

Commitment Management

by

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Organizations attempting to keep up with faster, less predictable change are abandoning the **Command and Control** style of management system---a style in which *orders* are propagated down a *chain of command* from those who know what to do to those who need to be told what to do. Bruce Harreld, IBM's Senior Vice President of Strategy, calls this the "We know, you do" management model.

A consensus seems to be emerging that employee empowerment and process management are prerequisite to survival in unpredictable environments. The management system typically associated with this type of organization involves communicating mission/vision/values to empowered employees and relying on them to execute the common processes in a way that corresponds to current conditions. Gone is the top-down operating plan, and gone is the large central staff that orchestrated its creation and followed up on its execution. The management system for the "we declare, you know, you do" organization is **Communicate and Hope**, because there is no coordinating mechanism to replace Command and Control's central staff.

An alternative approach has been proposed called **Context and Coordination**.(1) Because its purpose is to govern, not dictate, how things get done, it is called a *governance*, not a management system. It relies on a commitment management process to link organizational capabilities and to propagate a consistent organizational *context* through a *chain of accountable individuals*.(2)

Context and Coordination is required in order to implement a specific kind of transformation in business design: from "Make-and-Sell" to "Sense-and-Respond." That is, from an *efficient mechanism* for predicting, making and selling offers, to an *adaptive organism* for sensing and responding to unpredictable requests. By designing the way capabilities are linked and re-linked into dynamic processes, by adding the dimension of accountability to process design, and by propagating a consistent context through dynamically-changing chains of accountabilities, management expresses its strategy and empowers employees without sacrificing coherency..... "We lead; you know, you do."

But "make-and-sell" organizations can use a commitment management system to coordinate the behaviors of empowered people into coherent organizational behavior---even if they don't contemplate transforming themselves to "sense-and-respond." And, if they are frustrated by poor execution of their strategic intent, they may be in the market for a mechanism to replace the departed corporate staff in linking intent to action. The commitment management scheme described below addresses both of these needs.

We usually don't know what we're talking about when we wrestle with important concepts such as commitment, accountability, and trust. We assume that everybody knows, or ought to, what these words mean. But ask everyone in a group of six or more to write down their defi-

inition of these terms and, with rare exceptions, you will find a wide range of individual, personal interpretations of the meaning of these words. Hauling out the unabridged dictionary won't help, either. The job of lexicographers is to list the meanings in current usage, not the "right" definition, of a word. So most people find that Webster offers some degree of support for their private definition.

Since we usually agree that it is a waste of time to argue about "semantic differences," we don't. But a semantic difference is a difference in *meaning*, for heaven's sake! And if everyone in a group means something different when they use the same words, then they literally don't know what they are talking about. This is the truth behind a Chinese proverb that deserves more recognition than it gets---"The first work of governance is the rectification of names."(3)

The purpose of that diatribe is to justify the need for unambiguous definitions of certain terms relating to commitment management, and the requirement that these meanings be universally understood in an organization if a commitment management process is to work effectively. The following section will define context, coordination, leadership and certain other fuzzy words. It will also describe a universal and general protocol for managing commitments in which the terms "commitment" and "accountability" have specific, operational definitions.

In the lexicon of Context and Coordination:(4)

