

SUPERPERFORMANCE: A NEW THEORY FOR OPTIMIZATION

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This article examines a new framework for managing and leading that provides an astonishingly simple path forward through today's complex world of work, introducing a new paradigm for optimizing both organizations and individuals. Superperformance emerges when process and passion merge to become one. The discovery of superperformance points to the incontrovertible need for a new management science.

AFTER 25 YEARS IN THE quality field, I have found that one thing is obvious: performance eludes most organizations. Even after Deming, even after Six Sigma, self-directed work teams, reengineering, and human performance technology (HPT), sustainable performance excellence remains out of reach. Some companies seem to have the answer. Others have tried to copy them through the use of best practices and endeavored to replicate their techniques, but to no avail. Most of us remain disappointed and dissatisfied. Could it be there is something else—something simpler driving their success?

It turns out there is a better way to frame organizations that makes more sense and is abundantly more robust. It is drawn from nature and harnesses simple rules. It makes high performance consistently attainable and much easier to understand. It reveals a direct, simpler path to transformation. Taking this path leads to a new understanding for how organizations work, an exciting new view of corporate culture, and a deeper inquiry into the life of organizations. This article presents the new paradigm and approach to catalyzing superperformance in any organization, regardless of its size or mission. It sets out an operational definition of superperformance, a simple formula for creating it, and the qualitative and quantitative data that argue in favor of this approach. It also looks at the evidence of 10 organizational superperformers and eight simple rules for transformation to this remarkable, new steady state. Finally, it explores implications for performance

improvement practitioners and our HPT model, along with recommendations for improving our practice.

RULE 1: PROCESS \times CULTURE = SUPERPERFORMANCE

Organizational superperformance is defined as industry-outperforming return on investment sustained over time (at least a dozen years). Time turns out to be a critical distinction because outperformance is so rarely sustained. Superperformance is not flash performance. Flash performance comes from generic strategies where results seem promising at first, but mostly fall back to previous levels, with an associated loss of energy. These various strategies focus on short-term results and come from mechanistic cause-and-effect mind-sets. These strategies usually turn into even greater problems later. Flash performance is driven by expedience. Its solutions are designed to fix a current problem, relieve some pressure, or merely create a false impression of improved performance faster to satisfy some constituency (e.g., Wall Street).

True superperformers recognize that a few quarters or even a few years of great returns could actually be masking flash performance. Flash performance affirms mediocrity, compromises quality, and in the extreme leads to ethical lapses and flawed decision making. The most egregious examples are the legions of high-flying Internet companies now vanished from the landscape, as well as several formerly vaunted blue chips like Enron and WorldCom, but

the truth is that flash performance is the standard of practice in many, if not most, organizations today.

The simple wisdom of superperformance has been mostly hidden from view, thanks to our stubbornly lingering mechanistic paradigm. On close inspection, superperformance follows an unmistakable, consistent pattern. The basic formula that underlies it, so rarely applied yet so surprisingly reliable, bears out in every case of organizational superperformance.

From Toyota to Tiffany's, superperformance occurs in the same way: it emerges. Its spark is struck between an organization's process and its passion. It springs from the intersection of these two forces in the sweet spot between the tangible and intangible organization. There is always this fundamental partnership at the core of organizational superperformance; this interaction is the catalyst. The superperformance formula is easy to understand and apply:

$$\text{Process} \times \text{Culture} = \text{Superperformance.}$$

Superperformance is the product of process and culture. In this formulation, process is defined as the *work* and culture as the *spirit* of an organization. The work of an organization comprises its physical dimension, encompassing business strategies, systems, and methods, while the spirit of an organization reflects the creativity, engagement, and inspiration of people in the company—its emotional dimension. The strength and interaction of these two forces form the spark for organizational superperformance.

RULE 2: SUPERPERFORMERS SUPERPERFORM OVER TIME

Superperformers look like miracle workers: they are transcendent in the levels of performance they are able to achieve and sustain. They operate in a different stratosphere, in a different steady state from their industry peers, and what is more, they make it look easy. Superperformers are the free enterprise marvels—far and away the best in the business. Together they make up the zone of superperformance, enjoying industry outperformance across much of the economy.

