

TEI061: Product Managers are Uniquely Prepared to Transform Organizations for Greater Success

Host: Chad McAllister, PhD

Guest: John Latham, PhD

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Chad: Hi, this is Chad, your host and founder of Product Innovation Educators where product managers learn to be product masters. I recently created the product master roadmap available at theeverydayinnovator.com, which shows how product managers can have much greater influence in their organization even leading to senior leadership roles. Because of the cross-functional nature of product management, product managers are really uniquely equipped to make significant impacts not only on product strategy but the organization as a whole, the move from a product focus to an organizational focus. Product Managers need to become organization architects.

And to learn more about becoming an organizational architect, I interviewed John Latham who is a social scientist and organizational architect with over 35 years of experience helping organizations improve their performance. Some of these clients include Boeing, Kawasaki, Tata, The Ritz-Carlton, British Airways, Motorola, Department of Energy and Lockheed Martin. John has deeply researched leadership in organizational design. His award-winning research has appeared in several journal articles including IDSA's Innovation journal and the American Society for Quality.

I'm frequently reminded of his research because the PhD students in my innovation management course at Walden University often reference his work. John has a combined his vast experience and well-respected research in frameworks, frameworks that can help product managers become organizational architects and lead their companies to significantly more success while creating an environment where employees love working and customers love their products.

In this interview, you will learn what it means to be an organizational architect, why product managers are uniquely equipped to become organizational architects and how to accomplish this. We did this interview in person at my home and the sound is a bit different from other interviews. To get the notes of this discussion, the summary as well as the transcript, go to theeverydayinnovator.com/061. Enjoy the discussion.

Chad: Hi, John. Thanks for joining the everyday innovators and talking with us about transforming organizations for higher performance.

John: Thanks, Chad, for having me. I'm a big fan of the podcasts and thanks for the great introduction.

Chad: Glad to have you here and you get to share your experience with everyone listening. So this area of helping organizations transform and improve is rather a niche. There's not a lot of

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people that help with this. Yet as we talk about it, there's a really big need for it. How did you end up? What was your path that led you to becoming so knowledgeable about helping organizations through this?

[02:54]

John: It is a great question because there's really no established career path for an organization architect or transforming organizations that I think that's one of the many parallels with the listeners who are product managers. There's no established career path or university degree that you can go get, although there may be a few out there.

My first recollection of being interested in these kinds of things of people and processes and technology and the interaction between those was when I was teaching at a flight simulator and we were tasked with developing a CRM or cockpit resource management training program which essentially was the combination of leadership, team dynamics and problem solving in a high-speed environment with both a technical system, the airplane, and an external environment which was often unpredictable. I became very interested in team dynamics and leadership and how all that interacted with the situation.

So after that I became interested in organizations in general and those same issues in organizations. I was involved with process improvement initiatives back in the quality movement in the '80s and '90s and this led me pretty quickly to overall organization assessment and improvement using performance excellence models like the Baldrige Criteria and things like that which really addresses everything from leadership and strategy and customer market focus to people processes and information and analysis. So that's what got me into the broader picture of organization assessment.

I spent a lot of time working with and researching successful organizations and how they did the transformation and sustained it. I think the latest testaments I saw were something around 70% to 80% change efforts are still failing even today. And that led me to ask questions about how can we do this differently and so I started hanging out with the design community, industrial designers, architects and graphic designers and then people that were innovating products and developing products and started learning how they did it so that I could bring that and integrate that in with the other ways we were improving organizations to kind of come up with an approach to architecting organizations or designing organizations.

Chad: It's really interesting to me how you work with organizations and helping them achieve higher levels of performance, had so many intersections to the physical world that started on aircraft and that's obviously a physical system that has external influences that are more

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unknown and not controllable for sure but the dynamics of the people involved in that system. And then you're hanging out also with industrial designers who are working on physical things and translating these experiences of those kinds of physical systems into what I would think of as more of the softer side of management and trying to prepare organization to perform better. Because you have people involved and that makes things that are rather more interesting than physical systems.