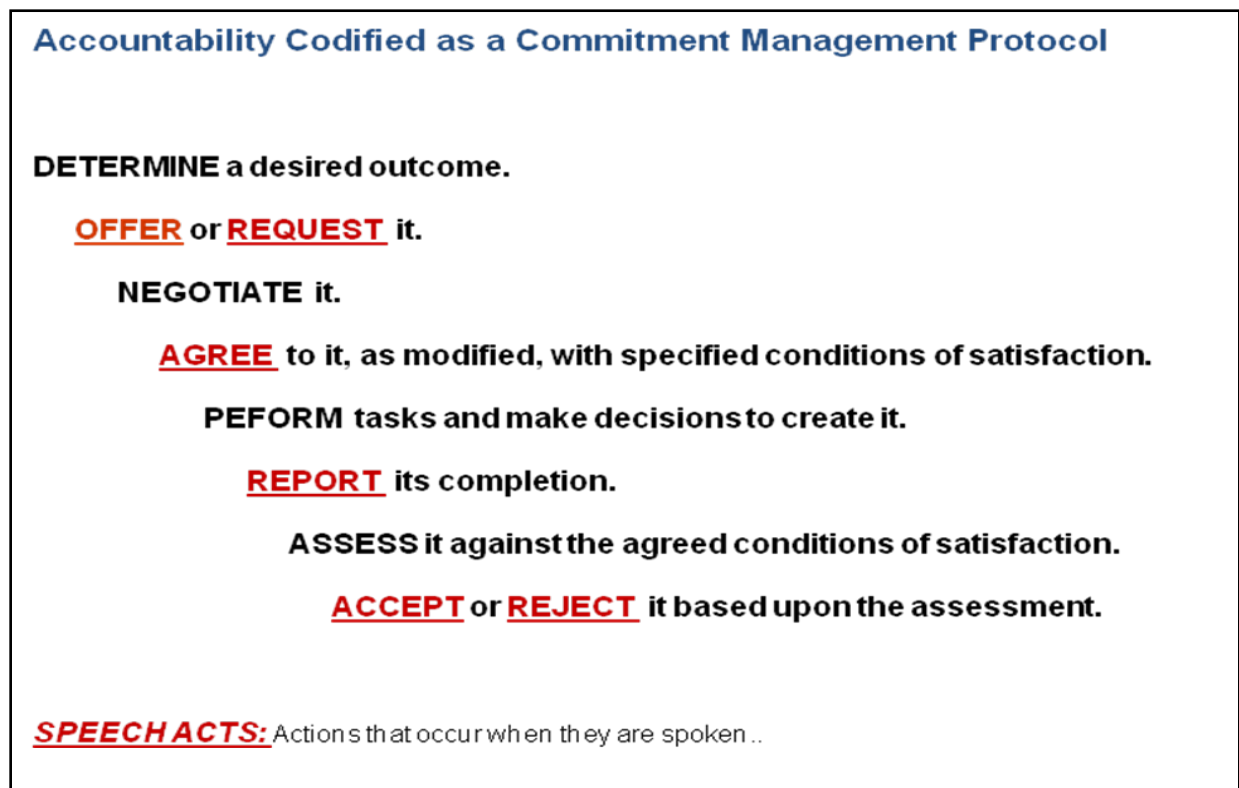
- **Organizational context** means "a declaration by policy-making executives of the organization's **reason for being** (i.e., essential purpose) and **governing principles** (i.e., the boundaries on allowable behavior that constrain the way all people in the organization may act in carrying out the reason for being). At lower than enterprise levels, context means the specification of the outcome and conditions of satisfaction for which an individual is accountable.
- **Coordination** means "linking accountabilities to achieve a defined purpose."
- **Leadership** means "the competence, at a given level of accountability, to create and sustain context and coordination." It is not a personality trait. .
- **Accountability** means "a personal acceptance of the consequences of making a commitment." Only people can have accountability (processes, machines and systems cannot). Accountability specifies "who owes what to whom." It differs from the traditional "mission statement" in its requirement that the person to whom the outcome is owed be specified. There is no such thing, therefore, as someone being generically accountable for sales, or manufacturing, or logistics, or quality or the XYZ account. Accountabilities arise exclusively from commitments.
- **Commitment** means "an agreement between two parties to produce (and accept, if produced) *a defined outcome* in a way that satisfies *a specified set of conditions*." One party is accountable for producing the defined outcome; the other is accountable for accepting it if it meets the conditions specified.
- **Process** means "an ordered sequence of the procedures *and communications about commitments* required to produce a specified outcome.
- **Procedure** means "an ordered sequence of the tasks required to produce a specified output from specified input." A procedure is a description of "who or what does what with

what to produce what.." Note that this definition is the one commonly used for "process" by process re-engineers. But procedure only captures one dimension of process---the predictable. If it is the only dimension, the process is *bureaucratic*. Accountability, which can apply even in unpredictable environments, is the missing dimension in most process descriptions. If it is the only dimension, the process is "*ad hoc*."(5)

- **Capabilities**, or **competencies** mean "sub-processes whose outcomes contribute to the organization's value proposition." "Core" competencies refers to those that are essential to the value proposition---that is, it cannot be created without them.
- **Skills** means "the capabilities of individuals." An individual person may, using these definitions, be the repository of an organizational capability.
- **Governance** means "the mechanism by which context is created, propagated and enforced throughout the organization."

It has been empirically demonstrated that any process can be decomposed into "atomic" elements consisting of two-party customer/supplier "conversations for action." A rigorous, scaleable, universal and general protocol exists for representing these interactions. See Figure 1.

Figure 1



This protocol consists of four procedural *task* phases (white background) punctuated by four special kinds of *communications*, (black background). The communications are "speech acts"---that is, you do them by saying them. The procedures in each phase may be specified in as much

detail as desired, or not at all. They could be lifted from an existing process-as-procedure design. The accountability dimension is added by sequencing the communications between roles, and specifying the agreed-to outcomes and conditions of satisfaction---i.e., the commitments made between people. With the addition of the speech act "withdraw," which automatically terminates the execution of the protocol, the boxed words in Figure 1 are all that is needed to rigorously describe the life cycle of any commitment.

