



Beyond process

How to get better, faster as “exceptions” become the rule

A report in the Business Practice Redesign Series from the Center for the Edge

ABOUT THE CENTER FOR THE EDGE

The Deloitte Center for the Edge conducts original research and develops substantive points of view for new corporate growth. The center, anchored in Silicon Valley with teams in Europe and Australia, helps senior executives make sense of and profit from emerging opportunities on the edge of business and technology. Center leaders believe that what is created on the edge of the competitive landscape—in terms of technology, geography, demographics, markets—inevitably strikes at the very heart of a business. The Center for the Edge’s mission is to identify and explore emerging opportunities related to big shifts that are not yet on the senior management agenda, but ought to be. While Center leaders are focused on long-term trends and opportunities, they are equally focused on implications for near-term action, the day-to-day environment of executives.

Below the surface of current events, buried amid the latest headlines and competitive moves, executives are beginning to see the outlines of a new business landscape. Performance pressures are mounting. The old ways of doing things are generating diminishing returns. Companies are having a harder time making money—and increasingly, their very survival is challenged. Executives must learn ways not only to do their jobs differently, but also to do them better. That, in part, requires understanding the broader changes to the operating environment:

- What is really driving intensifying competitive pressures?
- What long-term opportunities are available?
- What needs to be done today to change course?

Decoding the deep structure of this economic shift will allow executives to thrive in the face of intensifying competition and growing economic pressure. The good news is that the actions needed to address short-term economic conditions are also the best long-term measures to take advantage of the opportunities these challenges create. For more information about the Center’s unique perspective on these challenges, visit www.deloitte.com/centerforedge.

To accelerate impact in a rapidly evolving world, we’ll need to shift our attention from Business **Process** Reengineering, which lends itself to automation, to *Business **Practice** Redesign*, which better reflects the work that humans are meant to do.

Contents | Beyond process

**Introduction: A new opportunity for
accelerating performance improvement** | 6

The external challenge | 8

How to address the opportunity | 11

What we learned | 16

What are the obstacles? | 21

How to get started | 29

Endnotes | 33

Introduction

A new opportunity for accelerating performance improvement

Improving performance. For many leaders, it's always top-of-mind. Performance this quarter and next quarter and the quarter after that—that's what keeps us up at night. Yet, for all the attention it gets, we may be missing a big opportunity: There's a new approach that can not only improve performance but accelerate it. This approach allows us to break out of the trap of diminishing returns—in which a single-minded focus on cost-cutting finds less and less to cut—to a performance curve of increasing returns, where targeted efforts lead to better performance, which in turn fuel even better performance.

THIS IS AN approach for thriving in a world of increasing and rapid change.

Now, granted, organizations may struggle with aspects of this approach, not least because it challenges some basic assumptions about what is required to deliver operating performance. Taking advantage of this opportunity requires focusing on a part of the organization that is largely invisible today: the frontline workgroup. To unleash the potential for accelerating the performance improvement of workgroups, organizations need to both recognize the frontline workgroup as the key engine of future performance and move beyond the notion of “high-performing teams.”

Leaders and managers can address this potential by cultivating a set of practices that are specifically designed to accelerate learning within the work-

group, one workgroup at a time, starting with those that have the potential to disproportionately drive the organization's operating performance.

Over the past several decades, the business world has relentlessly pursued efficiency-driven business process reengineering, seeking to integrate, standardize, and automate tasks in ways that can reduce costs, increase speed, and deliver more predictable outcomes. As the landscape shifts, perhaps it's time for organizations to expand their focus beyond business process reengineering to pursue business *practice redesign*, helping frontline workgroups to learn faster and accelerate performance improvement, especially in environments that are shaped by increasing uncertainty and unexpected events. The perspective we outline here goes beyond the growing work done on high-performing teams

and agile practices by focusing specifically on the practices necessary to accelerate performance improvement over time.

This isn't an opportunity for only the organization. Workers can benefit as well. Redesigning business practices can be a key element of redefining work to focus humans on what is uniquely theirs to do, while amplifying the potential of humans and machines collaborating. The scalable efficiency mind-set tends to treat workers as fixed costs to be eliminated as quickly as possible, and unsurprisingly, this mind-set has shaken the relationship between companies and workers, causing many people to fear for their jobs. By shifting the focus to business practice redesign, managers have the potential to change this relationship. If workers can learn more rapidly and accelerate performance improvement,

they can be viewed not as fixed costs but, rather, as assets capable of producing increasing value over time. And if organizations shift their focus toward creating new value, ultimately, the potential could be nearly infinite. With these practices, and the newly available tools and technology, managers can look to create an increasing returns curve, in which the more people who join together, the more value they can create together. These practices can help workers develop more rapidly and achieve more of their potential, and they can help companies create and deliver more and more value. Now, the interests of the workers and the company can align—the same practices could help both parties to thrive in a world of mounting performance pressure. Rather than being pulled apart, workers and companies can band together in a quest that will benefit both.

The external challenge

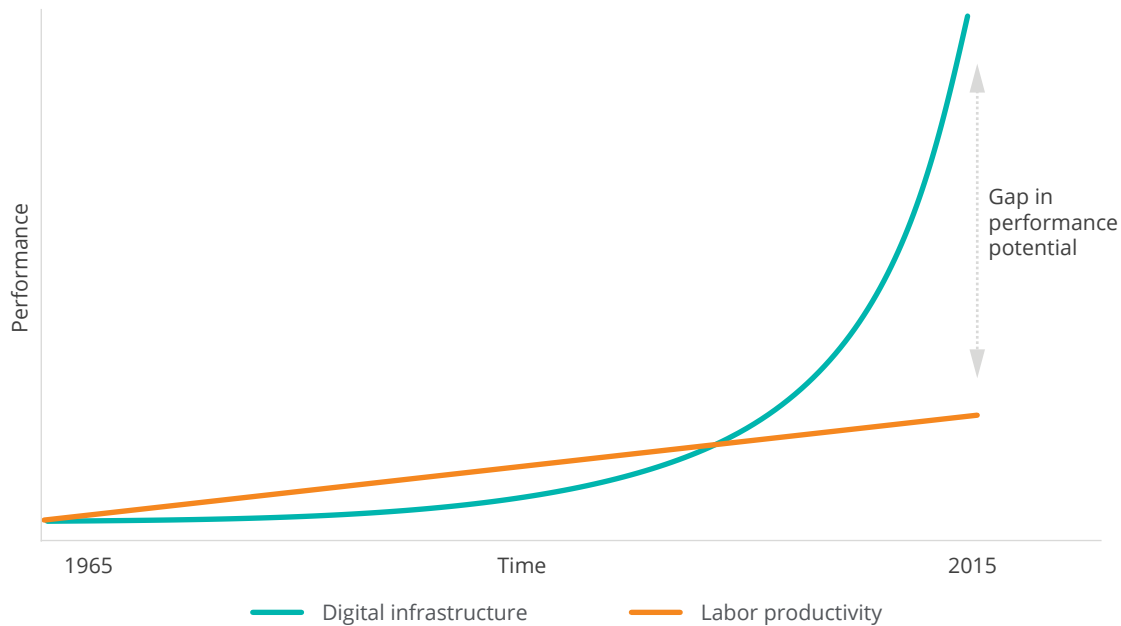
WHILE ACCELERATING PERFORMANCE improvement is a big, unrealized opportunity, we believe it's also an imperative. Organizations that don't get on an exponential trajectory may fall behind and become increasingly marginalized as the world advances at a faster rate. It could be the difference between plodding along, working harder and harder to get equivalent improvements in performance, versus improving performance at a rate that mirrors the surrounding rate of change. Existing approaches to performance improvement are falling short, and companies are already feeling the effects of mounting performance pressures.

Consider the gap between the rate of price-performance improvement in the digital infrastructure and the growth in labor productivity. Labor productivity has been increasing for decades, but this incremental linear increase is dwarfed by the exponential advances in the digital infrastructure (see figure 1). Most companies are still capturing only a small fraction of the value that ought to be available through these new technologies.

The exponential advance of technology and concurrent trend toward less restricted flows of people, resources, and capital—what we've termed the Big Shift—creates opportunities but also greater uncertainty and performance pressure.¹ While previous

technological revolutions were characterized by bursts of innovation followed by periods of relative stability, advances in the digital infrastructure show no signs of stabilizing and are enabling similar rates of advance in technologies in a range of domains, from materials science to medicine.² This is already having a significant effect on the broader business environment. On the demand side, customers have more power and choice than ever before and are less willing to settle for the standardized products that long drove the success of large institutions. Platforms have expanded the range of available choices and made it easier to get information about them, and customers can express their feelings about companies globally and instantaneously. So can investors. At the same time, many customers are becoming more demanding, expecting different and more nuanced products and services that are tailored to their specific needs and preferences.³ On-demand services have further raised expectations for speed, convenience, and customization as basic requirements.

On the supply side, businesses face intensifying competition as new platforms, connectivity, and other advances reduce the barriers to entry in many sectors.⁴ Increasing rates of change in technology and policy, and the consequent speed of social media-driven perception, can cause greater

Figure 1. Labor productivity is lagging behind technology

While labor productivity has more than doubled since 1965, digital infrastructures such as computing capacity have improved 8 million times over.

Source: 2016 Shift Index; Wikipedia

Deloitte Insights | deloitte.com/insights

unpredictability and cases of first-instances and often shorten the time frame to respond. In addition, global supply chains, connectivity, and trading algorithms mean that an event, whether new regulations on trade or revelations of labor abuses in a distant factory, can quickly propagate through the system to become a major and extreme event. These conditions are likely to worsen.

