THE LEADERSHIP ROADMAP

Business Model Beliefs

Dwane Baumgardner and Russ Scaffede
The Leadership Roadmap is a unique and compelling tool for building successful and durable organizations. It describes a powerfully simple, yet comprehensive, system for leading and managing that Russ and Dwane (and others) have used to grow healthy, winning enterprises. Their three processes of people, lean, and innovation are essential prerequisites to long term growth and profitability.

Bill Main, President, Landscape Forms, Inc.

The Leadership Roadmap is a must read for Directors, CEOs and all leaders. It helps all leaders avoid the false starts, detours, potholes and hairpin turns frequently encountered along the way toward building a winning team. It does this in a how to do it step by step approach using best business practices. It also describes why Directors of Boards and CEOs have a responsibility to understand, audit and support continuous improvement of the major processes that drive organization performance. The authors believe the lack of such a foundation is why so few organizations are able to achieve sustained success. I wish this book would have been available years earlier; it would have shortened my leadership learning curve.

Myron Marsh, President CEO, Thompson Shore

The majority of books about lean are either based at the shop floor tool level or aimed at the change agent level. This unique book goes far beyond that scope and delivers an impressive methodology for leaders, with a particular focus on top leadership, to use as a framework for driving improvements in the realm of people, lean, and innovation. The methods outlined include the proven strategies of lean manufacturing and the less well known but equally important Scanlon principles. Take these principles to heart and I guarantee you will improve any type of business. The key ingredient is in the execution phase and this roadmap will be a great aid in helping you deliver successful improvements over the long run.

Art Smalley, President, Art of Lean, Inc.

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To Our Readers:

Before we wrote this booklet, we wrote a book. It’s a big book, full of detailed information. We wrote a big, detailed book because we want to help people lead teams and organizations in a big, complex job—marshalling all available resources and using the best of the available wisdom to build organizations that succeed over the long term.

There’s a lot of wisdom out there. The problem is integrating it and putting it into practice. Establishing systems by which a great business philosophy can bring about great results for everyone is a monumental task, but it’s the task that faces all business and organizational leaders.

Out of our years of experience, we have developed a concise, coherent, and comprehensive plan that others can adopt. We call it the Leadership Roadmap. It tells leaders what you need to do in order to build a winning organization. And then it helps you do it with appropriate detail, step-by-step plans, templates, and tools.

But before you’re ready to launch into your journey, you’ll want to be sure you’ve got the best possible directions—the kind that you can commit yourself and others to following because they put into action what you believe to be true. You can trust them to take you where you want to go, because they accurately represent the terrain ahead. That’s why we’ve prepared this overview of beliefs. In it you will find out what we believe and what we are convinced you need to believe to succeed—the big, important ideas from the Roadmap boiled down into their essence and separated from the implementation tasks.

So you can read through our ideas quickly. Think about them and their implications for your organization. And decide for yourself.

We hope you’ll agree that this long, difficult road is one well worth traveling, and that the Leadership Roadmap provides the best help you will find as you navigate your way to your goal: a winning organization.

—Dwane Baumgardner and Russ Scaffede
What Makes a Winning Organization?

People do. And leadership, by definition, is all about people. Any business philosophy needs to start by articulating its beliefs about people.

We believe that within every person is a deep-seated desire to realize his or her full potential through growth and development, to make a difference, and to be part of a winning team.

It is your job as a leader to help people fulfill these universal desires, to harness people’s individual desires and goals and skills together in a united effort toward the common achievement of defining a mandate, establishing competitive advantage, and offering the best value to customers as an innovative lean enterprise. This is what makes a sustainable winning organization.

The Mandate

Every organization brings together a set of major stakeholder groups. Each of those groups contributes to your organization’s success—and each has needs that must be met.

The most fundamental definition of winning is constantly meeting the critical needs of all your major stakeholder groups by achieving superior results year after year.

For a business, your major stakeholder groups include customers, investors, employees, suppliers, and the communities in which you operate. All members of your organization must understand and support your stakeholders’ critical needs and be committed to meeting them with sustainability of superior performance.

