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BECOMING A WORLD-CLASS
ORGANIZATION WHILE
THERE'S STILL TIME



KEN BLANCHARD

&

TERRY WAGHORN

WITH JIM BALLARD

McGraw-Hill

NEW YORK SAN FRANCISCO WASHINGTON, D.C. AUCKLAND BOGOTÁ

CARACAS LISBON LONDON MADRID MEXICO CITY MILAN

MONTREAL NEW DELHI SAN JUAN SINGAPORE

SYDNEY TOKYO TORONTO

Library of Congress catalog card number: 96-77499

McGraw-Hill

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1 2 3 4 5 6 7 8 9 0 D O C / D O C 9 0 1 0 9 8 7 6

ISBN 0-07-005940-3

Book design by Michael Mendelsohn.

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To everyone living in organizations today
who are dealing with the reality of having
to improve their present operation and
design their future at the same time



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FOREWORD

This is a book about hope. Rather than serving up yet another rendition of the difficulties currently besetting our nations and corporations, Ken and Terry's book takes us on a path of growth and renewal. They show us, in very convincing terms, that there is a light at the end of the tunnel, and that by embracing a few simple truths, we can all start moving towards it.

At the center of their argument is the need for today's companies to establish and maintain a healthy balance between continuity and innovation. Concentrating on the present with scant regard for the future is akin to driving forward while looking out the rear-view mirror. Eventually you're destined to hit something. Similarly, overinvesting in tomorrow's opportunities without first protecting and shoring up your current businesses can be disastrous—you're likely to run out of steam before tomorrow arrives. Getting to the future first is essentially a two-step process: improving the present while creating the future. Neither step takes precedence over the other. Both are critical.

Self-evident as this argument may be, the fact is that it's seldom applied in practice. Many leaders like to believe they keep things in balance, but in reality most put much more energy into preserving what they have than creating that which they

don't have. Present pressures always seem to win out over future considerations. Thus, most organizational transformation agendas are more about improving the present than they are about creating the future. As yesteryear's "mass" markets continue to decompose into ever smaller market niches, it is becoming increasingly apparent that tomorrow's market leaders will be those who are able to continually differentiate themselves. Costs, quality, and speed will become prerequisites for survival. Success will become increasingly tied to innovation and creativity. Rather than looking at their markets through a single lens, managers must begin looking at them through bifocal lenses—they must become skilled at scanning the horizon for new opportunities, while keeping their eyes on the road they are presently on.

Difficult as it may be, developing bifocal vision is only one of the challenges facing today's leaders. Another is the need to find a balance between the opposing interests of the company's different stakeholders. Shareholders seek a quick return on their investment, employees want security and increased benefits, and customers want your product or service to be high quality but low price. Trying to keep everyone happy at all times is impossible. It's a matter of sustaining a healthy tension between the different constituencies, taking care never to let things get skewed too far in any one direction. This is not easily accomplished, yet by recognizing the pressures built into the system, by using information technology to build bridges and destroy

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walls, and by building a sense of community around a shared vision and set of values, trust between these different stakeholders can flourish and all things become possible.

This is what Ken and Terry's book is all about. Read it once, then put it aside for awhile and let your thoughts ferment. Then read it again, and let it do its magic on you. We think you will find it worth the investment of your time. As its simple truths begin to penetrate your soul you'll come to discover that it really is true—everything is possible.

We wish you success on your journey.

Ruud Koedijk
Member, Executive Committee KPMG
Chairman, KPMG Europe

Jon Madonna
Chairman
KPMG International



ACKNOWLEDGMENTS

The book you are holding is the result of a unique partnership between two very different people. Ken has spent most of his career discussing and writing about management's so-called soft S's (staff, skills, styles, and shared values). Terry has focused his career energy almost exclusively on the hard S's (strategy, structure, and systems). Yet, holding true to the adage that opposites attract, we quickly came to discover that our differences could actually be a blessing in disguise. One of us was strong where the other was weak, and vice versa. As this realization became more apparent, our relationship strengthened and a friendship was born. This book is a by-product of that friendship.