What makes them super is a pattern of outperformance over time. They generate sustainable industry, outperforming return on investment, operational excellence, and customer satisfaction, and they are powered by extraordinary levels of human engagement and commitment. They reflect comparatively higher valuations and publicly trade at dramatically higher price to earnings ratios when compared to their industry peers. Their brands are globally recognized for their singular value:

<i>Superperformer</i>	<i>Industry</i>
Berkshire Hathaway	Capital investment
Johnson & Johnson	Health care products
Harley-Davidson	Motorcycles
Microsoft	Software
Sterling Bancshares	Regional banking
Southwest	Airlines
Sysco Food	Distribution
Tiffany & Company	Jewelry
Toyota Motors	Automobiles
Wal-Mart	Retailing

All of these companies evidence an amplified process and culture. For example, while Southwest Airlines is recognized as the “love airline,” it is also the only airline in the world that can turn an airplane around, from arrival to departure ready, in 15 minutes. Toyota is globally recognized for its fabled production system; the other strand of its corporate DNA is its culture—what it refers to proudly as the “Toyota Way.” Similarly, across every one of these companies, both amplified culture and process are the astonishingly consistent pattern.

As a group, they comprise an economic superforce. Twenty-five thousand dollars invested in a hypothetical superperformance fund equally divided among these 10 companies in 1985, allowing for the late arrival of Tiffany & Co (1987), Harley Davidson (1987), SYSCO (1987), and Sterling Bancshares (1992), would have paid back a stunning \$1.4 million 20 years later, in 2005! This is in dramatic contrast to market performance (the S&P 500), which would have turned that same \$25,000 into \$288,000. As a group, they produced an average annual rate of return of 22% and a rate of return for the entire period of over 5,000%. What's more, throughout this period, the superperformance fund (which continues to outperform the market) outperformed the S&P 500 by a margin of almost five to one (Figure 1).

Superperformance is the discovery of a universal way of being. By no means does the experience of these 10

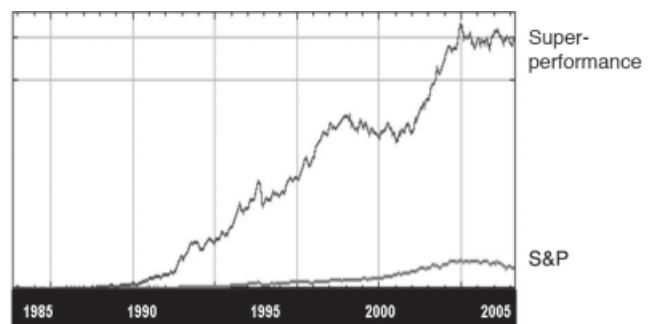


FIGURE 1. SUPERPERFORMANCE FUND VERSUS THE S&P 500

companies capture all organizational superperformance. These represent major segments of the economy—software, airlines, retailing, automobiles, health care products, and several others—but they are certainly not a complete list. Superperformance can be found alive and well in many other areas, including the nonprofit sector, health care, government, education, and the owner-operated enterprise realm. Often a superperforming unit exists as an oasis in the desert of a mechanistically mired parent system. But wherever you find it, superperformance yields the same delicious fruit: second-order operating performance, spectacular business process and culture, and an unmistakable propensity for the long view.

RULE 3: THE PARADIGM SHIFT OF SUPERPERFORMANCE IS FROM MACHINE TO ORGANISM

To understand superperformance is to see organizations in a remarkable new way. Superperformance emerges for free in organizations that can learn and apply these few simple rules. These rules leverage inherent properties available to all organizations, but the fundamental mechanism that begets superperformance is impossible to recognize and put to good use without a shift in worldview. Our worldview influences everything we experience, including life in organizations. A change in worldview can lead in some unexpectedly new and different directions, sometimes provoking a new interpretation and response to the reality we inhabit.

