



The Human Potential Project

Introduction to Commitment Based Management

Commitment Based Management

Commitment Based Management A New World of Work

Companies around the world are facing the same pressing challenge. How do we develop and sustain competitive advantage in an increasingly flat, net-speed world? I believe that our current practices of leadership and management are largely inadequate to the task and that we need to not just incrementally improve them, but completely re-invent the philosophy, practices, and tools for operating today's companies. This is a big claim but these are times of great change and meeting the tectonic changes that are shaking the business world with puny or incremental responses will only weaken our competitive position as companies and as a world economic power.

The breakdown we are facing gets revealed when we examine what have become the two standard means for generating competitive advantage.

The first is, "We develop a unique strategy." Today, with the amount of information and analysis that is available on the Internet, there is very little competitive advantage to be had in a unique strategy. The information that you or your consultant use to craft a strategy is available to anyone and for the most part everyone in your competitive space is following the same strategy.

The second answer is, "We devise a unique deployment of technology." The dilemma here is the same as noted above. Any technology that you can acquire, consultant you can hire, or software you can purchase can be just as easily purchased by your competitors. Technology has become commoditized to the point where there is no longer any substantial advantage to be had in this realm.

What does that leave us with? Trite as it may sound, **your only source of sustainable competitive advantage is your capacity to mobilize your people to implement your strategy faster and more effectively than your competition.**

Yes – everyone has heard that before and no one has developed a consistent means to do it - until now. Why has it proven so difficult to consistently mobilize people? The practices that we use are woefully out of date and while we have been masterful at developing methods for generating effectiveness in the manufacturing world we are seriously lagging in developing practices and tools for managing the vast majority of the workforce aren't engaged in manufacturing.

When we look at the history of what we have collectively referred to as work, we can distinguish three types. of work. For most of our history the vast majority of people were involved in transformational work. Transformational work occurs



when we take some material or object and add value by transforming it into something else. Manufacturing and agriculture are transformational work. The second type is what we refer to as transactional. Transactional work creates value by generating transactions, such as the exchange of goods, services, and money. Banking, distribution, and service industries are examples of transactional work. Today, 85% of the American workforce is engaged in transactional as opposed to transformational work.

What has come out of this evolution to date are two fundamental organizational practices – hierarchy and process.

Hierarchy has been with us seemingly forever and traces its roots back at least to Roman times as the means for organizing armies. In the hierarchical world a new possibility finds its way into the organization and makes its way up the hierarchy where eventually someone with authority makes a decision and then drives it back down the hierarchy where it eventually meets the world. The dilemma with our modern version is that we have tried to overlay “democratic” practices onto a system that was designed to be highly un-democratic. In Roman times if you didn’t quickly implement the decision the consequences were both immediate and violent. In the modern corporate world even when a decision does get made it is no simple matter to get it implemented as there are seemingly endless rounds of meetings to get “buy in” and we have few if any consequences for less than enthusiastic implementation.

What this means is that all too often by the time the hierarchy responds to shifts in the market, disruptive innovation, or new possibilities it is too late.

Process too has been with us for some time. Process is of course vital if you are doing the same thing over and over. Where process fails us is when we are confronted with something new or the need innovate or change. In those instances we attempt to make that which is new fit into or conform to our existing process. This tends to devalue the new and thus we dismiss it for not having value. When times call for innovation process again tends to fail us as it attempts to standardize the activities that it can recognize as generating innovation. Recent experience tells us that this at best produces marginal or incremental innovation and at worst tends to kill the radical innovations that are more critical to our future. In many situations process is too rigid for today’s world.

What process and hierarchy have in common is that they are both focused on monitoring and measuring **activity**. However they don’t work so well in the new emerging world of work that is dominated by the third type of work, tacit work.

Tacit work is work that requires high levels of interaction and coordination skills, the capacity to build networks, the competence to think strategically and innovate, and the ability to resolve complex breakdowns. Previously, we have called these people knowledge workers, but tacit work requires much more than just knowledge. The essential components are observing, assessing, declaring, and mobilizing action to attend to the concerns of both internal and external customers. It is informal and ambiguous, so it does not fit well on the organizational chart. Critical interactions are often outside the bounds of the standard job



descriptions. This informality and ambiguity have made it difficult to manage and reward tacit work with the current array of management practices and tools, even though employees may spend most of the day engaged in it.

I say all of this in support of my opening statement that it is time to completely revolutionize the practice of management. Welcome to the new world of Commitment Based Management. It is a philosophy, a distinct set of practices, and a new set of tools all designed to enable organizations to consistently design and deliver powerful offers to their customers, generate innovation, and build and manage organizations to generate performance and profits by getting the most value from their critical tacit workers.

A New Look at Work

The underlying principle of Commitment Based Management is very simple. Instead of seeing work as mechanistic connection of activities I see it as a dynamic set of nested commitments. Despite how it may sometimes look, activity doesn't just occur on its' own. It is generated by a commitment that someone somewhere made. When these commitments are clear and focused we generated high performance. When we have unclear or weak commitments we generate waste and unproductive moods. In the manufacturing world we have developed effective tools for eliminating waste. However, in the realm of tacit work we generate untold billions of waste every year. This waste is more insidious as you can't see it like you can excess inventory. Instead, every time there is a miscoordination, a miscommunication, a commitment that isn't fulfilled as promised we generate waste. When you consider how many of these messed up interactions occur on a daily basis in a typical organization the implications are staggering. A basic economic analysis suggests that anywhere from 40-70% of payroll dollars are not generating the expected value.

In a commitment-based organization the underlying unit of work is not activity, the movement of some object through time and space, but the making of a commitment. A commitment is a linguistic move that occurs between two people that we refer to as the customer and holder. When someone (the holder) promises someone else (the customer) that they will do something by a specific point in time we say that they have made a commitment. Thus the making and managing of commitments is predominantly a linguistic competence, as commitments live in language, not in the world of things. If you accept this opening claim, then the practice of management must be seen not as the supervising, measuring, and assessing of activities but as the design, coordination, and fulfillment of commitments. This is clearly a big departure from the current practice of management and requires a host of new competencies that range from sharply honed practices for building and rebuilding trust, managing moods, and mastering the set of conversations that enable people to effectively design and deliver on their commitments on a consistent basis. I believe that the comprehensive body of work that is Commitment Based Management can open doors to an entirely new world of productivity, profitability, and innovation.



This is the distillation of a much longer white paper on the subject of Commitment Based Management. To learn more visit our website www.humanpotentialproject.com or reach out to judy@humanpotentialproject.com

