improving quality to lead their industry. Another client achieved \$1.4M annual savings by restructuring work flow processes. Still another achieved a \$1.44M (12%) reduction in base operating expenses by activating waste reduction programs.

Dr. Knight holds a Ph.D., from the UCLA Graduate School of Management, (1980); MS, UCLA Graduate School of Management (1971); and, a BS, Mathematics. CSULA, (1969). He has served as an Adjunct Professor/Lecturer at the UCLA Graduate School of Management; Monterey Institute of International Studies; California State University, Long Beach, School of Business; Pepperdine University, Graduate School of Business, MBA Program. Dr. Knight's public service experience includes: President/CEO; Chairman, Board of Directors, Board Member: Highland Hall Waldorf School, Northridge, CA, private school with an annual budget of more than \$3 million (1985 - 1992). Member of Administrative Committee, Japanese American Museum, Los Angeles, CA 1995-Present.

# The Compelling Story

## Glossary

### Affinity

relationship by ties other than those of blood. By agreement. designating persons who share the same interests.

### Behavior

the manner of conducting oneself, generally with reference to one's state of mind, feeling, and emotion.

### Business

a person, partnership, or corporation engaged in commerce, manufacturing, or a service.

### Capability

the quality of being capable; capacity; the ability to undergo or be affected by a given treatment or action: qualities, abilities, features, etc., that can be used or developed; potential.

### Capacity

power of receiving impressions, knowledge, etc.; mental ability. actual or potential ability to perform, yield, or withstand.

### Cognition

the act or process of knowing; perception. something known or perceived.

### Coherence

the act or state of cohering; cohesion. logical interconnection. congruity; consistency.

### Community

a group of people who reside in a specific locality, share government, and often have a common cultural and historical heritage. a locality inhabited by such a group. a social, religious, occupational, affinity, interest or other group sharing common characteristics or interests: the business community. the public; society. a group of associated nations sharing common interests or a common heritage. Groups of people including groups of groups aligned to accomplish an aim or purpose.

### Consciousness

the mental activity of which a person is aware, as contrasted with unconscious mental processes. the mind or the mental faculties as characterized by thought, feelings, and volition.

## The Compelling Story

### Creative Destruction

The origin of the term *creative destruction* and its usage in the discourse on political economy is attributed to Joseph A. Schumpeter who first wrote about *the process of creative destruction*. He says basically the efficiency of the new corporation places such economic pressure on the old corporation, which cannot not change its ways quickly enough, so that it eventually cannot compete, and over time outlives its economic usefulness.

### Culture

the behaviors and beliefs characteristic of a particular social, ethnic, or age group:

### Design

to plan and fashion the form and structure of an object, work of art, decorative scheme, etc.

### Development

the act or process of developing. undergoing development; growing; evolving. a developed state or form; maturity.

### Developmental Model

The term development model refers in organic phenomena to growth within a structure or model until a limit is reached. Beyond the limit the existing structure or model can no longer impose order on the larger mass. The consequence is either disintegration (death or chaos) or a step up to a higher level of order. These phenomena are observable across the continuum from the single living cell and higher organisms according to intrinsic patterns and potentialities, to human created economic and social organizations.

### Enterprise

a project undertaken, esp. one that is important or difficult or requires boldness or energy. a plan for such a project. participation or engagement in such projects. boldness or readiness in undertaking; adventurous spirit or ingenuity. a company organized for commercial purposes; business firm.

### Entrepreneur

a person who organizes and manages an enterprise, esp. a business, usu. with considerable initiative and risk.

### Facilitator

to make easier or less difficult; help forward: Careful planning facilitates any kind of work. to assist the progress of (a person).

## The Compelling Story

### Gales of Destruction

Joseph Schumpeter describes capitalism—the never-ending process of creation and removal of businesses—as the *gales of creative destruction*. Although he was not talking about the processes that occur inside a company, the idea is applicable to a whole or parts of an enterprise. This does not necessarily mean the whole or part of the enterprise will die, it simply means the economic rationale for having it exist in whole or in part has ended or is about to end. That could be because the potential of the business has played out, or because the basic rationale for the enterprise has changed.