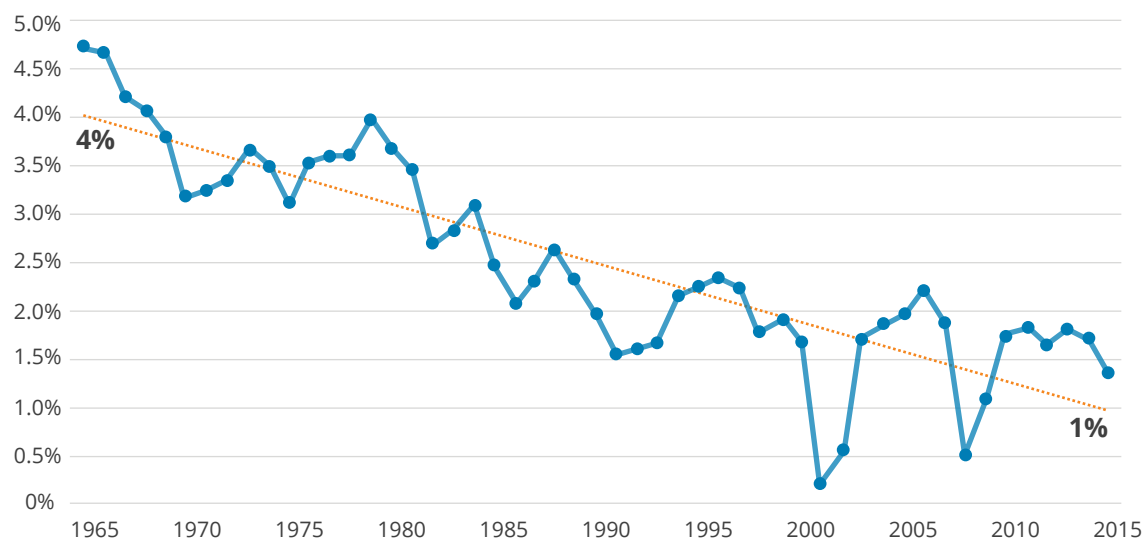
How are companies reacting to these upheavals? Not well, judging by the performance of public companies as a whole over the 50 years since digital technology first began affecting business. For example, even as labor productivity has risen, the return on assets for all US public companies has declined at a significant and steady rate, by over 70 percent (see figure 2).⁵ As the pressure mounts, regular process improvements often don't solve the problem. As reported in the 2016 Shift Index, the

companies that are still around are having a harder time maintaining market leadership amid intensifying competition in many sectors.⁶ Over the past 80 years, the average tenure of a company on the S&P 500 today has declined 80 percent.⁷

A challenge for large companies—or companies that aspire to be large—is that scalable efficiency is often no longer effective. While the model yielded results in a relatively stable environment and may continue to improve productivity over time, it has created an environment that is often hostile to learning, where it is harder, and takes longer, to achieve higher levels of performance improvement.

The challenge for workers is that many, in all kinds of work environments, will face increasing pressure to reach higher levels of performance or risk being marginalized. Even if, as consumers, we benefit from greater power and choice, as workers,

Figure 2. Return on assets for the US economy (1965–2015)



Source: 2016 Shift Index

Deloitte Insights | deloitte.com/insights

the useful life of many skills is in decline, creating a constant pressure to reskill. So it becomes important to learn not only how to learn fast but how to construct new frames through which to learn. Meanwhile, many organizations continue to seek headcount reductions wherever possible, driving a wedge of tensions and stress in the workforce. Many people fear automation or losing their jobs to robots, and in this context, knowing that employers are facing significant performance challenges may only fuel further anxiety for the individual.

The imperative to act seems simple: Today's environment offers us no reprieve, no stabilization that gives us a chance to catch our breath and say, "OK, now we've got it figured out." The methods and practices that led organizations to great success in the past seem no longer to be working—they seem fundamentally broken.

If we are to close the gap, we need new business practices that help us get better, faster.

How to address the opportunity

WHAT IS LIKELY to ramp up performance for the organization? Accelerating performance uses different levers than have been used in the quest for scalable efficiency. Organizations that want to pursue this opportunity will need to focus their attention differently than where most are today.

Focus on exception handling as a catalyst for performance improvement. One consequence of the relentless, rapid changes of the Big Shift is that many employees in large companies are already spending more of their time on “exceptions”—those unexpected issues that fall outside the realm of existing standardized processes. These exceptions can be early signals of changing customer needs or shifting contexts that represent potential threats or significant new opportunities for growth for the company. Embedded in them is the opportunity to develop new approaches and new solutions to deliver more value in response to some new need or circumstance. Organizations that focus on improving their ability to handle exceptions—not just to resolve or eliminate them but to glean learning and create value from them—will discover a valuable source of performance improvement, especially if exceptions increase. Variances and deviations from the norm are the bane of efficiency but can

fuel learning and new ways to improve performance over time.

Focus on frontline workgroups as the location of the work that is most relevant to organizational performance in a volatile environment. Workers on the front lines of operations—whether a customer service unit or a supply chain management group, a cybersecurity response group or back-office IT department—will be the ones to first encounter the aforementioned exceptions. And it is at the front lines that new approaches to address these changing needs will likely first be crafted. These frontline workers are often best positioned to see change first, and they can learn from addressing the unexpected challenges and emerging opportunities. And yet, organizations often overlook and undervalue these workgroups. In an environment in which physical assets and intellectual property rapidly lose value, workers—humans—possess the boundless ability to adapt and continuously push the limits of performance improvement.

Why workgroups? First, no matter how smart you are, you’ll likely learn faster if you’re collaborating together with other equally motivated people who are challenging each other to come up with better, more creative ideas. As the environment and the challenges become more complex, they demand

DEFINITION OF A WORKGROUP

A workgroup pulls together 3 to 15 people working on an interdependent, collaborative effort to deliver a shared outcome that could not be achieved without all members of the group working on it together. The members spend the significant majority of their time interacting with each other, formally and informally, on tasks that cannot be highly specified or sequenced in advance.

What a workgroup is *not*:

- an entire department
- a task force or committee where decisions or recommendations are made but not executed by the task force or committee
- a set of people whose work is determined by highly specified, tightly integrated tasks
- a standing unit whose composition remains stable over a long period of time

more creative solutions. Any one individual will typically be less effective at developing and delivering creative solutions to address them than a small group working together in deep, trust-based relationships. And while informal collaboration can still be valuable, the imperative to learn faster will likely drive workers toward more sustained collaboration over time.

Although there are many definitions of teams and workgroups, some inconsistent or contradictory, we start from the definition in the sidebar “Definition of a workgroup.”⁸ The power of the workgroup comes when the members, collectively, can create or accomplish something that none of them could have done on their own. They can challenge and build off each other because they trust the intentions and commitment of other members. The workgroup is also small enough that everyone, regardless of expertise, can experience the same context and less structure is required for communication and coordination. It isn’t about the members contributing their own piece (or expertise) to an aggregate in which the individual components are still distinct and recognizable. Instead, the output of a workgroup is a completely different material, the result of interactions that act upon the contributions of each member and on the members themselves, like a chemical reaction that transforms and binds.

The workgroup may be the most important and relevant working unit to address the unpredictable challenges and opportunities that will arise on the front lines of a rapidly changing world—thus our focus on the frontline workgroup as the catalyst for accelerating performance and sustaining advantage in the future. The opportunity is to create what we call “edge workgroups”: *frontline workgroups that are pushing the boundaries and limits of performance improvement* to accelerate performance improvement while addressing unanticipated challenges or opportunities. Edge workgroups focus on their performance over time and might sacrifice short-term efficiency to achieve higher performance over time. They attract people who are committed to learning how to make more and more of an impact. Edge workgroups are characterized by deep, trust-based relationships and mutual accountability. While few are today, *all frontline workgroups could eventually become edge workgroups*.

Focus on accelerating trajectories. Success in this environment may require getting on a trajectory that mirrors the exponential rate of technology and technology-enabled change of the world around us. The most relevant measures of performance and the appropriate rate of improvement will be a function of the context of each company and workgroup. In order to achieve an accelerating trajectory, it

cannot be overemphasized that organizations and workgroups will have to adopt a relentless focus on that trajectory rather than getting tugged back into looking at snapshots in time, absolute numbers, and comparisons with competitors. Workgroups that just stick with doing “what works” risk falling behind when what works stops working.

Focus on value creation as the key driver of performance. While costs can’t be cut any lower than zero, the potential for value creation has no such bounds. Focusing on new value creation can be the key to getting on a trajectory of accelerating performance improvement. Given that technology is improving exponentially, the way to close the gap between business performance and technology performance is likely to look for ways to create significantly more value than just being efficient or more flexible. At the same time, as noted earlier, customers’ increasing power and expectations, as well as their own rapidly changing needs, offer an opportunity for organizations and workgroups to be more creative and imaginative in finding ways to constantly create new value. To do so would require companies to learn faster about the changing needs and preferences of customers; the changing tools, potential partners, and resources available to serve customers; and how to leverage and develop capabilities into new approaches capable of creating significantly more value for everyone involved. While the ultimate driver of value creation opportunities is the customer, there are endless opportunities for workers deep within the organization to find ways to create more value for others as everyone mobilizes to address evolving market opportunities.

Focus on a different form of learning—learning through action. When we talk about scalable learning, we aren’t talking about what most people think of when they hear “learning” in a corporate context:

- We are talking not about learning for learning’s sake but about learning as a means to achieve ever-higher performance in a business environment characterized by mounting performance pressure.
- We aren’t talking about knowledge management or sharing existing knowledge. This learning is about creating the new knowledge needed to solve new problems. It is the by-product of focusing on accelerating performance improvement.
- And we are talking about not skills acquisition through formal training programs but, rather, the kind of learning that occurs day-to-day, on the job where work practices are embodied in action.

In a world where the underlying technologies and the approaches for using them are changing more rapidly, skills themselves have a decreasing half-life. Stocks of knowledge about what to do or how to do it will become obsolete faster and are less valuable as a result. In this type of environment, *creating new knowledge* will be more important to performance than improving access to existing knowledge. The people and institutions that will likely have more success in this new world are *those who learn faster by creating new knowledge through action*—coming up with new ways of doing things that can increase impact.

The power of the workgroup comes when the members, collectively, can create or accomplish something that none of them could have done on their own.

Focusing on accelerating performance improvement can accelerate learning, particularly in the trust-based environment of the workgroup itself, where deep relationships can overcome some of the obstacles (status-seeking, blaming) that might otherwise stand in the way of learning.

Focus on the practices that will help accelerate performance improvement in the workgroup. The term “practice” is often used loosely, but at its most basic, practice is the way work actually gets done.⁹ To capture the opportunities available to us, we need to focus on developing a specific type of practice: those that can help accelerate performance improvement in the workgroup. How do we do our work together in ways that can accelerate our performance? The key seems to be that our practices have to catch up with the technology. And here it’s important to recognize the connection between technology and practice. As new technology platforms and tools emerge, often so do new practices.

Practices are mostly tacit and tend to be context-specific. They are not codified but, rather, emerge through action and are constantly evolving. Yet, there is also continuity. Specific instances of practices will share some similarities, such as intent and approach, which guide—rather than govern—our actions. That is part of what can make practice so powerful. So while you can describe a practice and what seems to be most important about it at a high level, the actual practice will develop in a way that is specific to the context. The way, for example, a first-responder unit reflects on a rescue will be different than the way a customer success team reflects on a data import, but even an urban fire-and-rescue unit will practice reflection differently than a suburban fire-and-rescue unit. As a result, there is almost infinite variation in practice because of the infinite variation in context.