Establishing a mandate is the first step toward this end. Your mandate documents these critical needs so that they can be understood clearly and so that accountability for meeting them can be established.

Support your stakeholders’ critical needs and be committed to meeting them with sustainability of superior performance.
**Competitive Advantage**

If you want to win, you must hold a competitive advantage, along with both the will and the ability to use this advantage to consistently outperform the competition.

The large majority of leaders, teams and organizations do not, or can not, describe their competitive advantage in objective quantifiable terms. This greatly hinders clarity, focus and execution in building a true competitive advantage that supports a sustainable winning organization.

Your customers determine whether or not you have a true competitive advantage in the market based on their assessment of the value you provide, as compared to the competition.

The only measure of your competitive advantage is the amount of business you win from customers as compared with your competition, and the terms and conditions under which you win that business consistent with achieving your mandate.

**Best Value**

Fulfilling your mandate requires totally satisfied customers. If they are not satisfied, you will not be able to meet the critical needs of investors, employers, and suppliers.

**Customers always want the best value for their money.**

So what is value? What is Best Value? We define value as the total satisfaction registered by the customer, in regard to product, service, and interaction, divided by the total cost incurred by the customer in the transaction.

But we must take our definition a step further. To understand value completely, we must also define what we mean by satisfaction and cost.

Satisfaction contains three main components: performance of the product or service; quality and delivery of the product or service; and the overall customer experience.

Cost to the customer is the price paid for the product or service as well as the internal costs incurred as a result of doing business with the supplier.
This definition of value is shown in the equation below:

\[
\text{Value} = \frac{\text{Total Customer Satisfaction}}{\text{Total Customer Cost}}
\]

Your task in achieving Best Value involves making the numerator as large as possible in the customer’s mind and making the denominator as small as possible, so that the “fraction” you offer—customer value—is significantly larger than that offered by the competition.

Best value = Competitive advantage

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**THE ONLY THREE PROCESSES THAT MATTER**

1. **Innovation**
2. **Lean Enterprise**
3. **People**

These three processes encompass everything an organization can do to maximize the numerator (product performance, product quality and deliver, and the total customer experience) and minimize the denominator (product price plus indirect costs) in the Best Value fraction. We contend that these three processes are the most fundamental processes that drive an organization toward providing best value, which results in a strong competitive advantage and a winning organization.

They are the three critical factors in leadership and an organization’s ability to master success.

Nearly all leaders, teams and organizations will be able to identify some activities underway within their area of responsibility that support one or more of these three processes. The central question then becomes are these activities being pursued in more of a piecemeal fashion or are they part of a systematic approach for institutionalizing
these processes as part of the core culture of the organization? We believe that unless they become part of the core culture it will be impossible to build a sustainable winning organization.

1. Innovation

There are two dimensions to the process of innovation.

The first dimension of innovation consists of making a quantum advance in your product that surprises and delights your customers. Such an advance increases the numerator of the Best Value fraction. The first dimension of innovation can also include making a major change in your business model that lowers costs and thus minimizes the Best Value denominator.

The second dimension of innovation consists of making many small, incremental improvements in product performance. This dimension of innovation taps the creativity of team members daily and is often linked to becoming lean.
Creating and institutionalizing a culture supporting strong innovation involves:

1) developing a short clear policy statement,

2) establishing an expert executive champion,

3) developing a clear pictorial model of the process to build understanding,

4) integrating important innovation goals into both strategic and annual goals and plans,

5) establishing regular reviews and an audit process to guide continuous improvement, and

6) developing a recognition program.

**INNOVATION**

*Making both quantum and incremental advances*

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### 2. Lean Enterprise

Lean enterprise is a highly disciplined process, based on proven principles, for eliminating waste through continuous improvement. Lean enterprise lowers the cost and improves the quality of your product.

Central to this process is identifying the best value chain for providing your product to your customers. A value chain is an entire system that captures all processes, material flows, and information flows for the product. The best value chain is a system from which all waste has been removed.

As in innovation, there are two dimensions to the process of becoming lean.