There is an invisible corps of people who have contributed greatly to this book's development that we want to thank.

First and foremost is our writing partner and spiritual guide *Jim Ballard* for his tireless energy, creativity, and commitment to this project. Once Terry did the initial draft, Ken and Jim worked almost nonstop together to produce the next draft. From that point on we worked closely together on further drafts. You're the best, Jim! Thanks for being there for us and bringing the spiritual energy of the Big Five.

Richard Narramore, our McGraw-Hill editor, for being

instrumental in helping us set the rhythm and flow of the book.

Margret McBride, our literary agent for believing in the project and helping us to get the best possible publisher.

BTD and *KPMG* our respective “corporate sponsors” for supporting the years of thinking and research that went into the writing of this book and for our colleagues always being there when we needed them. Eight people, in particular, are worthy of mention for their stoic support, helpful feedback, and enduring patience: *Margie Blanchard*, *Pete Psichogios*, and *Dale Truax* from *BTD*, and *Ruud Koedijk*, *Wessel Ganzevoort*, *Suzanne Maxwel*, *Steven Olthof*, and *Paul Woudstra* from *KPMG*.

We also want to acknowledge *Eleanor Terndrup* and *Michele Jansen* for their patient and skillful typing of the final manuscript and *David Witt* for his help on the references and bibliography. *BTD* is lucky to have them on its team.

Much of the wisdom found within the pages of this book came from the words or works of others, be they management theorists, ancient philosophers, or contemporary practitioners. All those cited in the book have been recognized in the references and bibliography at the end of the book. It is a small token of appreciation for the influence they have had on our work. We do want to single out *Ichak Adizes*, *Gerry Faust*, *Mary Gelinis*, *Gene Hall*, *Gary Hamel*, *Charles Handy*, *Roger James*, *C. K. Prahalad*, *Michael Treacy*, *Fred Wiersma*, *Drea Zigarmi*,

ACKNOWLEDGMENTS

and *Patricia Zigarmi* for special mention. Their work rose to the top as we wrote this book.

Writing is something that is very personal, and as such can be a lonely business. Each thought takes time to nurture and develop, and can become so all consuming that other aspects of life are temporarily put on the back burner. Quite naturally, that can make life somewhat difficult for family members and close friends. However, in our case, both of us had relations that were up to the challenge. To *Margie* and *Martine* go our love and thanks. From *Jim Ballard* goes the same to *Barbara Perman*. To *Dorothy*, *Scott*, and *Debbie Blanchard*, *Margaret* and *Gerald Waghorn*, *Philippe Naert*, *Daniel DeVeusser*, *Walter Blomme* and *Luk Grosemans* go our gratitude and appreciation.



INTRODUCTION

It is possible that most people working after the turn of the century will be working in industries that don't even exist now.

Nicholas Imparto and Oren Harari, *Jumping the Curve*

Once there was a time in business when you could experience a change and then return to a period of relative stability. That era was followed by one in which, as soon as you got one change handled, you had to get ready for another.

Nowadays, the changes are occurring rapid fire—one on top of another. There's no rest and there's no getting ready. In the heat of this chaos, it's hard for people to maintain perspective. This situation reminds us of the story about the little girl who comes home from school one day and asks her mother (today it certainly could be her father), "Why does Daddy work so late every night?" The mother, in an understanding way, replies, "Well, honey, Daddy just doesn't have time to finish all his work during the day." The little girl, in her infant wisdom, says, "Then why don't they put him in a slower group?"

Alas, there are no slower groups. Constant change is a way

of life in business. In fact, to stay competitive today, you not only have to pay attention to what you're doing now in order to perform better, but to what you have to do tomorrow to stay competitive in the future. In other words, you have to simultaneously manage the present and plan the future. To highlight this idea, we ask you to consider the following metaphor.