All of this can make practices difficult to articulate, and even trying to make them visible tends to change them. It’s just like riding a bike: You can provide a bit of coaching, and the learner may pick up a few techniques through observation, but there’s

no learning to ride except through the act of trying. Workgroups, however, can be a uniquely effective environment for transferring the tacit knowledge of practices. Practices may more readily be observed, tried out, refined, and shared, informally, within a workgroup’s narrower confines and deep, trust-based relationships. In this way, workgroups can both learn new practices and use those practices to learn faster how to improve performance.

Within the sphere of the many management, individual, and business practices that exist in organizations today, we are focusing specifically on the set of practices that can accelerate performance improvement.¹⁰ We identified nine practices, each amplified by the others, that can help a frontline workgroup accelerate performance. These practices can be grouped into three categories (see figure 3):

1. Those that *provoke* the workgroup to think differently about the challenge and possible approaches and create better alternatives
2. Those that *propel* the workgroup into action to gain additional insight into the next best move to make a greater impact
3. Those that help the workgroup *pull together* to harness diversity and come up with ever-higher impact and outcomes

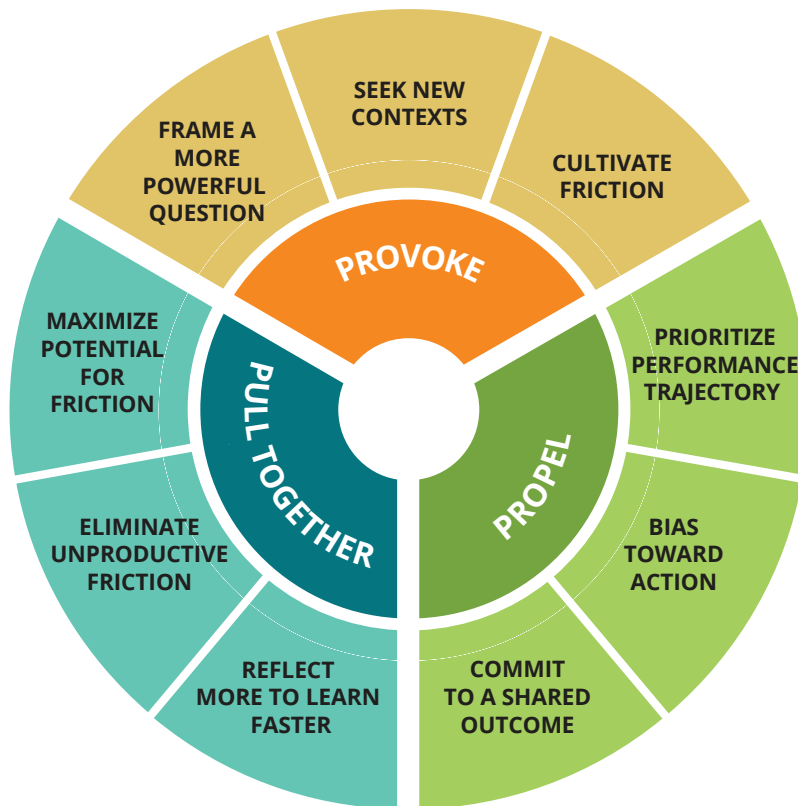
Within the nine practices, we’ve identified important and useful sub-practices (and even sub-sub-practices) to consider; they can be found in Exhibit B (in the appendix) and will be discussed in greater detail in Part 2 of this series.¹¹ While these practices and sub-practices aren’t intended to be the comprehensive final word on accelerating performance improvement, based on the work we’ve done, they represent a robust tradecraft for getting better faster. They may go much deeper, and they are likely to evolve as people use them and adapt them to harness evolving technological tools.

Interestingly, the practices that can unlock the potential of frontline workgroups as engines of acceleration for performance are also the ones that harness the uniquely human traits and capabilities:

empathy, creativity, imagination, and divergent thinking. The practices are mostly agnostic of technology, although technology may be an amplifier in many cases and could enable new practices and certainly sub-practices. For example, technology that allows unmediated, real-time access to biometric and movement data would offer new affordances for how some types of workers might think about experimentation and reflection. Technology, however, could be a distraction if the organization doesn’t first focus on cultivating and supporting the practices that could drive accelerated performance improvement.

If we take seriously these practices and the new tools and technology that are available to us, we have the potential to create a business environment with an increasing returns curve, where the more of us that join together, the more value we can create together. And if we shift our focus toward creating new value, ultimately the value we can provide may be infinite. If we work this way, we have an opportunity to achieve more of our potential, express more of our individuality, and achieve far more impact, together.

Figure 3. Nine practices for accelerating performance improvement



See our interactive at deloitte.com/us/betterfaster to explore the building blocks for getting better, faster.

Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

What we learned

WE LOOKED ACROSS a variety of rapidly evolving arenas from those in high-tech environments, such as an airline's network operations control center, to those in low-tech environments where even a cellphone signal can be hard to come by. We looked at some of the most elite units in organizations such as the New York City Fire Department and the Joint Special Operations Command, and in some unexpected places like teams in the massive multiplayer online game League of Legends. We looked at start-ups such as Away and at frontline workgroups within corporate giants like GE. We asked ourselves: Where are environments changing very rapidly, and how are workgroups improving performance in those environments? We sought to focus in particular on workgroups that were improving their performance over time.

Our sense was that if we could identify those practices that appeared to be contributing to improving these workgroups' performance, these practices could help frontline workgroups throughout the company to accelerate their performance improvement. In total, we talked to 60-plus workgroups across 20 arenas and three continents. Figure 4 depicts a geographic sampling of territory we covered just in the United States. Exhibit A represents a cross-section of the workgroups we studied where we found frontline workgroups engaged in at

least some of the practices required for accelerating performance improvement.

We were unable to locate any workgroup that had adopted all nine practices and had achieved quantifiable accelerating performance improvement as a result. In some cases, however, we encountered workgroups that may not have been pursuing a practice but that, when introduced to some of these practices, thought they might be useful in further improving performance. Most of the workgroups believed that they were getting better, rapidly, and had the sense that their improvement was actually accelerating. Unfortunately, they had collected too little systematic data to determine whether performance improvement was accelerating rather than increasing linearly.

Of these workgroups, all seemed to have adopted at least some of the practices for accelerating performance improvement, and all were achieving improved performance over time. None of the workgroups had adopted the full set of practices, however, and part of the untapped opportunity is to get the workgroups that have already improved performance with some of the practices to adopt the full range of practices, to accelerate their performance even further. In addition, there is an opportunity to encourage more workgroups everywhere to adopt, deliberately, the practices required to accelerate performance improvement—to become edge workgroups.

Figure 4. Workgroups aren't dependent on geography



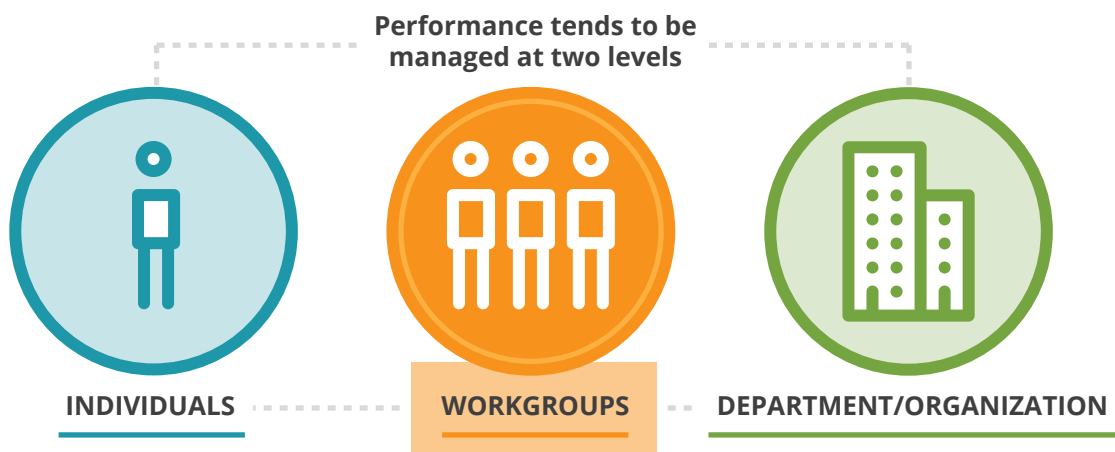
Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

One reason this opportunity hasn't been recognized is that there is a performance management paradox: The very workgroups that drive organizational performance are often invisible from a performance management perspective (see figure 5). While many leaders agree that this type of work-

group is important to an organization's performance, few companies track performance at the workgroup level, much less track how these workgroups are doing over time. To the extent that they do evaluate workgroups, it tends to be a static measure of how the group performed relative to others, and efforts

Figure 5. Few organizations focus performance measures at the workgroup level



Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

to improve group work tend to center on developing high-performing teams that excel in the moment. We found none that collected good, systemic data at the workgroup level. While we found examples of potential edge workgroups, *we could not find any organization that systematically focuses on what is required to accelerate workgroup performance*. Just imagine what could be accomplished if organizations pursued an explicit goal of accelerated performance improvement in their frontline workgroups.

Part of the discrepancy in the effort invested to manage performance at the individual and department or business unit levels versus the workgroup level can be attributed to the metrics that leadership and investors use and how they use them. In many

cases, both internal and external stakeholders are concerned primarily with financial metrics. From this perspective, individual workgroups may not appear to contribute meaningfully to an organization's cost basis, and their revenue is often marginal. Any one workgroup in a large department might not register meaningfully on overall financial metrics. Yet, if you look at the operating and frontline metrics, workgroups do have a significant impact, through the operating metrics, which are typically *leading* indicators of performance. They could become more and more important as the key drivers of organizational performance as processes and the departments that house them become less significant for performance improvement.



Exhibit A: Representative workgroups. While we spoke with and learned from many more than we can list here, the following is a cross section of the types of organizations and workgroups with which we spent time.