[06:12]

John: I think that's one of the most interesting and difficult things about organizations is that a friend of mine likes to say organizations don't have an ontology. They don't really exist as a single unit. They're a collection of physical things, people, communication or rhetoric, if you will, and all kinds of artifacts that are influencing human behavior. I think that complexity is both interesting and part of the design challenge is to integrate that in a way that makes sense.

Chad: Good. So you've written a number of books and articles on this topic including very prominent award-winning articles. And one I came across and looked at was in the Industrial Designer Society of America (IDSA). They have a publication titled INNOVATION and you wrote an article where you said, "Most organizations are like VCRs blinking 12:00. They are poorly designed, out of date and ill-prepared to survive, let alone thrive in the modern environment." That puts a pretty fine point on the state of organizations being like a VCR blinking 12:00.

For some of my listeners, we're not accustomed to what a VCR is in the first place, right? So this is back in the old days where you could put in a big cassette tape thing, the VCR. And the old VCRs didn't know what time it was. It had to be set. And every time they got unplugged, you had to reset the time. And so too often -- and I had to help my parents with this all the time and we still have a VCR in the house that actually is broken and we doesn't get used anymore -- but too often you would come home and the VCR would be blinking 12:00 and not do anything. So I like the metaphor. Tell us about why you use this metaphor to talk about the state of organizations.

John: I didn't mean to offend anybody or overstate the case. There's plenty of great organizations out there, but I've just noticed my experience with organizations that there are a ton of documents, procedures and artifacts that nobody really reads or pays attention to. It just reminded me of all the features and functions that used to be on the VCR that we didn't actually use. We used play, stop, record, rewind. So there were some essential features that needed to be there and work and everything else only the most sophisticated user used. And the digits reminded that blinking 12:00, mine was always blinking because I never bothered to reset it at the time because it wasn't important.

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Chad: Right. You only needed to set the time if you're going to program and record things when you were around. And frankly, the user interfaces were so just complicated and that they were clumsy and inconvenient. Hardly anyone ever bothered to program on their VCRs.

[09:06]

John: It was a great idea that just wasn't used that often, at least by me.

Chad: It's a good thing we have innovations now that we have easier ways to record things on however we get them through our computers. But on organizations, where are we with these problems?

John: Well, I think the evidence is clear quite frankly that organizations underperform and most people don't want to work for the organizations as they're currently designed. I think the latest Gallup Research numbers that I saw for 2015 were something like 32% of employees are engaged. So that's about less than a third of employees are engaged. The other two-thirds are not. And over 50% of the employees in most organizations are looking for a new organization to work for. So that is not a very good track record.

And to just expand this a little bit, we know that these numbers about engagement, employee engagement are related to some other pretty important numbers like innovation and productivity and customer satisfaction and things that produce not only revenue but less cost. And so the bar keeps rising and we keep getting behind. So I think we used to run organizations primarily based on financials and a lot of companies still do. Then somewhere around 1980s, some of US manufacturers anyway woke up to international companies selling products here in the US at what it cost US manufacturers to actually make their products which is a bit of a dilemma and a bit of a wake-up call.

That generated a whole issue around quality and improving quality which ended up costing less and focusing on the value for the customer. So we transitioned to customer experiences and things like that and then eventually, as the economy transformed and maybe had more knowledge workers, we realized just how important a talented workforce was to success. So as we went along, the bar just keeps getting higher and higher as we go forward.

Chad: That was a pretty striking numbers too with about 30% engagement from employees, about half employees looking for other opportunity. There's a large number of people in organizations that are dissatisfied with the environment or work or people or some aspect, right? We have had other tools that deal with this kind of performance issue and getting work environments to be productive and helping people to be productive in them. Going back even to ever doing this work on total quality management and we have Six Sigma and ISO, and

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there's a list of things out there that organizations do. Some of them seem to help, those organizations that have adopted. We can find examples of all these where organizations adopted them and then abandoned them later. So what's going on that we have this whole collection of tools to help with performance and yet we still have organizations wrestling with this issue of how do we perform better? These techniques don't seem to be solving the problem the way we hope they would.