ON THE BEACH

Visualize a large sandcastle that has been built at the edge of the water. Several features of the sandcastle are suggestive of the traditional organization: its roughly pyramidal shape, its rising turrets, the crusted wall and battlements. The group of people who built this castle have until recently been working to improve it: rechanneling the moat, shoring up the main entrance, rebuilding the wall by using sticks for reinforcements, etc. Now the tide has come in, and parts of the castle have been eaten away by the invading waters. Having seen what high tide has done to other castles, the group realizes that efforts to rebuild the old castle have been for naught. As the rising waves continue to bite into the foundation, the group concludes it's only a matter of time before its structure will cease to exist, so the group gives up and wanders off disconsolately down the beach.

INTRODUCTION

Now also imagine that at the upper end of this castle, above the tide line, a newer, flatter structure is being formed by a second group. The group working on this project is sculpting a flat, streamlined structure, a more efficient version of the old castle, precisely at the tide line. This group's notion is that by building its structure above the point the waters can reach, and by making it flat and aerodynamic, the model will be safe from wind and wave.

On a bluff overlooking the beach, above the activity of the waves altogether, stands a third group of people. Eyes are on the horizon as people glimpse an approaching storm. To this group it's clear that the storm will wipe out not only the remains of the original castle but the improved structure built by the second group as well. This third group is intent on fashioning a whole new way of operating that is nomadic in nature. It is not interested in building a permanent structure, as the other groups wanted to do. Instead it dreams of being able to break camp almost instantaneously in order to pounce upon emerging opportunities, regardless of the changing environmental conditions it faces.

The three groups in the sandcastle metaphor represent three distinct kinds of responses that organizations are making to the need for change today.

1. The first group sees no need to change. Its members believe that whatever got them to where they are today will suffice to get

them through tomorrow. In the spirit of Scarlett O'Hara in *Gone With the Wind*, they say, "I'll think about it tomorrow." They are frozen in time, paralyzed at the prospect of changing the status quo. Because of this they are no longer in tune with their markets, and thus no match for their more fleet-footed competitors. The future for them looks bleak.

2. The second group is not fixated on yesterday's success formula, and its members recognize the need to constantly improve what they already have. They are striving to fortify their present ways of operating in an effort to build and sustain customer loyalties in current served markets.
3. The third group is focused on the future, committed to creating new competitive arenas. Its members recognize that even if they get better, they can still be put out of business by an unexpected change in markets, customer needs, or technology. Realizing that tomorrow's customers are unlikely to resemble those of today, they are busy dreaming about and creating what could be.

With the first group out of the race we're left with the last two, which brings us to this important inquiry:



QUESTION

Which approach
is better—

improving
what is,

or

creating
what isn't?



ANSWER

Yes!

In other words, do both. Why? For the simple reason that focusing on either dimension while ignoring the other is a formula for failure. If you don't organize your company to make decisions faster and to move closer to the customer, you're likely to lose the market to a quicker competitor. However, if your fascination with what you already have precludes you from creating what you don't have, you're likely to end up as an accident on the highway to the future. A balance must be struck between continuity and innovation. You can't have one without the other, both are essential. *Al Dunlap*, former Chairman and CEO of *Scott Paper Company*, has said it well:

There are three types of executives in the world. There are those who can get short-term results and haven't a clue where they're going to take the company in the future. Conversely, there are those who have a great ten-year plan but are going to be out of business in ten months. And then there are those who can get short-term results in conjunction with a vision for the future. These are the good ones. But they are in unbelievably short supply.

It's always been hard to do two things well at the same time. How can you do a good job of managing the present when you're worried about the future? How can you effectively scan the horizon of the future when you're concerned about the present?

To appreciate the difficulty of striking a balance between these two important objects of attention consider the words of

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F. Scott Fitzgerald: “The test of a first-rate intelligence is the ability to hold two conflicting ideas in mind at the same time, and still retain the ability to function.” ***Getting people to break out of their current world view while continuing to operate within it*** is difficult even for the best of us. Yet in today’s hyper-competitive markets, it must be done. We have no choice. We must work on the present and the future at the same time. As *Steve Case*, CEO of *America On Line*, said when he was asked if he was currently focusing more on AOL’s daily operations, or on its place in cyberspace, “Right now I’m kind of doing both. We’re looking to hire a chief operating officer to handle more of the day-to-day details, but until then I’m doing both.”