Organizations feel. They adapt, self-organize, co-evolve and emerge. Machines are incapable of any of these behaviors. To mechanists, business is strictly limited to the visible operations of the organization. Machine parts work essentially the same way from the moment they are placed into service until the moment they break down. They can be exchanged part for part, with no injury to the machine. This outdated machine view, the prevailing paradigm in business, drives suboptimization in many organizations today, creating self-limiting behavior in organizations of every type.

Organizations are living organisms; they are biological and complex. When examined from this perspective, they make abundantly more sense, revealing previously hidden, intrinsic opportunities that can be turned to incredible profit. They share an inherent pattern of polar-complementarity with all living systems. The border between the tangible and intangible organization is the sweet spot of superperformance. In organizations, this is the nuclear reactor, the core interaction that is the source. In this way, superperformance is informed by a deep appreciation for the biology and physics at work in all living sys-

tems. It is the same pattern inherent in Bohr's particle-wave duality, Faraday's electromagnetism, Watson and Crick's DNA molecule, Jung's Thinking-Feeling construct, the ancient Eastern philosophy of yin and yang, and even our Western left and right brain hemisphere orientation. It is the water we swim in. The new science of superperformance comprises two sciences: biological science to inform the transformation of process and complexity science to inform the liberation of culture. Organizations are organisms, not machines. The new view is an organism view, and the new science of superperformance is a life science.

RULE 4: SUPERPERFORMANCE IS PRODUCED BY SUPERMANAGEMENT AND SUPERLEADERSHIP

Understanding how superperformance happens calls for a fresh inquiry into the properties of leadership and management. This yields a monumental discovery: there is an inherent duality to leading and managing too. Optimal leadership and management are best appreciated as two sides of one coin. Superleading has to do with vision, influence, and inspiration—the use of gifts that energize culture—while supermanaging has to do with order, predictability, and control of systems—the use of gifts that transform process. One deals with the emotional system, and the other operates the physical system:

<i>Supermanagement</i>	<i>Superleadership</i>
Transforms process	Energizes culture
Deals with visibles	Deals with invisibles
System factors	Human factors
Head down	Head up
Reality	Possibility
Standardizes	Creates
Integrates	Self-asserts
Asks how and when	Asks why and what
Controls (process)	Liberates (people)

These two hemispheres work together to create an organization that is everything it can be. When they do not work together, optimization is prevented.

A cadre of great leaders who can inspire impassioned devotion to the cause but cannot conduct a process will not survive for long. In the same way, a brilliantly engineered operating plan that ignores the influence and involvement of the people who will implement it inevitably will fail. High marks in both areas are required to produce lasting success. Superperformers have discovered and applied this fundamental truth. The essential heuristic is to manage process, lead people.

Superperformers know that even the best efforts of the small group of people at the top are insufficient to provide

any lasting advantage. Instead of constraining the use of these critical capabilities to top executives, these organizations transmit management and leadership everywhere. This equips people at every level with the knowledge, skills, and power to act meaningfully, just-in-time, and just-in-context, on behalf of the organization. In the world of superperformance, leadership and management are distributed properties in the same way the nervous system is a distributed property of the body and intelligence is a distributed property of the brain.

Here everyone acts like an owner; everyone is called. Here leader-managers at every level transform process and liberate culture. In this way, superperformers radiate leadership and management as systemic properties.

RULE 5: SUPERPERFORMANCE IS TRANSFORMED PROCESS FLOW

Transforming flow is the top priority on the process side of superperformance. Flow is the internal process stream in an organization, a requisite property of all living systems. Organizations are the same as any other organism when it comes to this property. The better the flow, the healthier the organism. Here are some examples of process flow:

<i>System Type</i>	<i>Flow Type</i>
Human	Blood flow
Community	Information flow
Organization	Work flow
Economy	Money flow

If it were possible to take an X-ray of an organization, its inner workings would mirror its flow of process, or the organizational system of work. This view is also called the organizational production system. One example is the Toyota production system. Toyota uses the concept of “one-piece flow” to visualize the organization as one flowing stream of production. Processes flow in a loop through customer-supplier relationships, from inputs to throughputs to outputs, all the way through and back around, driven by the feedback of customers and the environment.