[12:31]

John: That really I think, Chad, is a central question because all of those techniques work. I mean companies have successfully used those techniques but many more companies have not used them successfully. I think part of the issue becomes that they attempt to use those tools and techniques on pieces and parts of the organization without really adequately considering the larger system and the other factors that it should influence that effort. So they attempt to redesign or improve on some kind of process within the organization, and the tools they are using are great but they're just not complete usually. It's the rare organization that does consider all the other factors, the system, the culture and things like that when they're using those tools. So that makes it difficult and kind of raises the bar.

That's one of the fundamental differences between my approach that I've been using to organization design is that there's a discovery process that's much expanded and takes into consideration those other factors and the alignment of what you're doing within that specific area to the other factors in the system. I think the alignment actually is the fundamental difference. The research I did with CEOs in the work I did with the CEOs, one of them I asked what they would have done differently next time they did it and one said, "Oh, that's easy. I would have aligned the organization much faster, much quicker or sooner." And the reason is that was where the real power was.

So often we create systems and announce new changes in organizations. You've probably experienced it, the listeners probably have experiences it where you've got this new strategy from a leadership retreat, new priorities, let's go do it, and everything else in the organization that equals success is something different. In other words, the incentives, what they're measuring is different than that, what they're asking for in meetings is different, what they're promoting people for and bonusing people were different. People are pretty smart. They figured this out pretty quickly. So if the system is not aligned with each other and your strategy and improvement, then people are going to do what is good for them usually. It's the rare individual that will do what's good for the organization at the expense of their own.

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Chad: So there's a few phrases that keep coming up that I think it would be helpful to get grounded on what these terms, how you use these terms what they mean to you specifically organization design, alignment and system, right? So let's talk about what organizational design actually is because I kind of teased this up originally talking about transforming organizations to higher performance. And I think a lot of us, including myself, immediately think that we'll have this organization perform better probably on some kind of productivity metric which might include a profit, the number of products out in the market and some timeframe to launch those products. But you've also brought in other aspects of work environment where in people can excel which makes me think of kind of the triple bottom line approach to a sustainable organization where we care about our people, we care about the communities we're involved with, we care about the impact on the environment, the planet issues. So to get grounded, let's talk about organizational design itself. Unpack that a bit.

John: I mean this is a question that comes up because there's really no one set answer. When you look around we have different literature and different people that are using words like organization design. They all have a little bit different definition but they do have some very common elements. The definition that I use is a stakeholder-centered approach, that's number one. So sustainable excellence and being able to even if you're successful at using different tools, to sustain the gains that you make require that you don't take from one stakeholder to serve another, that you actually create solutions that are win-win solutions for multiple stakeholders.

Chad: So to just be clear on stakeholder. This is not shareholders because sometimes those two get confused so I just want to be clear. Stakeholders, anyone with a vested interest in the organization, anything organization is impacting.

John: Yes. For my purposes, I don't want to get hung up on terminology but it's important to define what we mean by stakeholders so that's a great question. Number one, investors are stakeholders. Customers are stakeholders. When I say investors for the people in nonprofits, those could be donors that are putting their money in, then our taxpayers for government. Then for customers are another stakeholder that we serve and sometimes those customers pays money in the for-profit world, sometimes they're the hungry children we're feeding in a nonprofit, and sometimes the taxpayers using the roads or whatever in a government system. And then there's the workforce or the employees and those are the big three. I really highly turned on workforce engaged serving the customer group that comes back, spends more money, repeat business and brings their friends with them, referral business which grows the top line.

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There's three other groups that are pretty important to sustaining that chain, if you will, and that's the supplier partners in creating win-win relationships with the suppliers and partners which for some businesses are so integral to what they do that it's more than just garbage in, garbage out. They are part of the workforce sometimes and part of the creation process. And then there's the local community that all these people come from and the public, if you will. Finally, the natural environment which really doesn't have a voice except through those other five stakeholder groups. To care about the natural environment is caring about really future stakeholders and future generations.

[18:34]

So those are the six stakeholders that we attempt to create win-wins for when we design the organization. Sounds like utopia. I suppose it is but that's the goal.

Chad: We can take the step to move that way.

John: Exactly. We may have to make tradeoffs but we attempt not to first and then we make tradeoffs when we have to until we come up with a more imaginative or innovative idea on how to do whatever it is we're doing.

Chad: Okay. So organizational design is about meeting the needs of stakeholders.