Royal Caribbean Edge workgroup	Royal Caribbean Cruises Ltd. (RCL) is a global cruise vacation company that owns and operates three global brands: Royal Caribbean International, Celebrity Cruises, and Azamara Club Cruises. In addition, RCL has ownership stakes in the German brand TUI Cruises, the Spanish brand Pullmantur, and the Chinese brand SkySea Cruises. Together, these brands operate a total of 49 ships, calling on approximately 535 destinations on all seven continents. ^I The Newbuild Innovation workgroup collaborates closely with company leaders, architectural designers, and naval architects to push the limits of ship design as RCL expands its fleet. ^{II}
Sparks & Honey Culture briefing workgroup	Sparks & Honey (S&H) is an “agency of relevance.” S&H works with organizations from McDonalds to DARPA to identify and name elements of culture before they become mainstream trends. ^{III} The culture briefing group brings the agency’s cultural intelligence to life through a bespoke system called QTM. Each day, they hold a briefing to make sense of the latest cultural signals mined from across the spectra of life, the Web, and a human network of contributors from around the globe. ^{IV}
Southwest Airlines Baker Group Field Tech Group	Southwest Airlines (SWA), based in Dallas, operates more than 4,100 flights daily to more than 100 destinations. ^V As the nation’s largest carrier in terms of originating domestic passengers boarded, SWA operates a point-to-point network with a fleet consisting entirely of 737s. ^{VI} SWA prides itself on quick turns at the gate from time of arrival to time of departure. The Network Operations Control, SWA’s nerve center, is home to the Baker and Field Tech workgroups. <ul style="list-style-type: none"> • The Baker workgroup is a combination of dispatch superintendents and tech developers charged with increasing on-time performance during unanticipated operational and weather events. • The Field Tech workgroup is a specialized unit of maintenance mechanics whose job begins where the maintenance manual ends. They fix what the regular maintenance crew cannot.
Joint Special Operations Command (JSOC) Joint Special Operations Taskforce (JSOTF)	JSOC is a unit within the US military with representation from the nation’s most elite warfighters, intelligence analysts, and civilian support. Activated in 1980 to address covert and challenging missions, JSOC operates task forces in conflict areas throughout the world. JSOTF, led by Gen. Stanley McChrystal, was tasked with defeating Al Qaeda in Iraq, an enemy that seemed fundamentally different from what US forces had seen in the past. ^{VII}
Fire Department New York City FDNY Rescue 1	The FDNY is the largest fire department in the United States and considered one of the world’s busiest and most highly skilled emergency response agencies. ^{VIII} Part of FDNY’s special operations command, FDNY Rescue 1 is the most elite rescue unit in New York, responding to all major incidents in lower Manhattan. One minute, responders might be on the Empire State Building, rescuing a window washer dangling off the 80th floor; the next, they could be in the subway, lifting a train off someone struck on the platform.
Red Cross Regional Disaster Unit of Central/ Southern Illinois	The American Red Cross is a humanitarian organization that provides disaster relief and emergency assistance to those in need in incidents ranging from tornadoes, floods, hurricanes, and earthquakes to house fires, acts of terrorism, and other manmade disasters. For over 135 years, the organization has “been helping neighbors down the street, across the country and around the world.” ^{IX} The Regional Disaster Unit of Central/Southern Illinois is responsible for responding to all emergency/disaster incidents across the region and leads the entirety of Disaster Cycle Services, including Preparedness, Response, and Recovery programs for the 3 million people and 78 counties in their region across Illinois, northeast Missouri, and southeast Iowa.

GE Appliances— FirstBuild	With headquarters in Louisville, Kentucky, and manufacturing facilities in Alabama, Georgia, and Tennessee, GE Appliances has long been known for energy-efficient refrigerators and washing machines in the US home appliance industry. As technology and innovation expanded to the mass market, GE Appliances began to explore new ways of better serving changing consumer needs. GE Appliances was acquired by the Haier Group in 2016. FirstBuild , a subsidiary of GE Appliances, was created to more rapidly develop and deliver innovative products to market. It operates an open innovation platform to co-create with a global community, striving to ensure that better products reach consumers faster.
Riot Games League of Legends Team SoloMid	League of Legends (LoL) is an online, team-oriented, multiplayer videogame developed by Riot Games. Popular around the globe, LoL appears to be on the forefront of the growing e-sports industry, which generated over \$275 million in North America last year. ^x Riot hosts championship series and estimates there are more than 100 million active LoL players each month. ^{xi} Some 43 million viewers watched the 2016 LoL World Finals. ^{xii} Team SoloMid is among North America's top e-sports teams, competing in at least three tournaments each year against 170 other professional teams. ^{xiii} It has won five tournaments in the North America LoL Championship Series and has been in every LoL World Finals since 2009. ^{xiv}
Away	Away is an e-commerce luggage start-up with a direct-to-consumer model aiming to bring "first class luggage at a coach price." ^{xv}
IsraAID	Founded in 2001, IsraAID is a humanitarian NGO , committed to providing life-saving emergency relief and durable solutions for populations affected by natural disasters, epidemics, and post-conflict situations. Its medical teams, search-and-rescue units, post-trauma experts, community specialists, and other professionals have led international responses in natural disasters and civil strife around the world. After the initial emergency period, IsraAID shifts to long-term programs. As it operates in volatile and uncertain environments, it remains committed to amplifying its impact over time. As of 2017, IsraAID has responded to crises in 41 countries and has ongoing programs in 14 countries. ^{xvi}
Kaiser Permanente – Healthcare Continuity Group	Kaiser Permanente is one of the nation's largest integrated health care delivery systems, with 11.8 million members, 39 medical centers, and more than 22,200 physicians across eight states and the District of Columbia. ^{xvii} The health care continuity management group prepares for worst-case scenarios and ensures that Kaiser is equipped to assist those in need while providing a consistent level of care for current patients. The workgroup has played a major role in the health care system's response to events ranging from anthrax to earthquakes to the Zika and Ebola outbreaks and threats of terrorism.
IRESS Community Networks workgroup	IRESS is an Australia-based company that develops specialized financial services software. Since its 1993 founding, IRESS has grown to more than 1,800 employees operating in seven countries, providing technology solutions for clients in verticals ranging from wealth management to financial markets and the mortgage sector. ^{xviii} The community networks workgroup combines and pairs resources that otherwise might not have come together on their own. ^{xix}

I. Royal Caribbean Cruises Ltd, "About our company," accessed October 12, 2017. II. Andrew de Maar and Dalia Katan, interview with Irineu Romano, project manager, Royal Caribbean Cruises Ltd, June 6, 2017. III. Sparks & Honey, "Meet Q, the machine at the heart of sparks & honey," July 10, 2017. IV. Information provided by the company in interviews. V. Southwest, "About Southwest," accessed October 26, 2017. VI. Southwest, "Southwest corporate fact sheet," accessed October 26, 2017. VII. Stanley McChrystal with Tatum Collins, David Silverman, and Chris Fussell, *Team of Teams: New Rules of Engagement for a Complex World* (New York: Portfolio, 2015), p. 25. VIII. Fire Department of the City of New York, "Overview," accessed October 26, 2017. IX. American Red Cross, "Brief description," accessed October 26, 2017. X. Robert Elder, "Esports will break a billion in 2017," *Business Insider*, July 22, 2016; SuperData, "eSports market report 2016," accessed October 26, 2017. XI. Estimates for monthly viewership as of September 2016. The private company previously reported figures of 67 million monthly players and 27 million playing daily in January 2014. Paul Tassi, "Riot games reveals 'League of Legends' has 100 million monthly players," *Forbes*, September 13, 2016; Phil Kollar, "The past, present and future of League of Legends studio Riot Games," *Polygon*, September 13, 2016. XII. Bradmore and Magus, "2016 League of Legends World Championship by the numbers," *LoL eSports*, December 6, 2016. XIII. GosuGamers, "LoL rankings," accessed October 26, 2017. XIV. Wikipedia, "League of Legends world championship," accessed October 26, 2017. XV. Andrew de Maar and Ryan Gatti, telephone interview with Away Travel co-founder Steph Korey, July 13, 2017. XVI. Information provided by IsraAID, October 2017. XVII. Kaiser Permanente, "Fast facts about Kaiser Permanente," accessed October 26, 2017. XVIII. IRESS, "About us," accessed October 26, 2017. XIX. Information provided by IRESS.

What are the obstacles?

IT'S EASY TO talk about where you should focus, but this approach necessarily requires calling into question some key assumptions that many organizations have about their operations, their performance, and how companies or other large institutions function. There may be significant obstacles to overcome when asking people to abandon what they believe and take on a new framing.

Broadly, we have identified three shifts, three areas in which organizations or workgroups would have to refocus, in order to move down this path toward accelerating performance: performance focus, operating focus, and learning focus.

Shift 1: Redefining how we think about our performance focus

From relative performance to dynamic trajectory. Under the influence of the financial markets, in which investors continuously decide where to allocate capital among competing op-

portunities, organizations—particularly public companies—have come to approach performance as a relative concept. Although analysts often compare quarterly performance numbers on a year-over-year basis, the focus is less on trajectory than on a current

snapshot of performance improvement as well as on absolute performance for that period. Even the meaning of the absolute performance and the performance improvement is typically viewed through the lens of how it compares to other current competitors rather than against what is possible.

This mind-set tends to breed complacency in those companies doing better than their competitors, despite the fact that all of them could be falling behind the pace of change around them. Across many sectors, incumbents are increasingly vulnerable to disruption by new entrants that wouldn't even have been on their radar as competitors in a previous period, in large part because of the accelerating rate of change in the Big Shift.

At the workgroup level, the story is largely the same. To the extent that companies are actively targeting initiatives at group-level performance, most

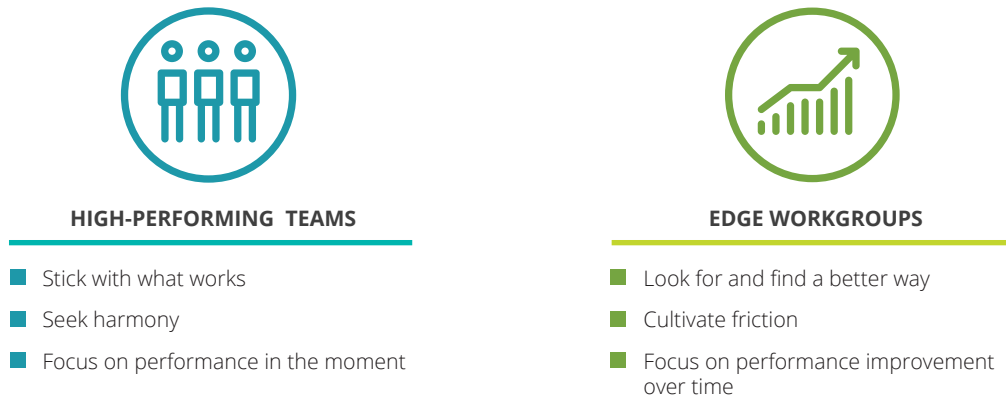
OVERCOMING THE OBSTACLES

Shift 1: Redefining how we think about our performance focus

Shift 2: Redefining how we think about our operating focus

Shift 3: Redefining how we think about our learning focus

Figure 6. High-performing teams vs. edge workgroups



Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

are focused on creating “high-performing” teams/workgroups rather than edge workgroups. The differences between high-performing and edge aren’t trivial (see figure 6). Most high-performing groups focus on doing the best that they can, in the moment, and assess performance relative to themselves, or to other teams, in a specific context. They tend to stick with what works, seek harmony, and focus on performance in the moment. After all, why mess with success? High-performing groups can, thus, fall prey to the trappings of scalable efficiency; as a result, their performance can breed complacency. Edge workgroups, in contrast, might sacrifice short-term efficiency for long-term growth. What often gets lost with the emphasis on in-the-moment snapshots is that where a workgroup, or organization, is at, at any point in time matters less than where it is headed and where its performance trajectory can take it.