Why focus on optimizing the whole system instead of the individual parts? System theorist Russ Ackoff shows that a strategy of optimizing the individual components (making every part the best it can be) will suboptimize the system. Everyone doing his or her best will not create the best system. He wrote:

The performance of the whole is not the addition of the performance of the parts, but it is a consequence of the relationship between the performance of the parts. It is how performance relates, not how it occurs independently of the other parts. That is what systems thinking is about. (1999, p. 15)

Optimization of parts fails to recognize that the properties of the whole at the system level are emergent and different from properties found at lower levels. A machine view seeks understanding by reducing everything to its constituent parts. An organism view, on the contrary, seeks understanding of the organization in operation at the whole system level, bringing its emergent global identity into focus. Transformed process flow arises from the robust practice of certain habits. These are distinguishable from the level of practice found in subperforming organizations. A critical distinction is that in superperformers, these represent common enterprise habits, not habits restricted for use by formal management or leadership, or even teams.

These management habits are distributed to every employee (Figure 2). On the process side, these include the habits of focus, continual improvement, simplicity, project management, and the conscientious use of systems and statistical thinking.

RULE 6: SUPERPERFORMANCE IS UNLEASHED PASSION

Organizations are in highest integrity, from the Latin root *integer* (for “wholeness”), when they are inspired with the fire of a felt cause. Whether that cause is to create the best software on the planet (Microsoft), design the world’s finest jewelry (Tiffany & Company), or supply human-kind’s health care product needs (Johnson & Johnson), superperformers are passionate about what they do.

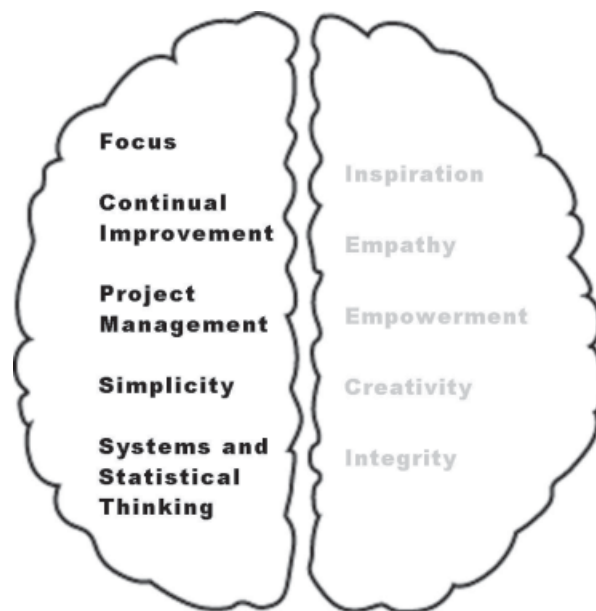


FIGURE 2. THE MANAGEMENT HABITS OF SUPERPERFORMANCE

Because of this felt engagement and connection to a cause, a positively charged atmosphere is always in evidence. This flush of energy drives superperformers closer to their optimum fitness peaks. It comes from liberated passion. At Harley-Davidson, for example, leaders came to realize a revolutionary cultural change was required. Echoing Deming, Richard Teerlink, Harley's CEO at the time, championed a radical new approach to leadership (Luderer, 2003):

Leaders can no longer look at themselves as being the fountain of all wisdom, the world's best problem solvers, or the only ones who are responsible for its results. People as clients and employees are a company's only sustainable competitive advantage! When leaders understand this, the next step is to take responsibility for the operating environment that people walk into every day. . . . It's important to differentiate your products and processes in some characteristics. But our differentiation really was based in employee commitment. We believed that if employees identify with the company and its purpose they help create the appropriate competitive advantage.

Superperformers fill their different industry niches with superior form and function. From airline to automobile, they are the most innovative companies in their fields, setting the standard and capturing the majority of market capitalization for their industries. They operate with a full awareness that their passion is their most valuable asset. In superperforming organizations, community is a much larger synthesis, more than what could be produced with conventional team-building approaches and thinking. Superperformers know that everyone in the organization is organically connected and matters and that nonlinear relationships strengthen the system, as in a family. Superperforming communication is active, interactive, and cross-organizational, not just top-down, and it is not constrained to functional silos or even multi-functional teams. Openness is a behaved value, not just a formal declaration of intent. Diversity is abundant, and new employee ideas are explored and implemented faithfully. The result is that everyone knows what the company's priorities are and feels ownership for the company and the vision. In this way, the organization is able to function as one superteam.