John: Creating value for multiple stakeholders is the words I typically use. And to do that, that's one cornerstone of organizations. The other three cornerstones are strategy, systems and the scorecard and so all four of those things need to line up.

Chad: So is that the alignment aspect when you talk about organizations like the CEOs that wish would have aligned their organizations faster?

John: That's the initial alignment of the four cornerstones -- getting the strategy, the stakeholders, the system and the scorecard all lined up together. That's job one, really. But that really isn't sustainable and doesn't have a life unless you also align and embed this in the culture. So the glue that holds that together is the culture of the organization. So that's part of the design and so often that's left. We take a more mechanistic approach design and we forget about the culture side of things, but culture is what actually makes it sustainable and come alive. All too often we create great strategies and great systems but the culture is different and consequently those things don't get implemented as we envisioned them.

Chad: The culture is why we have that two-thirds not engaged in the organization.

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John: It certainly is a big part of the explaining that I think, for sure. The problem with cultures, people go, "Well, it's so squishy." I mean we talk about values. You can't actually see or observe values directly. We only can infer what the values are from people that set priorities and what their priorities are. But we've got symbols in organizations like parking spots and offices and rank and all kinds of things like that. We have the way we designed our organizations.

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We've got heroes, who do we hold up as the people we want to emulate and we think are really the cool employees in the company. That tells us something about what we value. Those things are all in it and the rituals that we have, whether it's meetings or the beer bust on Friday afternoons or the retreats. The rituals that we have in the organization and how we celebrate things and how we do our work also is part of it, and we can see those and we can design those. A conscious design of those things and the artifacts that represent those things is part of organizations design.

And the last part is the context really, the technologies, the environment, the physical environment that the organization is in. That affects the design of the organization. So these four cornerstones combined with the culture and combined with the context in the physical environment all are part of organization design. The reason we care about this is because these are the things people see and hear. And what people see and hear, the artifacts and the communications and what's said affects how they think and what they think and how they feel about those things. And what they think and how they feel affects what they then say and do their behavior. So ultimately, we care about a good design of the organization because it affects the behavior of the people in the organization.

Chad: I also want to go back and talk about the system part of this. And earlier in my career I always kind of felt like I was the square peg in the round hole sort of problem because I approached my job in developing products in apparently very holistic manner that others in the organization did not. I sometimes got in trouble for stepping into functions wondering why people wonder I was stepping in those functions. But I looked at the organization holistically and as product managers I think we tend to naturally do that because we have to work cross-functionally in the first place. But I would see were things where certain levers needed to be moved to make our products better that might be directly outside the control of product management, but this gives that system perspective I think on organizations. And you said system is the other big piece of this and so address that for us.

John: There's a less systems I think which is the design of how we do the work and how we took the process and things like that. And then there is a systems perspective which is a more

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holistic dynamic view of how those processes interact with the people and the groups and all those things. So I think the issue we face and why you felt so out of place might be because we don't train people in business school certainly to think in systems. We complain about silos in organizations but that's how we train people in business schools as in particular majors like finance or marketing or management. And it's the rare course usually in an elective that would bring things together.

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The one attempt that we make in business schools to bring these things together is the strategy course. It's usually a capstone. And the strategy course is intended to bring all of that together into a view of the organization, but it's a little bit too late typically because they are so functionally steeped in their particular professions and dimensions of the organization that it's hard to get them to think in systems. So we've been talking about systems theory and trying to integrate systems theory in the thinking of business and business schools for decades now. This is not a new idea and we've made very little progress on this front. And so consequently there's still this need to help people understand systems and think cross-functionally. And that's the challenge of the product managers because that's one of the things that they have to do to do their job well.

Chad: Exactly. And it's something that when it comes to being involved in transforming an organization, any aspect that an organization you want to prove the performance of, let's make this a better place to work which in turn itself should turn into some of the positive metrics, scorecard, if you want to increase profit, if you want to increase customer satisfaction, anything that we might think of in terms of increasing performance. I view product managers as having such a leg up in that process because they have had to work cross-functionally in their role so much. And product managers that really become expert at the role have gained a deep influence across the organization. They have demonstrated their ability to solve business problems, to create new business opportunities for the organization. This seems like they're uniquely prepared for this step of saying, well, how now do I take what maybe I've been doing for just focusing on product and expand that to a larger group and even to the organization as a whole.