Software exists that enables people to encode processes described in terms of this protocol. Such a process description, when provided as input to a class of software known as workflow managers (e.g., IBM's FlowMark), makes it possible to keep track of the definition and subsequent execution of any process, from the completely *ad hoc* to the completely bureaucratic. FlowMark, given the sequencing of communications and procedures specified by a process designer, can coordinate arbitrarily complex and unpredicted activities in "real time." Software can also ensure that the organization's governing principles are inserted in all commitments as required "conditions of satisfaction." This is how context can be systematically propagated through the organization, making it a required part of the acceptance test for every commitment.

The ability to incorporate unplanned behaviors in the design of adaptive processes is possible because all that need be determined when the unanticipated situation arises is "who owes what to whom." And all that need be kept track of are the most recent speech-act communication, the agreed-to outcomes and their associated conditions of satisfaction.

It is important to understand that, if commitments and accountability are defined as above, it is possible to manage them systematically; to create high-level business designs exclusively in terms of them; to use software (instead of staffs) to imbed corporate context in them, and to keep track of their current status while they are being executed.

There are many other benefits, including process modularization, that are by-products of representing processes as chains of commitments linked by this protocol. One of particular importance is that when unanticipated conditions require that a given commitment be re-negotiated, all inter-dependent commitments are known, and can be immediately examined for impact, and re-negotiated if necessary. For the sense-and-respond organization, this condition will be business-as-usual. For the make-and-sell firm, it can be thought of as a rapid-re-organization capability.

In empowered companies, most of the commitments that count are made "horizontally," between people with accountabilities to produce business outcomes. But the commitments that are *counted* tend to be those made vertically, between individuals and their managers---usually in January. Some of the more serious problems that traditional appraisal and counseling systems raise for commitment management include:

- No distinction is usually made between outcomes and the measurements of those outcomes. As a result, a measurement that may only have a correlation with an outcome can *replace* it as the objective, which can lead to severe misalignment between individual effort and organizational purpose. A familiar example is the operationalization of "customer satisfaction" into a set of responses to a particular set of questions. This is one of the more pernicious effects of the management axiom "If you can't measure it, you can't manage it." (Thereby elevating methodological ineptitude to a criterion of managerial

priorities.) By distinguishing outcomes from the conditions of satisfaction by which the outcomes will be assessed, measurements can become boundaries, rather than targets.

- The individuals to whom horizontal commitments are made are ordinarily not specified, and may not be the ones assessing the outcome. The manager, who plays the role of evaluation administrator, is frequently not even in the outcome loop--that is, does not contribute directly to the business outcomes to which the people being evaluated have committed themselves.
- The year-end status of measurement attainment levels are predicted--and may even be updated during the year, but the conditions of satisfaction are not systematically specified or renegotiated.
- Some of the commitments are "inherited" as derivations or stand-ins of enterprise-level revenue, cost and profit objectives. No negotiation is involved with these, and the linkage between year-end measurement status and individual contribution is assumed, but not verifiable.
- Finally, no linkages between individuals' commitments are made, so there is no coherent business or process design that emerges from the collection of commitments registered.

Nevertheless, some firms are starting up the learning curve on managing by commitment. In those where a significant part of employee earnings is determined by the way they manage commitments, it gets everyone's attention. By adding accountabilities to business process designs, and linking them to individual commitments with the protocol described above, organizations can make great strides in integrating the behaviors of individual employees with its business design. And if policy-level executives rendered their strategic intent in terms of a reason for being and governing principles, they would have the means of cascading that context into the behavior of every employee as conditions of satisfaction applying to all commitments.

While commitment management, as described above, addresses fundamental business design and governance issues associated with process-centric, empowered organizations, it introduces its own set of issues. Among these are providing an appropriate and unambiguous strategic context; identifying key accountabilities and their inter-dependencies; negotiating, rather than assigning, accountability; measuring employee performance of their commitments; and allocating resources to accountabilities that link themselves dynamically.

Solutions to these problems have been developed for hierarchical command and control structures: mission statements, value statements, policies, job descriptions, job objectives, management by objective, appraisal and counseling systems, and budget processes are their familiar names. These apply to a relatively static view of the world, and require that the world change more slowly than the pace at which they can be re-engineered. The issues mentioned above become more acute as the extent and rate of unpredictable change drives an organization from make-and-sell towards sense-and-respond. A discussion of their nature and the problems they present when implementing commitment management in a sense-and-respond organization is beyond the scope of this paper. But two of them are very important in the application of commitment management to make-and-sell environments.