How do superperformers unleash passion? The idea that there are different types of corporate culture is a myth. When it comes to cultural performance, there is only one continuum: good or bad, outperforming or underperforming corporate culture, every organization existing somewhere on the scale. Regardless of organizational personality, style, or core process, this principle

holds true. Understanding this, superperformers use common habits to revolutionize culture and unleash passion. These include the habits of inspiration, empowerment, empathy, creativity, and integrity (Figure 3).

Superperformers know that people who are psychologically committed to a cause create significantly better products and services. They use this understanding to leverage the full potential in the employer-employee partnership. While to superperformers this truth is intuitive, an emerging new science informs this phenomenon, revealed through the complex adaptive patterns of organizations. It is the new science of complexity that provides the night goggles to illuminate the self-organizing and emergent world of culture.

RULE 7: SUPERPERFORMANCE REQUIRES METAMORPHOSIS

Upshifting to superperformance requires a second-order change to a new steady state. This transition is similar to the change that occurs when water turns to ice. Transformational changes of this type abound throughout nature: the epidemic transmission of a virus, the critical mass of a runaway social trend, the metamorphosis of a caterpillar into a butterfly, and even certain emotional changes, like the process of falling in love. The change is comprehensive and dramatic. This is called a phase transition—a state change that occurs without altering a system's underlying chemical composition. Phase transitions are sudden, non-

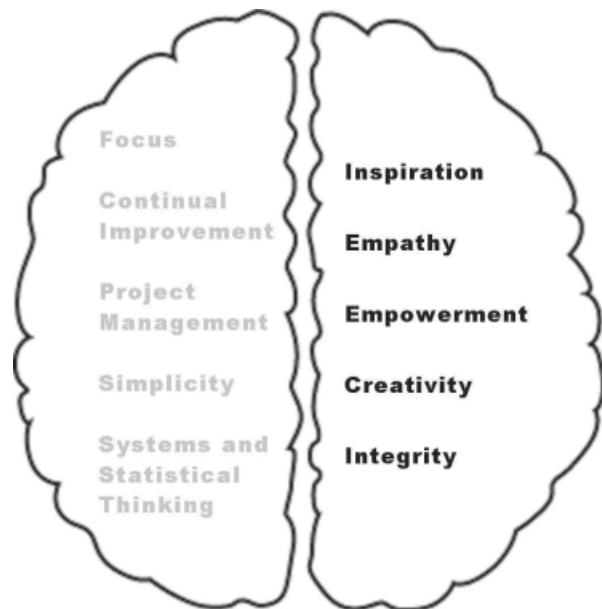


FIGURE 3. THE LEADERSHIP HABITS OF SUPERPERFORMANCE

linear, and system altering. The physics of a phase transition follow the same pattern of transformational change in organizational systems. In a phase transition, as the energy, temperature, or information passing through the system increases, the current threshold is approached and crossed, provoking a sudden, discontinuous, system-level change. First, the system is operating in one state, and then suddenly in another. While the transformation is typically an achieved state, the physical change occurs suddenly, triggered by a slight increase in energy, temperature, or information, as in the proverbial straw that broke the camel's back. At this critical juncture, the tipping point, the system reaches a high level of disequilibrium and then finally gives way, becoming fundamentally altered as it experiences transition to the new steady state.

To upshift to superperformance is to undergo this same fundamental change. This is a change to a different way of being, a different organization. What is required for transformation is not just patchwork on the current system, but rather a change so fundamental that something new is created. *Metamorphosis* and *transformation* both come from the same Greek root, *metamorphoo*, meaning “to transform” or “to get a new form.” To achieve superperformance is to morph into something unprecedented, something new, as from a caterpillar into a butterfly. When a caterpillar crosses from the larval stage into the chrysalis stage on the way to becoming a butterfly, it enters a period of metamorphosis. During metamorphosis there is a simultaneous experience of chaos and order as the caterpillar gives way to the butterfly.