It's actually part of my product mastery roadmap that talks about how you go from being a product manager to product master and something that I have found to help with that master level which does say, well, how do we go about transforming organizations? So let's talk about how product managers fit into those processes of taking those steps.

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John: So being an organization architect takes many forms and there's really no established profession other than really consultants who are full-time organization architects. So organization architect is a role of a leader particularly one that has the power to change the system and the organization. So if you're at a level -- and that's different in every organization -- and you have to just have the power of that particular thing you're working on. So lots of people are organization architects and it's a skill set that I would propose that all senior executives need in order to create the environment for the organization to operate and succeed.

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Being an organization architect is combining both science and art, if you will, taking what we know about how the systems work and combining that with design thinking or creativity to re-imagine and reinvent the organization and do that in a way that's informed by what we already know about that thing. So being an organization architect really requires three essential pieces. One, a systems perspective which we've already been talking about, how important that is; and number two, leadership because designing or redesigning an organization whether you're a leader or a leader that's an entrepreneur in the early stages of building a business, regardless whether you're designing or redesigning, you're changing the way people do things and so it requires leadership and without leadership this never really gets implemented. But the last thing it requires is imagination, creativity, design thinking or knowledge of design and so --

Chad: And I was going to underscore all three of those things, the systems perspective, leadership, and the creativity. They are all tied to this general topic of innovation, which is at the core of what product managers are about which again just as you were talking about that I feel even more convinced that product managers are so uniquely prepared for a role in, as you say, architecting the organization.

John: Absolutely. I mean I'm not sure -- I'm trying to think of a group that's probably better prepared and I am having trouble coming up with one. Because when you think about it, the product managers, they have to have a view of the organization as a system because their job crosses boundaries. And to get a product designed and all the way to market and improving requires going across many areas in the value chain in the company. And so they have to understand that or have that perspective.

It's one thing to have that perspective. It's really quite another to be able to lead across those boundaries and product managers have experience leading across those boundaries. So they have the perspective, they understand soup to nuts product management. Then they've got the

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experience of leading across those boundaries, which is different than just knowing and understanding those boundaries, right?

Chad: And often leading in the most challenging situation which is leading without true authority, that they're having to use their influence to get things done because they often don't have the true authority over employees to make things happen.

John: And I can't recall a single project that worked on redesigning in an organization in pieces, parts or the whole thing where I wasn't designing something I didn't have authority over. You know what I mean? You're always impacting other people which requires a leadership style that's respectful of other people, collaborative, communication involved, bringing people in and that's not a formal power-based leadership style of I say you do, no questions kind of approach, yet it's a much more integrated collaborative approach to leadership.

[30:25]

And the third one, product managers are also dealing with the design and development of new products and new ideas and fitting those to markets and to the customers, and that is essentially their piece of designing organizations to create value for multiple stakeholders. So it might be a little more complicated but I'm not sure that is. To me those three skills of the product manager are entirely transferable. They may be the ones that are best positioned to do that and what they would need is just a little extra reading, understanding and help of transferring those skills to an organizational setting because there may be aspects of that that they would benefit from.

But they're very well positioned which makes them perfectly positioned for senior executive roles. If they can develop those kind of skills and transfer those to the organization, then that is the top of your product mastery roadmap which is kind of the top of your career. After you've had these experiences you transfer them to leading organization and use them to create organizations that are great for everybody and make everybody successful as opposed to a single product. So you're really just expanding beyond what worked but products also involve all those different stakeholders.

Chad: And just provide some context for that for everyday innovators, if you have not seen the product mastery roadmap, I talk about how you would go from product manager to product master, just go to theeveryinnovator.com and you'll find a button at the top to get that free download and it will walk you through becoming a product master. I want to make sure the context is right for everyone listening too. In that roadmap, we start with average product

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managers so most product managers are average and performing at some level. And we take them through the next step up as becoming competent where they're truly comprehending their work and feeling often going from initially feeling overwhelmed to now really knowing where they need to focus their time in any particular moment, move them up to how they get more recognition inside their organizations and have more influence up to the expert level so there really are leading product strategy at that point. And then at the top is mastery, becoming a master.