### Goals

the result or achievement toward which effort is directed; aim; end.

### Governance

the exercise of authority; control over an enterprise. a method or system of government or management.

## The Compelling Story

### Group

a number of persons ranged or considered together as being related in some way. more specifically, each person in the group is aware they are members of the group and those outside the group are aware they are not members of the group. An individual acts to become a member of the group. groups are purposeful, i.e. they based on social, study or action aims and purposes.

### Identity

the state or fact of remaining the same one, as under varying aspects or conditions. the condition of being oneself or itself, and not another. condition or character as to who a person or what a thing is. the state or fact of being the same one as described. the sense of self, providing sameness and continuity in personality over time.

### Information

knowledge communicated or received concerning a particular fact or circumstance; news. knowledge gained through study, communication, research, instruction, etc.; data; facts.

### Infrastructure

the basic, underlying framework or features of a system or organization. the fundamental facilities serving a country, city, or area, as transportation and communication systems, power plants, and roads.

### Integrate

to bring together or incorporate into a unified, harmonious, or interrelated whole or system.

### Limits

the final, utmost, or furthest boundary or point as to extent, amount, continuance, etc. a boundary or bound. the premises or region enclosed within boundaries.

### Limitations

something that limits; a limit or bound; restriction.

### Methodology

a set or system of methods, principles, and rules used in a given discipline, as in the arts or sciences.

### Models

a pattern or mode of structure or formation. a simplified representation of a system or phenomenon, as in the sciences with any hypotheses required to describe the system or explain the phenomenon, often mathematically.

# The Compelling Story

## Organization

a group of persons organized for some end or work; association. the administrative personnel or apparatus of a business.

## Organizing Idea

The whole of the perceived living impulse being expressed through an enterprise. A group of persons organized for some end or work; association. the administrative

## Potential

capable of being or becoming. possible, as opposed to actual.

## Principles

an accepted or professed rule of action or conduct; a fundamental law, axiom, or doctrine: the principles of modern physics. a rule or law exemplified in natural phenomena; a personal or specific basis of conduct or management: to adhere to one's principles. a determining characteristic of something; essential quality. an originating or actuating agency or force: Growth is the principle of life.

## Process

a systematic series of actions directed to some end: a process for homogenizing milk. a continuous action, operation, or series of changes taking place in a definite manner: the process of decay. the action of going forward or on. the condition of being carried on.

## Objectives

something that one's efforts or actions are intended to attain or accomplish; purpose; goal.

## Rules

a principle or regulation governing conduct, procedure, arrangement, etc.

## Strategy

Determining a course of action from the current reality to future state involving .

## Strategic Model

A strategic model assumes a continuum of motive, aim, interest and action between joint consultation and collaboration or conflict and strife. Thus, each entrepreneur and enterprise faces on-going complexity resulting from how it chooses to interact with its owners, employees, partners, allies, customers and competitors, between the poles of collaboration and conflict.

## System

an assemblage or combination of things or parts forming a complex or unitary whole.

## The Compelling Story

### Think

to have a conscious mind, capable of reasoning, remembering, and making rational decisions.

### Thinking

rational; reasoning. Thoughtful; reflective. Thought; judgment: clear thinking;

### Values

the abstract concepts of what is right, worthwhile, or desirable; principles or standards. to consider with respect to worth or importance.