By far the most important step on the journey to superperformance is the transformation of top management. Unless the very highest leaders in the organization understand the truth about optimization and how it is created, and then authentically walk the talk and become servant leaders, a system-level change is unlikely to occur. When a CEO is changed, it changes everything.

RULE 8: SUPERPERFORMERS OSCILLATE TO CONTINUE SUPERPERFORMING

Paradoxically, it is the system in a state of persistent disequilibrium that is the healthier system. In this way, a steady state of superperformance is maintained indefinitely. Continuous balancing is the prescription for optimization and continued outperformance. Because polar complements such as process and culture are interdependent, a system that chooses one as a solution and ignores the other suboptimizes. Often cited by Eastern philosophers, breathing is a good illustration of this principle in action. Inhaling and exhaling are both important; however, if you choose to do only one, breathing is not

sustainable. Both together form one interdependent whole, each requiring the other for completion.

IMPLICATIONS FOR PERFORMANCE IMPROVEMENT PRACTITIONERS

The implications for performance improvement practitioners are manifold, and they are profound. We have an opportunity to leverage this knowledge to reinvent our practice and bring about a new order of things in the field of performance and business optimization based on what really works. Understanding that optimization is not possible without equivalent attention to both process and culture calls for new models. Superperformance is a call for nothing short of a new management science, one that includes both management and leadership, based on a view of organizations as living, complex-adaptive systems, or organisms. Suboptimization is inevitable without this understanding.

Here are some recommendations for performance improvement practitioners:

1. Move From Performance Management to Performance Optimization

Performance optimization marries performance management to performance leadership. Both the physical and emotional organization are called to optimization. System optimization is a shift away from the optimization of parts to the optimization of wholes.

2. Enlighten Top Management

Performance improvement practitioners have a special opportunity to bring this knowledge to top management. Transformation at the very top is required to catalyze a systemic change. This takes time and can lead to valuable coaching opportunities.

3. Adopt “Manage Process, Lead People” as the New Paradigm

Focus on both process and culture issues together. It is not either-or. They are intertwined and need each other. Performance improvement practitioners who are most effective are not just skilled in technical areas, they are people who are trusted and can foster teamwork and engagement in their own organizations or their customer organizations. Ask of every operational improvement initiative and project that it deliver cultural outcomes too.

4. Think Long Term

Short-term thinking and expedience leads to larger problems later. A long-term horizon is really about endurance.



FIGURE 4. THE SUPERPERFORMANCE VALUE PROPOSITION

You do things differently for endurance (as in a marathon) than for a sprint. A long-term view has power over the short term. The prevailing wisdom is that it can only be either-or, one or the other. But this is not so. When a long-term view is adopted, both the long and the short term can be affected.

5. Keep Process and Culture in Balance

To optimize requires being aware of both aspects of the duality at the same time. You have to manage not to get them too far apart. You have to have coordinated action between the two. But usually this is missing, and so they operate independently in silos.

CONCLUSION

The simplicity of superperformance is almost too much to believe (Figure 4). But there it is. From Toyota Motors to Southwest Airlines, extraordinary process and passion are the rule. How is it that so many organizations have missed such an obvious opportunity? At least part of the answer has to be that they are referencing an obsolete management science to guide behavior. The Taylor model, emphasizing the systematic flow of production, distribution of labor, and “one best way” for every task, was a tremendous step forward at the time of its introduction, at the onset of assembly-line production. But it is woefully past its expiration date, and it has produced an idiot-savant form of manager: brilliant with technical understanding but completely unaware of the untapped potential that could be had *for free* by simply unleashing the intrinsic motivation inside of everyone.

The landscape of an organization’s biology and complexity offers two new vistas, exposing a new organization, a new reality, and an exciting, highly explanatory new performance science. Any organization can become a superperformer by learning and applying these simple rules. I hope you find great utility in this knowledge. 🙏

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