[32:55]

And so this isn't something your average product manager can do quickly. But I think we really have made the great case that based on their experiences with systems leadership and creativity over their careers as they've asked to be an expert on product management, they're really uniquely prepared to architect the organization. So now that we're there and as a product manager says, "Yeah, I want to have a C-suite role or a senior executive role. I really want to be guiding this organization and help transform this organization, a place that people love working, that we're doing the right things, we're more making profit, we are taking care of the community and the environment and really a sustainable operation," what are the first steps then that a product manager can take to learn about how do we transform our organization?

John: Good question. Like we said in the beginning, there's really no formal career path, right? But there are resources and the thing I would add to your -- you don't have to wait till you're in the C-suite or even almost in the C-suite to start using these tools. If you are in charge of a department or whatever, you can start using these tools to make your workplace a better place and improve how you work across boundaries and how you think about that.

Chad: And doing that sooner will help accelerate your path to that executive role if that's where you want to go.

John: Exactly. Exactly. You're demonstrating the skills that are needed at the executive team level or the senior executive team level. There is no curriculum but there are two fundamental pieces that I found that people need in organizations. They've been trained. They have all this great experience. What two additional pieces do they need? And they need a flexible leadership framework that they can use to create their own framework that's custom to them and they need a design framework to help them think about design of organizations which leverages all those skills. But they need a design framework that's specific to organizations and organization systems. And so on the website I've recently brought together 25-plus years experience in research.

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Chad: And you said website, what website?

John: The website is the organization -- not this so it's just organizationdesignstudio.com, all one word, organizationdesignstudio.com.

Chad: And I will make all these notes are in the show notes for this episode too.

John: So if you go there, there are free articles on both of those frameworks that are available to the public, and then there's a free membership library which has an eBook on each one of those. The leadership book is -- I don't know -- 84 pages or something like that, the essentials of the leadership framework and the design framework book is about 65 pages that walks you through the framework. And so those two free eBooks all you do is sign up as a free member. It doesn't cost you anything. We will give you the foundation to start with.

[35:56]

Chad: Okay. And can you just provide a little back story on that leadership framework? Because I was actually doing some work with you at the time when you were doing this research and I bring this up because there's tons of leadership resources out there and we've both read many of them and the roots of where this comes from is different.

John: So one of the core values of the Organization Design Studio is we value both empirical evidence and science and we value imagination and creativity. We try to live at the intersection of that or building bridges between theory and practice, and so the leadership framework was based not only on practice but it really emerged from a research study with CEOs who had led successful transformations. And when they had studied those CEOs and from their perspective how they lead it, what they did, challenges they faced, what they learned along the way and out of that emerged the this framework which is not prescriptive in the sense that it doesn't tell you exactly what to do, but it tells you the things the key elements that you need to figure out how to do for your leadership style. But it does give you suggested leadership style of what successful form of organization architect or senior leader transforming organizations and the system that you would use.

Chad: It's not unlike -- I don't know if you appreciate this analogy or not -- but it's not unlike Jim Collins Good to Great and the notion that you did the research with these organizations to understand what the leader did and his team or her team to transform organization for greater performance and then found the common things through those and identify those and put them into this leadership framework.

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John: That's a good analogy. We started with successful organizations just like Jim Collins did. We chose the sample based upon the fact that they had created value for multiple stakeholders and sustained it. So they were all award-winning organizations that had done that across a comprehensive scorecard. I think that's fundamentally the difference between Collins' work and our work. Collins' work was focused primarily on they chose their sample based on stock price improvement over an extended period of time, a good choice and a good sample. We took a comprehensive scorecard approach and looked at the multiple dimensions of it. And we're looking at organizations that had successfully figured out how to do the system and sustain the system. And the only way to know that is to have a scorecard that measures the system. And so that's what we're looking at.

So that was the genesis of ultimately the framework and then it continues to evolve. The design framework came primarily out of practice over many years of designing organization systems and it emerged and became kind of a toolkit that we'd used and it evolved. Then we actually did some research on it and tested it and did some case study research and took a more empirical or academic look at it to see what was working, what wasn't working and why was it working.