The first dimension concentrates on eliminating waste, thus minimizing the Best Value denominator. The second dimension makes many small, incremental improvements in the product and so helps maximize the Best Value numerator.

Creating and institutionalizing a lean enterprise culture starts with:

1) developing a short clear statement of policy,
2) establishing an internal executive champion,

3) developing a clear pictorial process to build understanding,

4) integrating lean enterprise goals into both strategic and annual goals and plans,

5) establishing a regular review and audit process to guide continuous improvement, and

6) establishing a recognition program.

3. People

Who drives all innovation and lean processes? People do! So the processes that harness people’s creativity, energy, and commitment for your organization are crucial to building a competitive advantage, providing the Best Value for customers, and meeting the organization’s mandate.

That’s why people are the most important asset of any organization. It is also why integrating the leadership of innovation, lean, and people processes is at the heart of achieving a competitive advantage. People whose energy and creativity are unleashed in the service of their work can drive powerful innovative and lean processes and build a winning organization.

Stated very simply, building a sustainable winning organization is all about becoming a customer focused, value driven, people oriented, innovative lean enterprise.

An important question is how to unleash the power of the people toward this end?
For fifty years, the Scanlon Principles have stood at the very heart of engaging people to apply their full creativity, energy, and commitment toward building a winning team. Learning to apply these principles effectively in your organization is the most direct route to meeting your mandate. The four Scanlon Principles include:

**Identity** = **Purpose & Values** + Reality + Right Job + Job Right

**Participation** = Synergy

**Equity** = Fairness to all

**Competency** = Personal + Professional + Organizational

Let’s take a closer look at each of these principles.

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**IDENTITY**

**Who are we anyway?** Identity is the answer to that question; it is the distinguishing characteristic of any team or organization. Identity encompasses the purpose and values of the individual, the team, and the total organization. It communicates the reality that faces the organization. It also includes the ability to choose the Right Job (strategic and operational objectives) and an approach for doing the Job Right (execution of plans).

**PURPOSE AND VALUES**

Every business needs to make money like every human body needs food, air, and water. It’s a matter of survival—not purpose. The purpose of an organization goes beyond making a profit. It should be captured in a very short statement that guides everyone, offering direction, inspiration, and a clear vision that will attract and help retain talented and dedicated employees.

As a corollary to its purpose, every organization must identify a short list of values that are so important that they would never be compromised even if it meant doing harm to the organization. These values form the boundaries within which all the actions of the organization are taken.
The single most important—and often most difficult—job of a leader is to help people understand why an organization must change. Holding up a mirror that shows clearly an organization’s strengths, weaknesses, opportunities, and threats and their expected impact on achieving the mandate can lead to deeper understanding, a more agile workforce, and, ultimately, competitive advantage.

Developing a deep understanding of the need for change.

The Right Job is what an organization needs to do to be effective. The Right Job is defined by the organizations:
1) mandate
2) business definition
3) vision
4) strategy, and
5) strategic and annual objectives

Job Right is about deployment and execution. It is about cultivating a passion for delivering on promises made, a culture of rapid variance reporting and problem-solving, and a system of regular formal review, so that everyone can remain aligned and on track with the organization’s objectives.

What an organization needs to do to be effective and efficient.
PARTICIPATION

When people participate fully in a group effort, synergy occurs. When a team’s results far outstrip what you could expect from all of the team members working individually—that’s synergy. And the higher the quality of participation in any team, the greater the synergy.

Full participation in a team effort also helps each team member improve her or his individual performance.

The combination of synergy and increased individual achievement can boost your organization toward competitive advantage, but only an organization’s leaders can offer the opportunity for such vital participation. Most think they already do; however, surveys that measure employee engagement worldwide say otherwise.

EQUITY

Equity means treating everyone fairly; it is akin to the Golden Rule of treating others how you yourself wish to be treated. In an organization, it means establishing a process for resolving internal fairness issues effectively and efficiently and providing a balanced return for all your stakeholders.