Introducing the practice of negotiating, rather than assigning accountabilities is tantamount to initiating a cultural revolution. Our concept of order and authority has been shaped by the command and control model. We learned it in extreme forms if we were ever in basic train-

ing or boot camp. We learned it in equally unmistakable terms if we ever tried to negotiate a terse "one-liner" assignment from a boss and were told, in so many words, "If you can't do it, I'll find someone who can." In that case, assuming we weren't "glassbreakers," we shut up, said yes-sir/ma'am, and went off to try and figure out how to do what we thought was requested of us. We may have been given a time frame, or perhaps were expected to infer it from the context in which the assignment was given. We were committed, all right, but it was often only a tacit commitment to do our best in accordance with our personal understanding of what was expected of us.(6)

To protect ourselves from the consequences of having a wrong interpretation, we sometimes devoted a substantial amount of time to reviewing our results with intermediary levels of authority prior to reporting back to the boss. We developed answers for multiple possible interpretations, and a list of people we could cite in defense of our particular reading. Sometimes this was helpful in improving the result, but it always took more time, especially if it set off alarms that led to counter proposals by some of the reviewers. Everyone was aware of these games. Those that thought about it, even if exasperated, tended to credit them with improving the quality and consensus of decisions. So, as long as there was time and energy enough to operate this way, why not?

Now imagine imposing on a culture indoctrinated in this system a requirement that all requesters, including the CEO, not only tolerate but *insist* on negotiating their requests with the people they are asking to take them on. That is what the commitment management protocol requires--not on sociological or humanistic grounds, but to create commitments that are clear, meaningful and communicable to others in the organization--people who are or will become dependent on them. Before a commitment is meaningful, the performer must be confident that the conditions of satisfaction can be met. When there is uncertainty, mutually acceptable ranges of risk or performance should be negotiated and registered. Requesters must be equally confident that the specified outcomes meet their requirements. If the two parties agree that a mutually acceptable outcome cannot be committed to, then one or both must consider renegotiating other commitments they have made.

This raises another significant implication. People must become comfortable with the idea that it is not only OK but mandatory that commitments, once made, will be frequently renegotiated. As some uncertainties resolve themselves, and others arise, the context in which a given commitment was made changes. As soon as one of the parties recognizes that events have invalidated the context of a commitment, it is incumbent upon that person to alert the other party. If it is not possible to renegotiate a mutually acceptable modification of the outcome, at least each person has the earliest possible alert to the fact that they may have to re-negotiate other commitments. This is the logic of the Toyota "andon" system, in which assembly line workers are empowered to pull the andon cord that stops the transfer line if they see a problem. In spite of the enormous cost of shutting down and starting up a line, Toyota recognizes that the earlier a problem is spotted, the greater the chance of coping with it, and the lower the cost of doing so. Therefore, it is important that people are not punished but rewarded for reporting, as soon as they are aware of it, that they cannot meet a commitment.

Lurking close to the surface here is the issue of trust---that woolliest of fuzzy concepts---and its role in negotiations. Trust is many things to many people. Whatever it may mean, it is apparently role dependent (your children may trust you to feed and clothe them, but it is unlikely that they will trust you to pick out their music). For purposes of commitment management, we can define **trust** as " the certitude of a person in a specified role about another's competence and

intent to deliver on a negotiated commitment." *Competence* might be assessed objectively by asking for certain kinds of information during negotiation, but what about *intent*?

This brings us to the heart of cultural change, and, simultaneously, to the crucial importance of the context provided by policy makers. The argument, in brief, is that I trust your intent to the extent that I have confidence that you and I share the same values and priorities. Nietzsche said that a culture is defined by the things it holds sacred. Strong civilizations have a high degree of clarity about what is sacred--those things that individuals willingly subordinate themselves to, even to the point of sacrificing their lives. Similarly, the likelihood of my trusting you in our roles as members of an organization depends very much on the nature and clarity of its reason-for-being and governing principles. If it is remote and ambiguous ("Be the best at whatever we do," "Provide highest returns for stockholders, highest value to customers, and highest satisfaction to employees" are examples of reasons for being *guaranteed* to create ambiguity) we will each develop our separate interpretations, or worse, not even register it as relevant to the way we conduct ourselves.