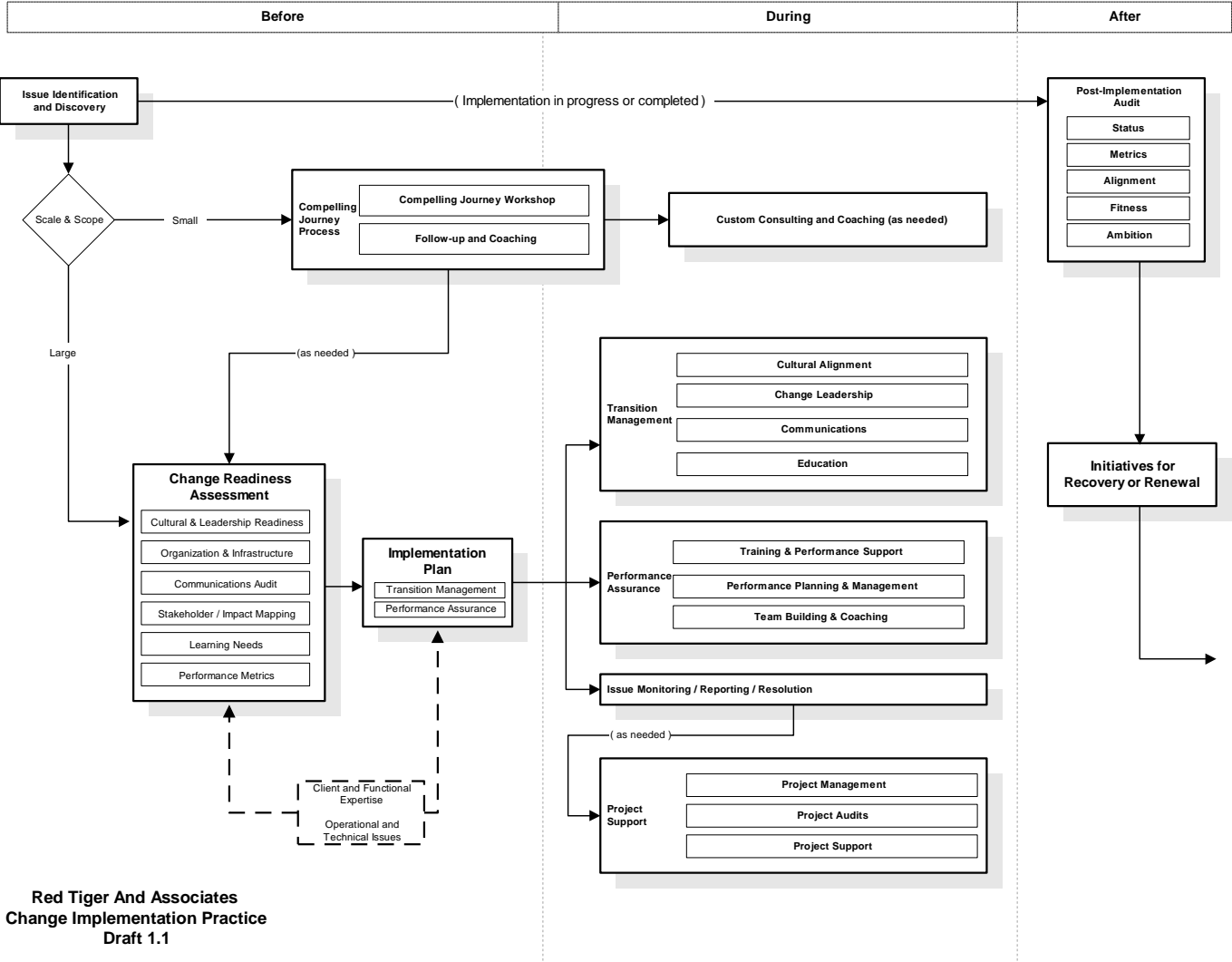
### Vision

the act or power of anticipating that which will or may come to be; foresight: entrepreneurial vision. a vivid, imaginative conception or anticipation:

### Will

the faculty of conscious and particularly of deliberate action. power of choosing one's own actions. the act or process of using or asserting one's choice; volition.