This focus on the trajectory of performance improvement, across changing contexts over time, is the crux of where we depart from high-performing teams and agile approaches. Both are valuable concepts that have delivered value and are crucial to performance in some settings. However, neither appear to target the opportunity we’re discussing: accelerating performance improvement over time.

They may be necessary to address the challenges of an exponential world—but they’re not enough.

Agile, despite the similarity of organizing around small groups and a bias toward taking rapid, experimental action, focuses on speed and especially flexibility, optimizing short-term deployment for solving a particular problem in a given context at a point in time rather than over time. The front-line workgroups with which we’re concerned will be facing a wide variety of complex and unknown problems across dynamic contexts. Agile practices seem to do little to support the learning or development of relationships or capabilities within the workgroup to get better at handling these types of problems over the long term. If you organize around performance improvement over time as a means of learning faster and improving faster, everything can change.

From efficiency and cost-cutting to value creation. In a scalable efficiency mind-set, performance is often synonymous with efficiency, cheaper/faster, and driving out costs, which puts organizations in a diminishing-returns mind-set. When efficiencies define performance, the more performance we eke out, the harder it can be and the longer it can take to achieve a next level of per-

formance improvement. It also assumes that these institutions’ constituencies will settle for standardized products and services that meet the lowest common denominator of need.

Most customers, however, are less and less willing to settle for standardized products and services, and technologies (for example, cloud-based or social) have already reduced costs. For many, the type of performance that may matter most and may give them advantage is likely to be the type of performance associated with creating more and new value (better/different versus faster/cheaper). The numerator—revenue growth—comes from developing new opportunities, creating new value, and meeting new needs in novel ways. For organizations to get better at creating and delivering significant new value, they should move beyond promoting efficiency and start focusing on tracking, measuring, and supporting the behaviors associated with value creation.

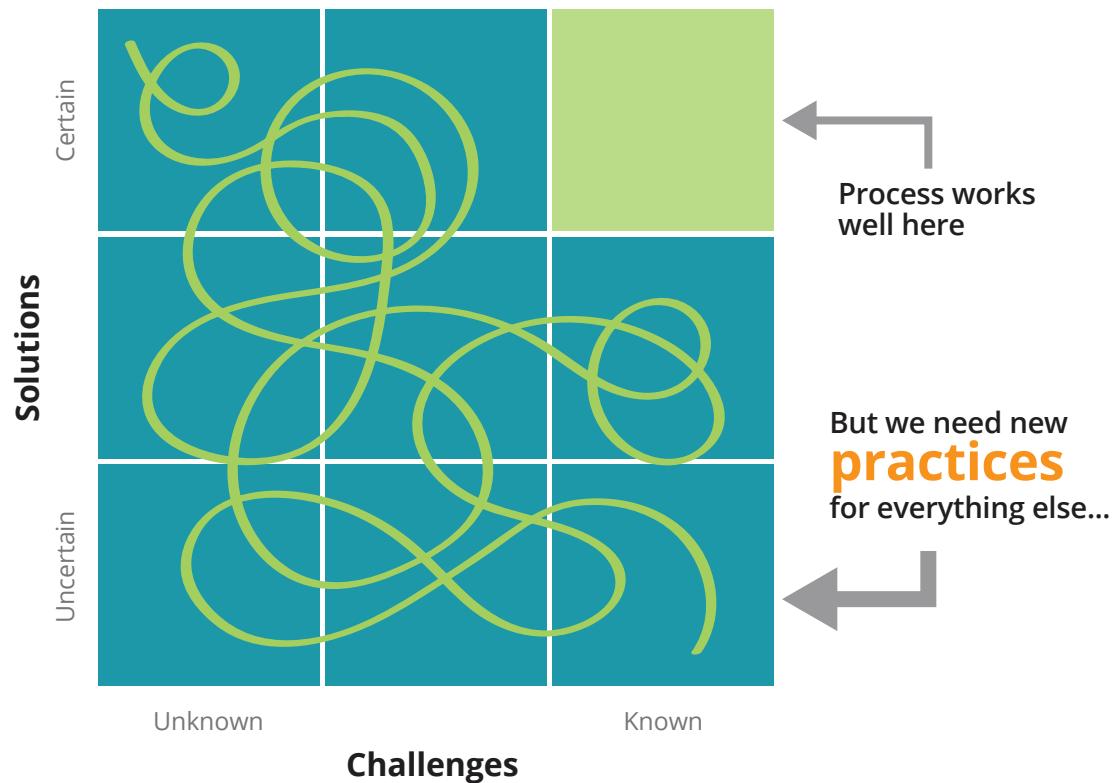
From financial performance metrics to operating and frontline metrics. Financial metrics drive behavior at the top levels of most large organizations today. Yet, these metrics tend to be lagging indicators of performance; they are backward-looking. If you’re serious about getting on an accelerating trajectory, you should identify and rigorously track the relevant leading indicators. Operating metrics are near-term, leading indicators of an organization’s performance. Key operating metrics drive financial metrics and have typically been thought of as measuring the success of a key business process. The connection between operating metrics and frontline activities—and associated frontline metrics—that drive them is generally more immediate and understandable. For example, in a customer support unit, a frontline activity such as validating the installation might drive an operating metric around issue resolution rates, which in turn might drive a key operating metric—customer churn—that drives revenue growth. In addition, a workgroup can directly affect operating metrics and operating performance, making them more relevant than financial metrics.

Shift 2: Redefining how we think about our operating focus

From business processes to workgroup practices. Most large companies today formally organize around processes;¹² Jeff Bezos, in his annual letter to shareholders, notes large organizations’ tendency to too often make process a proxy for results. Indeed, workers—and entire organizations—get so caught up in “doing the process right” that they lose sight of the outcomes.¹³ And processes are increasingly inadequate to drive significant performance improvement. The value of further optimizing processes to deliver products and services seems to be rapidly diminishing. What *can* be standardized likely *will* be, and those processes will likely be automated, but where will the next level of performance come from? Focusing on process efficiency and eliminating variance may not help companies gain a competitive advantage. More importantly, in this environment, most processes can’t keep up with addressing the new challenges and opportunities served up by the Big Shift world—nor can process optimization likely help companies figure out how to create more value for their customers.

Not only can routine processes be an avenue of diminishing returns—they can actually be barriers to performance improvement. Trying to update and optimize processes to conform with the ever-changing reality, and ensure compliance to those processes, is typically time- and resource-consuming. Continuing to optimize processes can divert the organization from investing in the capabilities to make sense of the changing reality and learning how to better create and capture value for it. Machines are increasingly able to perform the tightly specified, highly standardized tasks that support scalable efficiency more predictably and reliably than humans. As a result, many companies have invested in automating processes—removing people wherever possible—rather than exploring how these tools might better reflect and amplify the

Figure 7. Where processes and practices work



Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

business *practices* of the people who could be deployed to create more value for the business.

The world of the Big Shift is one that is less and less about “known challenges” with “certain solutions” for which process and efficiency models thrive (see figure 7). Yet the temptation for most large organizations is to focus on controlling what they can. Consider the example of 3M, where, in the early 2000s, a new CEO decided to “optimize” R&D by systematically stripping away inefficiencies. Controls were brought to bear on R&D: Processes were formalized, with forms developed to ensure engineers innovated efficiently and tighten compliance; 3M’s operating margins quickly improved and Wall Street rewarded it.¹⁴ But the company soon found that R&D wasn’t creating new sources of value as effectively as it once had, and not until a new CEO

came in to unwind those efforts was 3M able to turn things around, in 2012.¹⁵

In fact, rigid processes may have never been an effective way to tap into the workforce’s value-creating potential. Actual compliance to many processes can be low. The act of process reengineering, however, *was* a useful line of inquiry into the work of the organization; done well, it could highlight opportunities to create feedback loops, ease bottlenecks, and reduce unacceptable errors in products for which the consequences of variance were high—for instance, airplane engines. As David Weinberger notes in his introduction to *The Social Life of Information*, process “assumes that people follow the steps, and that all people follow steps the same way. But people aren’t like that.”¹⁶ And now, the work that most people are asked to do is less

and less like that. Rather, workers more often need to use their creativity to effectively address unexpected events on the fly, and organizations should be ready to recognize and pursue the potential opportunities—for new products, services, and approaches—that reside in those events.

If processes have a growing potential to become prisons that keep us trapped in a world of diminishing returns, workgroups might be the catalysts that can help us achieve more and more of our potential. And if managers take as their primary objective accelerating learning and performance improvement, then the practices of the workers in those environments may have to be redesigned.

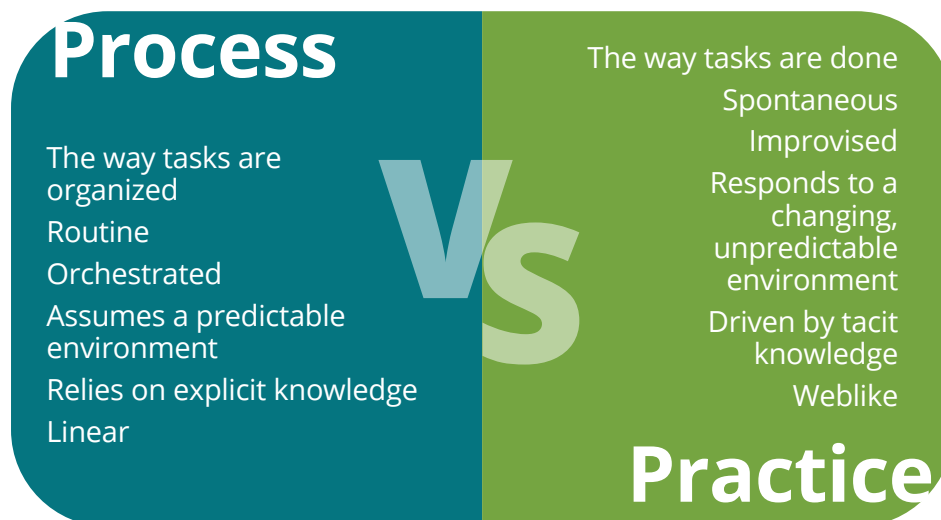
While technology can certainly enable and support new ways of working, the practices embedded in a workgroup can either foster or extinguish its potential. For example, if failure is frowned upon, the group may shy away from making decisions. On the other hand, if the workgroup has a practice of celebrating the learning from failure and making its learnings visible to others, that group

may be more likely to take on greater challenges over time.