On the other hand, if the purpose, values priorities and boundaries are commonly understood, it can greatly facilitate trust. For example, it is extremely important to be clear about who is the firm's primary constituency. Whose interest will predominate most frequently when there is a conflict? Many companies don't care to become either explicit or consistent about this, preferring the flexibility that comes with ambiguity, and unaware of the impact this has on the ability of people in the organization to be certain about where others "are coming from." Johnson and Johnson is a celebrated exception. Their decades-old "Credo," which you can find posted in almost any J&J office, establishes the pecking order very unambiguously: customers first, then employees, then communities and finally, shareholders. The clarity of the Credo---and the consistency of the J&J reward system with it---is credited with the astounding speed with which all bottles of Tylenol were removed from retail shelves when it became known that a few had been tampered with. CEO James Burke did not have to send out an executive order---he did not, really, even have to make a decision. It had been made in 1943 when Robert Johnson produced the Credo. And every J&J employee from chairman to route salesman, apparently, understood it and acted accordingly.

If you and I believe that the context of the organization establishes our priorities, and if we have a mutual understanding of what it is, then our negotiations are transformed. No longer are they "win-lose" or "win-win" conversations between people with separate agendas, they are "win" discussions about the best way to further a common agenda. Given the trust that comes with that kind of unanimity, it is easy to see why negotiation should be both mandatory and welcome.

Harvard professor Chris Argyris is exceptionally wise about the ways intelligent people regularly employ certain modes of communication that systematically defeat learning. In a conversation about the commitment protocol and the nature of trust, he suggested that every commitment should have, as a condition of satisfaction, a requirement that the "customer" inspect the way the "supplier" performs. When I objected that this requirement would appear to institutionalize a lack of trust by the customer, he pointed out that if two parties truly trust each other, there will never be a question in either's mind that the participation of the other party is always in the interest of furthering a common intent. A universal "Argyris condition of satisfaction" might be a good way to operationalize the development of trust in organizations that adopt formal commitment management systems.

The logic of Context and Coordination is not consistent with evaluating employees based on how close they come to achieving predictions about measurements. Rather, it implies an employee evaluation system that takes into account the cumulative impact of how well they manage their commitments to others. This impact is a function of the importance to the organization of the outcomes committed to; the number of commitment cycles successfully completed and on track (including re-negotiated commitments); and evidence that andon cords were pulled as early as they should have been in cycles that failed.

Those who have persevered to this paragraph are presumably attuned to the importance of corporate governance in business transformation. Hopefully they are now in a position to assess the likelihood that Context and Coordination addresses the problems they face. The commitment management protocol described in this paper is a tool for solving the problem of dynamically and coherently linking empowered people to achieve organizational-level outcomes. But its successful introduction depends on creating a culture whose foundation is a shared dedication to a compelling, unambiguous organizational purpose, and a local reward system that facilitates the creation and renegotiation of existing commitments. This is a formidable assignment for the managers that will conceptualize, design and realize the adaptive organizations of the future. The purpose of commitment management is to help them successfully negotiate that accountability.

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(1) (1)Haeckel, S.H., "Adaptive Enterprise Design: The Sense-and-Respond Model," *Planning Review*, May-June, 1995.

(2) (2)"Command and Control" can be thought of as a special case of "Context and Coordination," in which "context" is an order from someone higher in the management chain to carry out a pre-defined (substantially proceduralized) activity, and "coordination" is the systematic registration and tracking by a staff function of the commands issued. Even in highly adaptive organisms, some essential functions will always have the characteristics of inflexible bureaucracies. The process by which DNA replicates itself is a good example of an activity-as-procedure that must be done the same way every time. At a micro-level, the governance of this process is "command-and-control," while at the person (system) level, context and coordination is the appropriate governance mechanism.

(3) (3)Nelson, R.F.W., "Four-Quadrant Leadership," *Planning Review*, January-February, 1996.

(4) (4)These definitions are consistent with, and derived from, the work on "Conversations for Action" of Fernando Flores and IBM Fellow Allen Scherr. They developed and extended, respectively, the universal and general customer-supplier protocol upon which this discussion of accountability and commitment management is based.

(5) (5)See Haeckel, S.H., "Why You Aren't Re-engineering Your Business Processes," *ABI White Paper*, March, 1995, for a discussion of the importance of incorporating accountability in the design of adaptive processes.

(6) (6)This is not to deny the utility of imprecise "one-liner" requests in certain instances, namely, when the request is for the performer to define the nature of the problem as well as propose a course of action that deals with it. "What do we have to do to stop losing ground against XYZ Corp?" may be the best formulation of a request in order to avoid over-specifying an approach to a poorly understood problem. In such a case, negotiation should make clear, at a minimum, that the scope includes defining the problem; whether or not interim reports should be made as the context of the problem gets shaped; any parameters that must be satisfied by the solution proposed (which may require additional thought, research and time on the part of the requester and/or performer); and the date or dates for delivery of the result or first interim report.