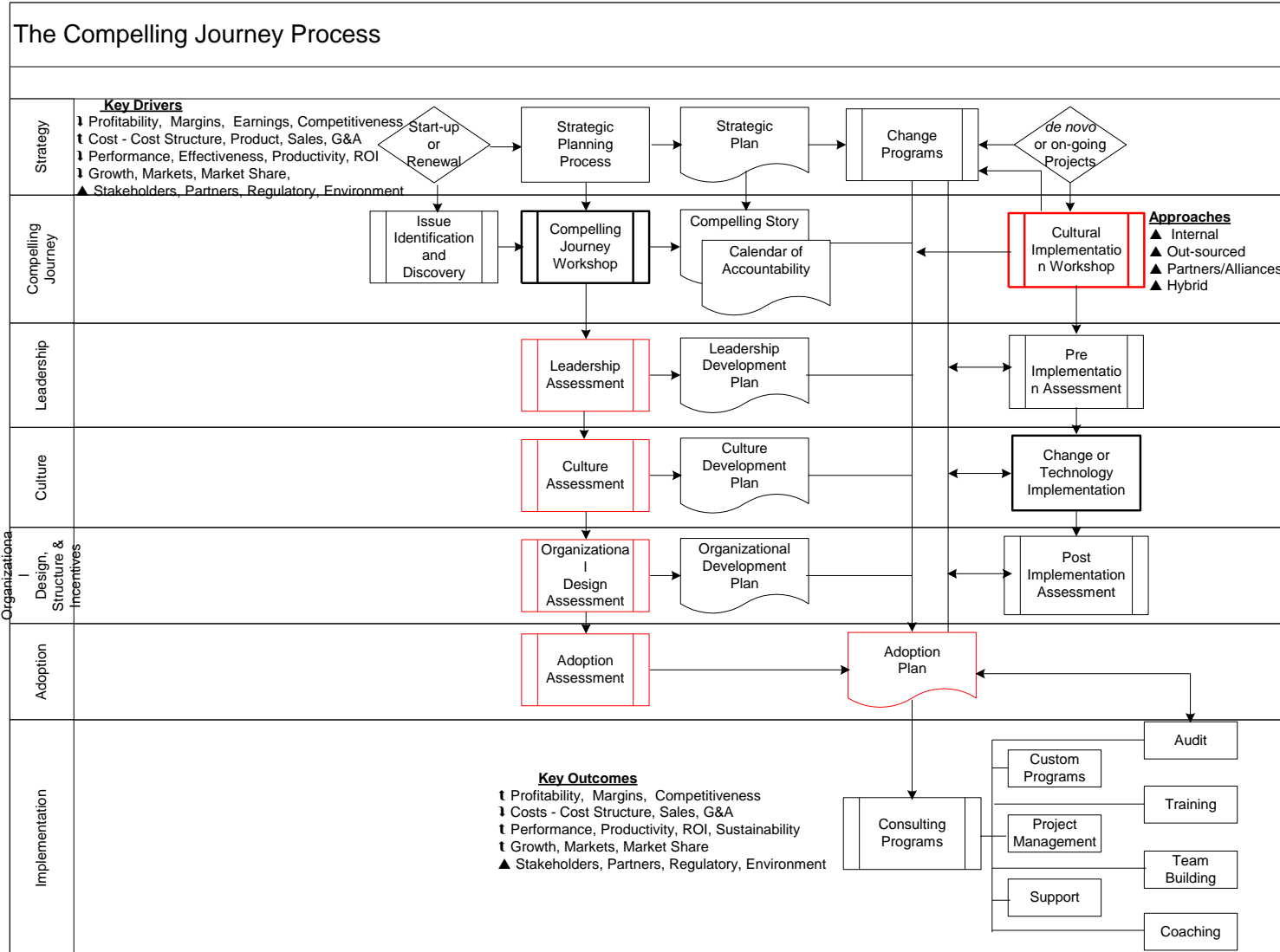
# Exhibit A – Change Implementation Process



Red Tiger And Associates  
Change Implementation Practice  
Draft 1.1

# The Compelling Story

## Exhibit B – The Compelling Journey Process



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- xiv Jason Dedrick, Vijay Gurbaxani and Kenneth L. Kraemer, Information Technology & Economic Performance: A Critical Review of the Empirical Evidence, November 2002, forthcoming article in ACM Computing Surveys. P. 10.
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- <sup>xxxii</sup> Everett M. Rogers, The Diffusion of Innovations, The Free Press, New York, 1995. page 4. “*an important factor regarding the adoption rate of a ‘change’ is its compatibility with the values, beliefs, and past experiences of individuals in the organization.*”
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