Most companies that believe strongly in equity have established a system of bonuses for employees, so that all share the financial success of the business after a threshold level of investor return has been achieved.
COMPETENCE

To build a winning team, every organizational leader and team member must be personally, professionally, and organizationally competent. Many books have been written exploring leadership from the point of view of one or more of these areas of competence. Your organization must concern itself with all three:

Personal competence = integrity + passion + strength (physical, mental, and emotional) + interaction skills

Professional competence = managing complexity + leading change + communication + learning + coaching + technical skills

Organizational competence = harnessing innovation + lean enterprise + people processes

THE LEADERSHIP ROADMAP: NEXT STEPS

We hope you’ve found our review of beliefs thought provoking. We realize that most organizations are already dealing with most of the issues it raises in some form.

But research indicates that worker engagement rates are appallingly low (about 25 percent is the world average) and that few companies have been able to achieve above average results for very long. We believe that’s because few leaders have been able to integrate all the current wisdom into effective strategies for achieving organizational success. Probably, this review has raised questions in your mind about how these beliefs can all be put into practice.

We believe the most crucial question is: Do you want to continue to deal with these issues piecemeal, or do you want to take them on systematically, to build an organization that becomes an engine for competitive advantage and sustained success? The return from such a systematic approach can well be worth the investment.

If so, we recommend the full LEADERSHIP...
The Roadmap – People, Lean & Innovation. In it you will find a comprehensive guide that’s intended to be used, adapted, and marked with much thumbing—not to be read and awarded its place on a neglected shelf.

The Roadmap assists you in understanding our philosophy more fully, and it describes in detail what your organization can do at all levels of leadership to apply that philosophy in your situation.

If moving forward in this direction appeals to you, we hope you will find the Roadmap helpful. We suggest you begin immediately to build a deeper understanding of the issues, strategies, and processes it suggests throughout your organization. Then, customize the implementation tools so that they fit your situation and particular needs. Finally, seek out a network of others who are addressing these issues and who may be able to assist you in this enormous, most rewarding, work.

If you are interested in learning more about our first hand experiences and beliefs or in how we might help you and your team explore how the Leadership Roadmap can help you achieve sustainable superior results we invite you to do so through our website at www.leadershiproadmapinstitute.com.

THE LEADERSHIP ROADMAP
Helping you achieve sustainable superior results.
What Others are saying about The Leadership Roadmap

The Leadership Roadmap provides a clear how-to approach for actively engaging the people of any organization through successful implementation of the time tested Frost/Scanlon principles. Its uniqueness includes a framework for integrating this people-oriented approach with the equally important lean enterprise and innovation processes. This is a book short on words but long on wisdom, tools, templates and examples that maps out a better way for leadership and organization development.

Paul Davis, President, Scanlon Leadership Network

“Finally, a practical handbook for leaders. Everyone acknowledges that leadership is the key to success and there is no shortage of books about it. But, almost without exception, those books are highly descriptive conveying much about leadership traits that are essentially conceptual while providing very little advice about what a leader can actually do—starting today—to effectively lead. In short, most books on leadership are more about how to be than what to do. In The Leadership Roadmap, Dwane and Russ lay out a path that will help you get to where you want to go in both good and bad times. This isn’t a leadership book to simply read on a plane or while on vacation, it is one to set on your desk and use, to go back to over and over, to help you navigate the terrain to success.”

John Shook, Former Toyota Manager

The Leadership Roadmap is an important breakthrough in the literature on lean manufacturing. Provided is a detailed, practical, actionable methodology written by two top operating executives who actually achieved a successful transformation at a major corporation. Dwane and Russ provide a step by step approach for helping organizations achieve world class performance and continuous improvement that characterize a lean organization.

John Beakes, Vice President, General Physics

If you are interested in learning more about our first-hand experiences and beliefs or in how we might help you and your team explore how the Leadership Roadmap can help you achieve sustainable superior results we invite you to do so through our website at www.leadershiproadmapinstitute.com.
THE LEADERSHIP ROADMAP

Business Model
Beliefs

BAUMGARDNER/SCAFFEDE

MASTER SUCCESS
Personally, professionally & organizationally using the THREE PROCESSES THAT MATTER

PEOPLE

LEAN ENTERPRISE

INNOVATION

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