Further, we believe that the types of capabilities that can help companies thrive are those that are amplified and accelerated by the practices of workgroups rather than the processes undertaken by machines (see figure 8). What’s predictable can also be easy to automate, and what’s automatable can be easier to copy. The kinds of approaches that will create new value and have the potential for sustained advantage will likely be those that are harder to copy, those that rely on capabilities that are distinctly human—imagination, empathy, creativity, compassion, and judgment.

From tightening controls to enhancing the frontline workgroup’s ability to improvise. Today, exceptions are generally resolved through workarounds: Workers may struggle to find the colleagues with the information, skills, or authority they need, often in different departments, and often must work outside the rules to access the relevant information and resources to resolve the exception. What they did and learned is largely

Figure 8. Process vs. practice



Source: John Seely Brown and Paul Duguid, *“The social life of information.”*

Deloitte Insights | deloitte.com/insights

lost to the rest of the organization, and the workers who take on these challenges may not receive credit for their efforts and may even be penalized for not complying with processes and policies. In fact, faced with a lack of both decision-making authority and informal empowerment, many workers turn to process as a refuge from the ambiguity. As has been seen in, for example, some highly publicized airline incidents, frontline employees often feel they lack the permission or the resources, or even the expectation, to improvise creative approaches when faced with dynamic, unpredictable situations.

It used to be that these activities tended to be limited to the executives at the top. Everyone else just had to execute. In times of relative stability, senior executives could tightly specify what needed to be done and could rely on the front line to get the job done. These hierarchies are giving way to more fluid chains of command; command-and-control mechanisms no longer appear to be as effective.

In fact, to improve in the face of dynamic, unpredictable situations, workers must improvise, and it isn't just a necessary evil. Improvisation is a way of taking action in the moment that moves beyond the status quo and can yield fresh insight about what works or doesn't. Understanding that improvisation can accelerate learning in the moment, managers can look for ways to actually expand the potential for improvisation by reducing the constraints imposed by standardized operating processes. Workgroups can make the most of these opportunities in the moment by tinkering with their approach and push the envelope of performance. Of course, a key element of improvising is building on what you have, and that means that mistakes and successes need to be made visible for others—exception handling can't be kept behind the scenes.

As will become more apparent in the practices, edge workgroups typically have some fundamentally different biases and values than those with which many organizations operate today, favoring initiative and improvisation. For example, these workgroups favor trust-based relationships and mutual accountability over compliance and con-

trols, which can afford them more space to explore variances instead of hiding or minimizing them. Edge workgroups resist the urge to oversimplify, embracing the tension of diverting efficiency for the sake of exploration and greater effectiveness over time. They also redefine risk around the risk of not acting. Inaction is a huge and seldom-discussed risk in most organizations, with significant cost in terms of the opportunity for powerful learning we forgo if we don't experiment and put ideas into action.

One important difference to call out is the role of friction in the practices for accelerating workgroups. Most traditional organizations have tended to try to eliminate friction wherever possible in order to increase control and predictability. Not only can friction slow things down and make them change course—it can generate heat, with unpredictable consequences. It is neither efficient nor comfortable. As a result, most organizations smooth over friction in favor of “getting along.” They are so eager to defuse friction and create an environment devoid of discomfort that we never get a chance to inquire into it. Yet what we call friction is what happens when diverse ideas, assumptions, and approaches collide with others that do not align. When this type of friction occurs in an environment of trust and respect, it can be productive: challenging assumptions, testing boundaries, and generating new and better solutions—leading to better performance—than an individual could alone.

As Steph Korey, co-founder of luggage start-up Away, says, “Friction is how you end up with the best ideas happening. If you had a company culture where you excluded friction, you'd end up with a mediocre product.” While many large companies try to eliminate friction, Away decided from the beginning that workgroups that “go along to get along” don't go very far. The company credits this practice of cultivating friction as part of the reason it has continuously operated in the top percentiles of customer satisfaction, even as Away continues to grow at a 5–6x clip.¹⁷

Friction is resistance, and resistance can be a productive force, just as boats sail faster when they

sail into the wind, provided the sails are positioned to harness the wind’s resistance (see figure 9).¹⁸ In the same way, workgroups can turn friction into a powerful source of performance acceleration and learning, provided they anticipate friction and have practices to harness it toward an outcome.

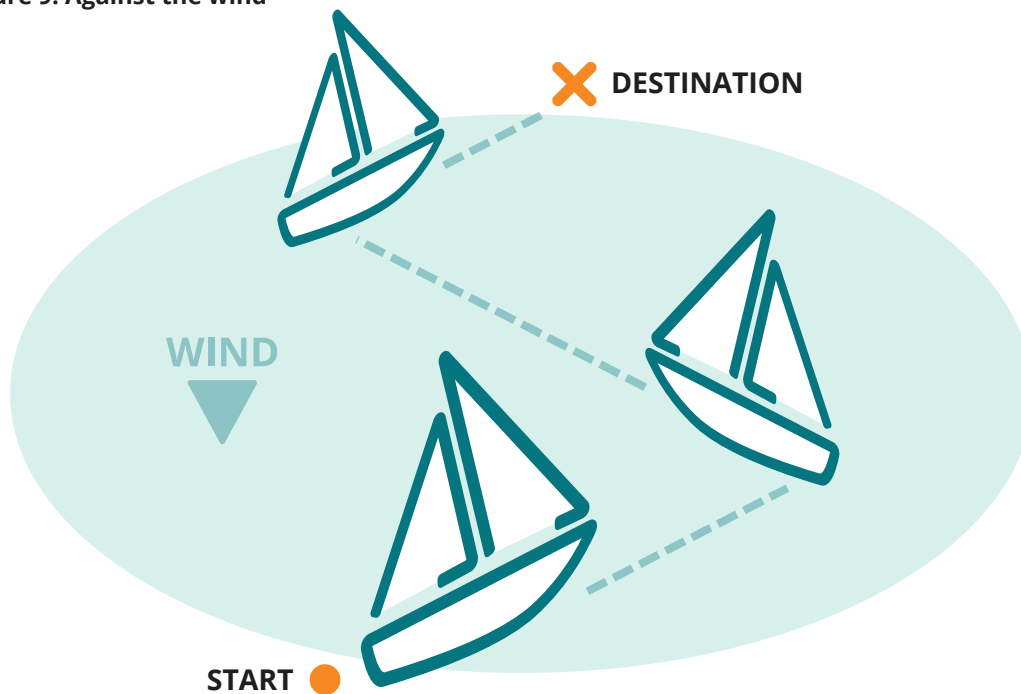
From siloes to networks. Today, most front-line operations are narrowly construed to focus on just the people within the company and, often, just the department. Information and resources are allocated to specific silos and guarded from others. Yet, when exceptions to the rule increasingly are the rule, what one knows and the experience of having done something before can be less directly applicable to the situation at hand. What worked yesterday may not work tomorrow. Instead, looser, broader, and richer connections can help shift our focus to what hasn’t been done before. As the pace of change increases, the peripheries and edges may become more important. Engaging with others can help avoid tunnel vision, and finding ways to moti-

vate others and leverage their capabilities—as well as what they know—can help you to achieve more impact. Organizations will likely need to make decisions and overcome obstacles faster, and may have to seek informal interactions with a broader range of participants to gain the necessary insights to act. This may require organizations to support practices that let individuals be much more networked across workgroups and across organizations so that workgroups can engage with each other to help accelerate performance improvement.

Shift 3: Redefining how we think about our learning focus

From knowledge sharing to knowledge creation. Today “learning” typically means training programs and knowledge management systems. Training programs and knowledge management systems—even those that seek to bring it

Figure 9. Against the wind



Source: Nancy Duarte, “The audience’s journey.”

Deloitte Insights | deloitte.com/insights

closer into the context of everyday work or make it bite-sized and on-demand at the worker's desk or smartphone—are typically focused on knowledge that already exists. By the time training is created and deployed, it is often already dated. And because the training environment is usually still separate from the actual use of the knowledge in the work, more so in the case of training programs, the knowledge is less likely to be put into action. Often it is explicit or skills-based, “how to do x,” and is treated as static, a knowable thing to be conveyed to and mastered by the worker. When the skill is no longer relevant, the worker needs to be retrained. As the relevance of static knowledge diminishes more rapidly, more of the most valuable knowledge is tacit, difficult to articulate or convey except through shared participation. Tacit knowledge often trumps explicit knowledge because it is generally newer, emerging from new experiences and interactions and providing insight into how to act.

In a future where we envision workgroups handling more and more of an organization's differentiating work, the imperative for knowledge creation through action could play out in two ways:

- First, the workgroup itself continuously evolves its approach to have more of an impact with its work: to deliver more or to deliver better or to reach more people with it.
- Second, workgroups themselves could become powerful environments for learning—for both individuals and the organization. In particular, participation in a workgroup may be one of the most effective ways to access tacit knowledge, which resides in our heads and bodies, embedded in the work itself and in our practices around the work. By engaging with other members to address challenges in different contexts, individual workers can gain tacit knowledge from each other and create new knowledge in applying it and evolving it as they move forward.

From training to get performance to pursuing performance in order to learn faster.

One of the main rationales for corporate training has long been to equip workers with the necessary

information, skills, or capabilities to do their jobs better, in the hopes that the investment will pay off in improved performance down the line. As we've discussed elsewhere, this type of training is less and less effective as the half-life of specific skills decreases and the number of unexpected exceptions increases. The model of learning and performance improvement flips when you focus on accelerating performance improvement as the primary goal, then cultivate the practices and provide the support to make that happen. Rather than train first and hope for a bang later, you can aim to create an environment in which workers learn faster as they focus together on accelerating their performance. Workgroups can be the most fertile setting for learning faster—more so than an individual sitting alone in an office or an office of workers committed to the department's overall goals.