The purpose of this book is to help you develop your capacity to do exactly that—manage the present effectively while at the same time creating the future. The book is designed to be a thought-provoker rather than a how-to-manual. Since your present and future realities will be unique to your own particular set of circumstances, our goal is not to define them for you. Instead we will provide you with some concepts, ideas, and frameworks that can help you on your journey toward world class status.

We’ve divided the book into five chapters:

1. Once Upon a Sandcastle: Building Tomorrow Today
2. Redesigning the Castle: First-Curve Improvements
3. Taking the High Ground: Second-Curve Innovations

4. Putting the Right People on the Right Team with the Right Kind of Support
5. Do I Have What It Takes to Live in a Two-Curve World?

The first three chapters build on our sandcastle analogy. Chapter 1 presents our rationale for why working simultaneously on both the present (improving the existing castle) and the future (fashioning an entirely new kind of living arrangement) is so important. Chapter 2 contains our best thinking on improving your present operation, and in Chapter 3 we address the second critical focus, creating the future. In Chapter 4 we discuss who should be doing what and examine how to harmonize differing personality styles so as to ensure that desired improvements are implemented and future innovations receive the necessary support from both management and employees. The focus of the final chapter is personal, contending that the journey toward world-class status and the necessary changes to achieve it begin *within* people, whether they are leaders, managers, or individual contributors. We invite you now to set out on that journey with us.

Ken Blanchard
Terry Waghorn

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CHAPTER ONE



ONCE UPON A
SANDCASTLE:
BUILDING TOMORROW
TODAY

*The significant problems we face cannot be solved
at the same level at which we created them.*

Albert Einstein

Pretty much everyone agrees that in order to succeed today, organizations must be fast and flexible and continuously improving. Leaders are finding out, however, that it's by no means easy to get people committed to constant change. They may understand that change is required and know precisely what it is that must be changed. They may even want it to happen. Nevertheless, human nature tends to want to hold on to old ways of doing things. People often are stuck in the thinking that got them to where they are today, even though

that thinking can't be used to get them where they need to be tomorrow.

We think there's a way out of this mess. It is based on three key points:

1. Success in organizations is all about creative use of untapped human energy.
2. The way to tap this energy is to make people your partners.
3. The way to make people your partners is to meaningfully engage them in either improving the present operation of the organization or creating its future.



FOCUSING AND DIRECTING HUMAN ENERGY

Marvin Weisbord, author of *Productive Workplaces*, was talking about the need to transcend the past when he wrote: "If I could ask one thing of a crystal ball in every new situation, it would not be, 'What's wrong and what will fix it?' It would be, 'What's possible here, and who cares?'" Wouldn't it be wonderful if all the people in an organization could ask this question as they considered together their future? Somehow that organization would have found a way to gather the creative energies of its people and focus their efforts far beyond business-as-usual thinking.

Human energy is like the energy of light. When it is dissipated, as in the average light bulb, it gets work done in an average way. But when that same energy is focused and concentrated in a single direction, as with a laser beam, it has the power to cut through any kind of obstacle. In the same way, whereas the average person disperses his/her energy into a broad spectrum of pursuits, the person of “genius” is able to harness his or her energy, beam it toward one single pursuit at a time, and accomplish far more than others. This principle of concentration of energy also applies when you are considering the efforts of a large group of people—an organization. The success of that organization is directly related to the amount of energy its people are willing to invest, and to its ability to harness and direct those energies toward a single, burning purpose.



FREEING UP BRAIN POWER

Most of us have no idea what we can produce in a given span of time, until we’re called upon to do so. We’re operating at a fraction of the energy and brain power available to us, and we don’t even know it. Then something comes into our experience that focuses our attention and engages our mind. We start to look at the world through new eyes. For example, suppose you’ve never owned a red

car—never even thought of owning one. But one day you go out to shop for a new car and lo and behold, you drive home a brand-new fire-engine-red automobile! Now, whenever you're out in traffic, which cars do you think you'll be noticing? The red ones—they seem to be everywhere! They were there all along, you just weren't noticing them.