[39:08]

And both of those ended up being -- there's published peer-reviewed articles on both those frameworks and so there in that literature. But the Organization Design Studios is a place for practitioners. So the application of those frameworks are on that site and that's where to start I think.

Chad: Can you say a moment and talk through the key aspects of the leadership framework as what people will find when they go and look at the eBook resource?

John: Yes. I sequenced the description in that for eBook to begin with the forces and facilitators of change. Change doesn't happen at all unless there's some forcing function and organizations usually --

Chad: Things are really bad or we need we know we want things better.

John: Right. And it's usually a combination of those two things, right? So the things are really bad as the burning platform. You know you need to jump but you really don't know which direction. I have a vision of a better organization and a better future is the pulling function, if you will, to overcome the inertia and move forward and it provides direction and a forcing function. It's pretty rare the organization. I mean there are cases where they had a burning platform and it figured out the vision to guide where to go. And there are places that had a

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vision of where to go but the burning platform the people really weren't dissatisfied inside the organization.

So they started doing benchmarking. They started comparing themselves, and they saw just what was possible. And so they created some dissatisfaction because they looked at other organizations that had done it a different way and outperformed them and realized that they could be better. All this has overcome the inertia of the status quo because that's what holds the organization from doing anything and us as individuals. It keeps us from changing our own habits, right?

So organization is a collection of people with some habits and some systems that are embedded. You've got to get that changed somehow and the beginning point is we get it managed and leverage the forces of change to get that to happen. And then the book will talk about some facilitators of change that help you do that, alignment being one of them which we started in the beginning.

And then there are the three core elements of a leader: developing your own leadership system, that nine key activities leaders do. How you do them will be up to you but the book will help you understand what are the nine key activities that a leader, organization architect type of leader transforming organizations would do. And there's also nine elements for leadership style which are the behaviors; how do you do those activities, what style do you use when doing those activities. So those two are inextricably linked together and become kind of the leadership approach, if you will.

[42:01]

And then there are the dimensions of culture to transform. There's a lot of talk around competing values and you can either be market focused or client focused. But the organizations that had done this really well have figured out that those actually can be, if done right, complementary versus competing. And so they can have a great place to work and a great place for customers resulting in a great place to invest. So you can but you have to take a systems approach. And so you have to take a systems approach and perspective even to the cultural dimension of it.

And the last piece is really the hard piece. It's the individual characteristics of a leader and their mindset and how they think. It's one thing to change what you do and reschedule your life. It's another thing to change how you do it and your behavior. But unless you actually end up changing yourself and every leader I know that successfully become a leader of redesign and transformation has redesigned and transformed themselves along that way.

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Chad: So they're not only re-architecting the organization; they are doing some re-architecting of themselves.

John: Exactly. And a lot of them I had no idea that was going on. It was happening to them because they were learning. They figured this out along the way. It wasn't like go to school, learn everything you need to go, go apply it. The learning process, they can read books, resources and get training but then the learning takes one place doing the actual task. And they changed over time and were transformed themselves over time which I found very interesting. Some of them talked about how they resisted that. They thought they were pretty darn good and of course the world had told them they were exactly what they needed to be because they were CEO. They must be doing it right. They don't need to change. They are already the top. But they found that to really become or redesign the organization and change it, they had to become what they were looking for in their organizations which require they change as well.

Chad: Right. In the business environment, the world is always changing regardless of forces are occurring. As you talk through that, it made me think of another aspect of product managers that are so well suited for this and the word courage is one that I think probably best describes it. When you talk the forcing functions, that we need to change here, that there are things that are going badly that we need to correct or there's a new vision of where we want to go and pushing through that resistance is what product managers do that are involved in innovation all the time because innovation itself is a change. It's doing something in a new way and there are always naysayers to have to address and work through when you are involved in innovation. And product managers build up the courage through that process to just push through the resistance and find supporters and make new innovations happen.