From fearing exceptions to celebrating exceptions. In the scalable efficiency model, where process efficiency is the source of performance improvement, exceptions and deviation from the norm are typically seen as a problem that is either slowing us down or creating costly waste. For those measured on the efficiency of a process, dealing with exceptions can be an unwelcome distraction from executing the standard process. For the individual, the department, and the organization, all of the incentives and systems encourage minimizing variances and even hiding those that occur. Meanwhile, the potential opportunities—to serve the customer in new ways, to use new tools or create new value—go unexplored. This is where the opportunities to improve an organization's performance may arise.

As the number of exceptions increase for front-line workers, organizations should embrace and celebrate exceptions as an opportunity to improve performance. At the very moment when much of business, government, and society is consumed by the idea of machines taking our jobs and what that will mean for humans, we risk letting what differentiates us from machines atrophy. Humans are better at handling exceptions than machines are. Mistakes can be the fuel for learning and improving performance over time.

How to get started

SHIFTING PEOPLE’S ASSUMPTIONS and beliefs within an organization can be difficult. In fact, trying to do it head-on will likely result in failure: Such moves often trigger corporate antibodies to defend against a perceived attack. Luckily, there is a pragmatic way to address this opportunity and start overcoming obstacles through small moves, smartly made.

Rather than approach this as a “big bang” initiative to redesign all of the company’s workgroups, measuring success through broad adoption metrics, think in terms of targeted impact, designed to build momentum. This approach starts small but smart, by identifying and targeting the handful of workgroups that could potentially have the highest impact to the business unit or company overall. These workgroups become the test beds for cultivating the practices required to accelerate performance improvement.

The key behind making a “small moves” approach work is to systematically identify the frontline workgroups that could be most pivotal in addressing some of the biggest current opportunities or pain points in the financial performance of the business unit or company overall by using a “metrics that matter framework”¹⁹ (see figure 10).

Take, for example an oil-field services company that suffers from low revenue growth. In looking for the drivers of low growth, we discover that the

company is experiencing a high customer churn rate. Digging a little deeper, we find that departing customers point to high equipment failure rates in the field. This would lead to targeting a field-services workgroup for which the practices in this article could be cultivated to try to accelerate improvement in a relevant metric, such as first-time repair rate or maintenance compliance rate. Focus on the opportunity that can have a meaningful impact on metrics, and align efforts to support those workgroups’ adoption of these practices rather than getting bogged down in trying to drive change across organizational hierarchies and structures.

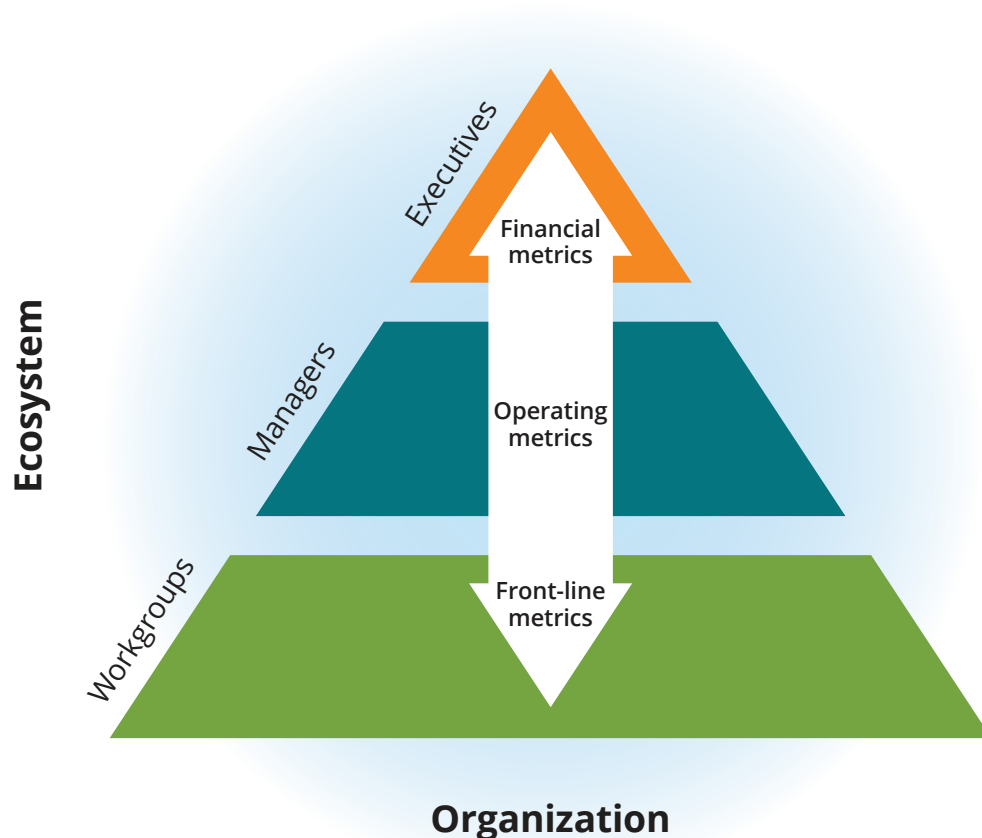
1. **Identify the opportunity.** Use the *metrics that matter* framework to identify the frontline workgroups with the greatest impact on the most significant financial opportunities and pain points of the business unit or company. This will require identifying the operating metrics and ultimately the frontline metrics that will have the greatest impact on the financial metrics that matter.
2. **Empower a workgroup.** Start with an existing workgroup that has the greatest ability to influence the frontline metrics that matter, and help it transform into an edge workgroup. With the practices and sub-practices of the Periodic Table (Exhibit B) as a guide, let the workgroup choose a few practices to focus on that they

believe will have the most impact on the challenges they are facing. Other than setting the focus—accelerating performance improvement—the workgroups should largely own how they implement the practices. Encourage the test-bed workgroups to make the practices their own and to identify the metrics they think are most relevant for the challenges they encounter, but help them understand how certain of their frontline metrics make a significant difference to the broader operating and financial metrics that matter to senior management. These types of practices should help the workgroups be more effective, realizing their potential to make more of an impact. In addition, individual workers

will likely learn faster from each other and gain the experience of taking on difficult challenges.

3. **Track metrics.** Track the agreed-upon workgroup metrics and make the trajectory visible. Check in with the workgroup about the trajectory and seek input on how the workgroup metrics might be refined to provide the most relevant indicators of meaningful impact. Treat the workgroups as test beds to better understand, within the context of your organization, what tools or support edge workgroups might need from the organization, and be alert to which practices seem to have better traction with the workgroup members—and which seem to have particular impact on the metrics.

Figure 10. Which metrics matter?



Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

Exhibit B. Nine practices that accelerate performance improvement

PROVOKE	PROPEL	PULL TOGETHER
Frame a more powerful question <p>Frame questions that focus on the learning opportunity—and that provoke and inspire others to change the game</p> <hr/> <p>Set the stage Amp it up</p>	Commit to a shared outcome <p>Focus on the outcome that matters most to foster passion and amplify your actions</p> <hr/> <p>Make the most important thing the most important thing Make it meaningful</p>	Maximize potential for friction <p>Assemble a group of passionate people who can challenge each other with diverse mind-sets, preferences, and perspectives</p> <hr/> <p>Engage diverse perspectives Demand volunteers Turn down volunteers Evolve a winning workgroup</p>
Seek new contexts <p>Expand your exposure to a range of contexts to discover promising new approaches</p> <hr/> <p>Look around Look within</p>	Bias toward action <p>Move from discussion to action as quickly as possible</p> <hr/> <p>Reframe risk Act to learn Jazz it up</p>	Eliminate unproductive friction <p>Reduce the kind of friction that inhibits the potential for new insights</p> <hr/> <p>Foster trust and respect Have learning conversations</p>
Cultivate friction <p>Draw out conflict and learn from disagreements to generate new insights</p> <hr/> <p>Embrace complexity Seek out challenges</p>	Prioritize performance trajectory <p>Track trajectory of the metrics that matter and make trade-offs to accelerate performance improvement</p> <hr/> <p>Tackle tradeoffs Identify metrics that matter Track trajectory, not snapshots</p>	Reflect more to learn faster <p>No matter how fast things are moving, take the time to reflect on your experiences, supporting even faster movement</p> <hr/> <p>Feed the reflection Make the most of your mortem Make sense of signals</p>

Source: Center for the Edge

Deloitte Insights | deloitte.com/insights

Practice, and evolve. If edge workgroups begin having an impact on key frontline and operating metrics, other leaders within the organization will surely take notice, lending momentum to the opportunity to accelerate performance improvement. While momentum is good, it carries a risk: Organizations tend to look to formalize and scale any practice that seems to be successful—in effect, turning a practice into a formal process. It may start out as a defense mechanism to make whatever it is we do look more official, but it is also deeply engrained in our organizations and in ourselves, as an illusion of control. We value process because being able to say, “This is how we do it” can be reassuring.

But constraining edge workgroups with formality can be counterproductive. Adding rules necessarily changes the practice itself and, in a rapidly changing world, likely makes it less effective. The goal should be to scale the practices for accelerating workgroup performance across the organization without being explicit about how any given workgroup might implement those practices. Each workgroup operates in a unique context that calls for a unique implementation of the practice.

What to do about it? Stay vigilant to the tendency to try to simplify and make things the same.

Ask yourself and others: *What’s different about this workgroup or this context at this point in time? How can you adopt and adapt new practices? How might the practices you employ change over time?* Keep each other honest about the imperative to shift the mind-set from formalizing and making things controllable to embracing ambiguity.

All of these can also apply if you’re in a workgroup. You don’t have to be an executive or senior manager to start making meaningful change in your workgroup, or others. Ultimately, the organization should shift the way it measures performance and relax process controls to see an accelerating performance impact at scale, but an individual implementing these practices in one workgroup can have a significant and positive effect on the performance and learning of their workgroup and of themselves, as individuals. Localized successes can garner attention and build momentum. In the meantime, it’s likely in your own interest, and the interest of the workgroup and the organization, to adopt the practices that can accelerate performance and learning for an unpredictable future. You don’t need permission—just get started, track, and learn.