In the same way, when you're engaged in an ongoing project—a hobby, a work project, or something you're writing or building—you find your mind consumed by it. Wherever you are—at the store, driving your car, reading a magazine—your attention gravitates to objects, people, and events that have a connection to your project. Whatever you see, whatever you're doing, becomes related to it. When this happens to you we say you are engaged in ***project consciousness***.

Suppose an organization could find a way to organize and engage its people's attention around the purpose of making the organization significantly better. Suppose this people's collective imagination were triggered, to the extent that the improvement agenda became not just a goal but a mission. Suppose a way were found for each person to experience ownership of and responsibility for a specific "patch" of the collective "quilt" and encouraged to use his or her discretionary time for working on that particular piece of the action. ***This would become a setup for project consciousness to kick in.*** As that person looked out at the world through the framework of his or her improvement project, everything he or she saw would become

a potentially rich resource for doing creative work on the project assignment. By harnessing the creative potential of all its people's project consciousness, the organization could "beam" their efforts so as to produce results far beyond what would have been thought possible.



PARTNERING FOR THE FUTURE

Once you have understood and appreciated this principle of the concentration of energy, as it's applied to a whole organization of people, the next question you must ponder is, "How do I tap that energy to transform my organization?" The answer is to make people partners and involve them directly in decision making. Marvin Weisbord again: "The quickest way to increase dignity, meaning, and community in a workplace is to involve people in redesigning their work. That is also the shortest route—in the long run—to lower cost, higher quality, and more satisfied customers."

We think the only way leaders and working people can effectively enter the future is as partners. People who work must become full participants in the process of determining how their working conditions and the nature of their tasks can be improved in the short run (the present) and the long run (the

future). How do you create this partnership between the leadership and the work force in your organization? One elegant way is through the power of human choice. It's been well established that when a radically innovative idea is proposed to the mind, the mind's first tendency is to ask how it could be made real. Since the mind is using old thinking as it ponders this question, it can't see its way to the finished product, so it rejects the idea out of hand. The mind reacts differently, however, when it is asked to choose between two or more alternatives. The energy of attention then is directed not to **yes** or **no** but to **which**. To illustrate this principle, we ask you to imagine yourself in the following scenario.

You are in a final interview for a new job. Your would-be department manager opens your meeting by saying, "From our perspective, we'd be very happy to have you join our team. Since you're here today, I assume that decision is mutual. But before finalizing our relationship I'd like to cover one more important aspect of your job."

Then the manager smiles, leans forward, and says, "We've learned over the years that most people in the world of work have more creative energy and brain power than they use on the job. If we can tap into and focus some of this discretionary energy on improving our present operation or designing our

future, the payoff can be tremendous. Consequently, we say that everyone in our organization has two jobs. One is his or her 'day job'—in some way helping to provide customers with high quality products and services. Second, each person has a 'transformation job.' In this capacity you'd be playing on one of two teams. If you join our company, we want to offer you a choice of which of those two teams you wish to join.

"The first team we call a 'P Team.' The P stands for present. A P Team has the job of revising our present organization so that we can be more responsive to our customers today. Its focus is on improvement. The second team is an 'F Team.' The F stands for future. The task of an F Team is to create the future by imagining what customers and markets will be like then. Its focus is on innovation. Both teams operate at the same time. We see the work of these two teams as being the only way we can achieve our goal of becoming a world-class organization. You can help us to do that."

As you're pondering all of this, the manager hands you a card and says, "To help you decide which team you want to play on, read over this list of questions and see what you think."



FOCUS QUESTIONS

- Which has more appeal for you—improving what is or creating what isn't?
- Do you see yourself as more of a maintenance engineer or an architect?
- Are you more interested in doing things right or doing the right things?
- Would you prefer to tune a carburetor or build a rocket ship?
- Would you rather implement a direction or determine it?
- Would you rather produce results now or design how they'll be produced in the future?