[45:08]

John: I'll never forget a quote of one of the CEOs I was interviewing. I asked them when they faced resistance, what did they do and how they handled it. And they said, "Well, you know, I worked with them and I worked with my senior team and I tried to educate them and explain because we were going to change. That really wasn't optional. How we did it, I involve them in a collaborative process and all that. So I did all the things that you would think would make it easier to reduce some resistance and it did." But he said, "We did face a few situations where I had to split team and we weren't making it. We could not come to an agreement." He said, "I told them one day, I said, 'Okay, let's do this for a year. If it doesn't work, we'll go back to what's not working now.'" And then he said, "That just fused the whole situation. Everybody said, 'Okay, boss, we will do it. We will do our best to do this for a year. And if it doesn't work, we'll figure something out.'"

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Because you know what you're doing now is not working, we wouldn't even be having the conversation if it was not working. That's back to the forcing function. People are completely happy with the performance of their organization then they're not going to want to redesign it even though they should redesign it while it's performing well because the world is changing on them. But that's pretty rare individual that does that. It's like Tiger Woods restructuring his golf swing when he's at the top of his game. And you can make all kinds of arguments whether that's a great idea or not a great idea, but it is the rare individual I think that when they are successful do redesign themselves. All too often it's because we're underperforming that we do that.

Chad: It's hard to recognize the local plateaus because you don't have the view of the whole horizon where you might end up. And if you've reached a plateau, you're feeling pretty good because you're at the top and no one else is there yet. But that might not be the ultimate peak, right? There might be another one out there and working towards that helps you maintain that competitor advantage, create that work environment that you can really attract the best talent and have the organization you want.

John: Just to build on that, I think one of the things that successfully changing organizations are able to do and able to help their people do and that is be happy and proud of their accomplishments and what they've done and be very satisfied with the work they're doing every day and yet at the same time be dissatisfied that it's not all it can be. And that's a tough thing to hope because it combines both a satisfaction with what is going on and knowing that tomorrow we're going to continue to improve it and change it and make it better and being somewhat dissatisfied but this isn't the end.

[48:05]

The tension is an important thing to manage along the way because if there's too big a difference, it's too big a crisis, oftentimes people will be paralyzed. And if it's not enough tension, people won't do anything either. So there's this intermediate position of the right amount of tension to create and maintain and as the organization improves, you have to keep moving the bar to keep that tension going. Otherwise, entropy eventually takes over and the work performance declines again as time goes by.

Chad: That was a great quote you shared from the leader that if this doesn't work, we'll go back to what wasn't working already. Love that. Speaking of quotes, I always ask my guests to share an innovation quote that they found insightful for them. Which quote did you bring for us?

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John: So my quote is from Gary Hamel's book, The Future of Management. That book really is to me one of key contributions on management innovation. So when we talk about innovation, there are so many connections and parallels between product innovation and management innovation and processes and service and all those things that we want innovation. But Gary had this one quote which really I think sums up if I had to choose somebody else's quote to be my mission is this would be. He said, "What is lacking is not insightful analysis but truly bold and imaginative alternatives to the management status quo and an army of innovators who have the stamina to reinvent management from the ground up." I think to me the thing that I'm attempting to do is to help develop an army of innovators who have the stamina and the tools and frameworks in order to reinvent management from the ground up.

Chad: It's a good quote.

John: It's a great quote.

Chad: Thank you for sharing.

John: I wish I had thought of it.

Chad: But you have many of those elements embodied in what you do. Very good. So I think the product managers and innovators who are listening, I sure hope you have a better sense of the influence that you really are prepared to have in the organization and as your careers grow if you're not at that expert level yet, what you should be looking at and that these are leadership skills that you can be developing now. And they will serve you all by just empowering you to have more influence in the organization and get you to senior roles more quickly. So share again where this eBook is to help with that leadership framework and help people get started.

John: So both the free eBooks are at organizationdesignstudio.com.

Chad: Appreciate you sharing information about transforming organizations with us, John.

[50:57]

John: Thanks for having me on, Chad. It's a great podcast. Keep doing it and I'll keep listening. I'll talk to you later.

Chad: Thanks.

Thank you for listening and sharing this podcast with other product managers and innovators. Together we are improving the skills of product managers one listener at a time. I appreciate your help.

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You'll find the notes from this discussion and the full transcript with John at theeverydayinnovator.com/061. Please check it out. Keep innovating.