Endnotes

1. More discussion of the Big Shift, including metrics that describe these trends and their impact over the past five decades, can be found in John Hagel, John Seely Brown, Maggie Wooll, and Andrew de Maar, *The paradox of flows: Can hope flow from fear?*, Deloitte University Press, December 13, 2016.
2. John Hagel, John Seely Brown, Tamara Samoylova, and Michael Lui, *From exponential technologies to exponential innovation*, Deloitte University Press, October 4, 2013.
3. Hagel et al., *The paradox of flows*.
4. Some of the areas where barriers are being reduced or even eliminated as a result of platforms, policy, and social changes include design, production, marketing, and distribution, as well as financing, customer service, and learning. For a deeper discussion of the barriers to entry and how the Big Shift is affecting them, see John Hagel, John Seely Brown, Tamara Samoylova, and Duleesha Kulasooriya, *The hero's journey through the landscape of the future*, Deloitte University Press, July 24, 2014.
5. Hagel et al., *The paradox of flows*.
6. Ibid.
7. Innosight, “Executive briefing winter 2012: Creative destruction whips through corporate America,” accessed September 7, 2013.
8. Our use of the term workgroup hews most closely to Jon R. Katzenbach and Douglas K. Smith’s definition of team from “The discipline of teams,” *Harvard Business Review*, July/August 2005. In the categorization of teams in that same article, we are concerned with those teams that make or do things—manufacturing, operations, or marketing groups.
9. John Seely Brown and Paul Duguid, “Balancing act: How to capture knowledge without killing it,” *Harvard Business Review*, May/June 2000.
10. As discussed in greater detail in John Seely Brown and Paul Duguid, “Practice vs. process: The tension that won’t go away,” *Knowledge Directions* (spring 2000), there is an ongoing and unresolved tension in any organization between how knowledge is generated, through practice, and how it is implemented or propagated, generally through process. Large organizations do not need to resolve this tension but to become comfortable with the play between the practice and process.
11. Part 2 is scheduled to publish on January 31, 2018.
12. Brown and Duguid, “Balancing act.”
13. Jeff Bezos, “2016 annual letter to the shareholders,” Amazon, April 12, 2017.
14. Marc Gunther, “3M’s innovation revival,” *Fortune*, September 24, 2010.
15. Brian Hindo, “At 3M, a struggle between efficiency and creativity,” *Bloomberg Businessweek*, June 11, 2007.
16. John Seely Brown, Paul Duguid, and David Weinberger, *The Social Life of Information*, updated edition (Cambridge, Mass.: Harvard Business Review Press, 2017), p. 27.
17. Andrew de Maar and Ryan Gatti, telephone interview with Steph Korey, co-founder and CEO, Away Travel, July 13, 2017.
18. Nancy Duarte uses this “sailing into the wind” metaphor in her 2010 book *Resonate* to illustrate how presenters can deliberately plan for and harness their audience’s resistance to letting go of old beliefs and behaviors and adopting new ones as a powerful force to move them on their journey. We believe this is an apt metaphor for friction in workgroups as well.
19. For more information about the *metrics that matter* framework, see John Hagel, John Seely Brown, Christopher Gong, Stacey Wang, and Travis Lehman, *Pragmatic pathways: New approaches to organizational change*, Deloitte University Press, March 4, 2013, or John Hagel, John Seely Brown, Duleesha Kulasooriya, and Aliza Marks, *Metrics that matter: Social software for business performance*, Deloitte University Press, January 1, 2012.

About the authors

JOHN HAGEL is co-chairman of Deloitte Center for the Edge; he has nearly 35 years of experience as a management consultant, author, speaker, and entrepreneur and has helped companies improve performance by applying IT to reshape business strategies. In addition to holding significant positions at leading consulting firms and companies throughout his career, Hagel is the author of bestselling business books such as *Net Gain*, *Net Worth*, *Out of the Box*, *The Only Sustainable Edge*, and *The Power of Pull*. He is on LinkedIn at www.linkedin.com/in/jhagel and on Twitter @jhagel.

JOHN SEELY BROWN (JSB) is independent co-chairman of Deloitte Center for the Edge and a prolific writer, speaker, and educator. In addition to his work with the Center for the Edge, JSB is adviser to the provost and a visiting scholar at the University of Southern California. This position followed a lengthy tenure at Xerox Corp., where he was chief scientist and director of the Xerox Palo Alto Research Center. JSB has published more than 100 papers in scientific journals and authored or co-authored seven books, including *The Social Life of Information*, *The Only Sustainable Edge*, *The Power of Pull*, and *A New Culture of Learning*.

ANDREW DE MAAR Andrew de Maar is head of strategy at the Deloitte Center for the Edge where he works with senior leaders to rethink what's required for success in a more rapidly changing world by helping them to reframe their approaches to strategy, innovation, and business transformation. He has worked broadly across industries on emerging opportunities at the edge of business and technology. His writing and speaking focuses on the opportunities we all have—as individuals and institutions—to achieve more and more of our potential over time. He has an MBA from Stanford University and is on LinkedIn at www.linkedin.com/in/AndrewdeMaar.

MAGGIE WOOLI is head of eminence at Deloitte Center for the Edge; she combines her experience advising large organizations on strategy and operations with her passion for getting the stories behind the data and the data behind the stories to shape the Center's perspectives. At the Center, she explores the emerging opportunities at the intersection of people, technologies, and institutions. She is particularly interested in the impact new technologies and business practices have on talent development and learning for the future workforce and workplace. She is on LinkedIn at www.linkedin.com/in/margaretwooll.

Research team

MICHAEL DING was a research fellow at Deloitte Center for the Edge; he is passionate about seeking technology and analytics driven approaches to address challenging problems. As a senior consultant within Deloitte’s Cyber Risk Services, he has assisted clients with discovering and managing information security and privacy risks across a range of industries, including technology and retail. At the Center, Ding has researched extensively on continuous improvement methodologies related to agile, DevOps from leading enterprises and scalable learning from emerging e-sports ecosystems.

RYAN GATTI was a research fellow at Deloitte Center for the Edge, focused on the intersection of strategy and innovation. He is passionate about understanding how the world is changing and, in particular, how disruption will affect fintech players, emerging markets, and broader ecosystem plays. As a consultant within Deloitte Consulting LLP’s Strategy practice, Gatti has helped clients analyze competitive threats, better understand players on the periphery, enter new markets, and stand up corporate innovation units. At the Center, he focused on innovation, scouting organizations that are operating on the edge of what is possible, and establishing broader partnerships across the ecosystem.

DALIA KATAN was a research fellow at Deloitte Center for the Edge; she is a strategist and designer passionate about using design thinking to foster creativity and human connection in the workplace and to transform the work for the future. Working within Deloitte’s Strategy & Operations practice, Katan has worked with consumer products and technology clients to solve problems related to brand, growth, and innovation strategy. At the Center, she focused on learnings from technology, emergency response, and hospitality industries that may help teams improve their performance over time.

ABIGAIL SICKINGER was a research fellow at Deloitte Center for the Edge, passionate about exploring how the rapid evolution of technology is making it difficult for humans to keep up and their organizations to remain relevant. At the Center, she delved into the group dynamics and decision-making that shape how practices are adopted and replicated within an organization. As a consultant within Deloitte’s Strategy and Operations practice, Sickinger has helped a range of clients, from public transportation to pharmaceutical company to a youth education nonprofit plan for and take advantage of new opportunities.

Acknowledgements

We could not have developed this topic without the generous and open participation of the following individuals: **Brandon Beard, Mike Perna, John Strickland, Dave Fischer, Barry Lott, Jesse Luck, Matt Hafner, Steve Hozdulick, Ryan Files, Charles Cunningham, Alan Kasher, Sonya Lacore, Jeff Hamlett, Craig Drew, Paul Butler, Merlin Ward, Annalie Killian, Terry Young, Nikelii Bennett, Irineu Romano, Adam Goldstein, Luz Luna, Hani Eid, Patricia Conway, Gray Shealy, Raimund Gschneider, Fernando Iglesia, Adam Goldstein, Harri Kulovaara, Kevin Douglas, Kelly Gonzalez, Xavier Leclercq, Joseph Miorelli, Diane Stratton, Paris Swann, Gaby Landa, Erin Barton, Jaime Lemus, Carla Makela, Zack Cangiano, Gabe Trujillo, Daniel Schneider, Eric Lewis, Kelly Watkins, Neil Shah, Sheela Subramanian, Elain Zelby, Emily Stephens, Richard Hasslacher, Michael Lopp, Julieanna Gray, Melody Khodaverdian, Anastasia Afendikova, Jamie Feeley, Jimmy Lee, Matt Schwartz, Walter Villavicencio, Venkat Venkatakrishnan, Justin Berger, Randy Reeves, J. Taylor Dawson, Naama Gorodischer, Yotam Politzer, Stanley McChrystal, Frank Kearney, Maureen LeBoeuf, Rebecca S. Halstead, James “Spider” Marks, Jen Rubio, Steph Korey, Alyssa Pollock, Lynda Hruska, George Samuels, Coran Lill, Skip Skivington, Vivian Tan, Joy Marcus, Jan Ferguson, Michael St. James, Jason Wiseman, Ariel Yoffe, Ryan Villanova, Samantha Klein, Jake Guglin, Antonia Cecio, Kiomi Sakata, Bronson Green, Carson Cland, Dennis Holden, Matthew D’Amato, Lisa Gluskin Stonestreet, Erich Stonestreet, and Sha Huang.**

In addition, we are grateful to the colleagues and friends whose enthusiasm and insights helped shape this topic: **Maynard Webb, Guarav Tewari, Waguhi Ishak, Dick Levy, Brian Rouch, Doug Bade, Doug Gish, Andrew Blau, Cheryl Pinter-Real, Jacquie Obi, Joseph Bakal, Tom Nassim, Lynne Sterrett, John Tripp, David Kuder, David Martin, Matt David, Amy Feirn, John Henry, James O’Kane, Matthew Standart, Chad Whitman, Kusandha Hertrich, Tim Gillam, Wendy Meredith, Greg Tevis, Bill Pollard, Debbie Fox, Phil Lubik, Matt Angelo, Amy Lawson-Stopps, Stephanie Hill, Jack Wisnepske, Grant Hartanov, Peter Liu, John Gelline, Peter Robertson, Dave Zaboski, Blythe Aronowitz, Neda Shemluck, Mukesh Singhal, Paul Keck, and Duleesha Kulasooriya.**

The team would also like to thank the following individuals whose support is invaluable: **Jodi Gray, Carrie Howell, Matthew Budman, Emily Koteff Moreano, Molly Woodworth, and Joanie Pearson.**

Contacts

Blythe Aronowitz

Chief of staff, Center for the Edge
Deloitte Services LP
+1 408 704 2483
baronowitz@deloitte.com

Peter Williams

Chief edge officer, Centre for the Edge Australia
Tel: +61 3 9671 7629
pewilliams@deloitte.com.au

Wassili Bertoen

Managing director, Center for the Edge Europe
Deloitte Netherlands
+31 6 21272293
wbertoen@deloitte.nl

Deloitte. Insights

Sign up for Deloitte Insights updates at www.deloitte.com/insights.



Follow @DeloitteInsight

About Deloitte Insights

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders.

Deloitte Insights is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the "Deloitte" name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2019 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited