EXECUTIVE PAPER

Profiting from Coherence

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Editorial note

This paper was first presented publicly in New York City in 2004. This edition has been edited for language, structure and clarity while preserving the concepts and terminology of the original E 21 System framework.

SUMMARY

Coherence is one of the four Sustainable Viability factors in the E 21 System. It expresses how consistently an organisation's people, processes and management system align with its mission, vision and values.

This paper argues that an organisation must first understand its actual condition before it can make sound decisions and replace reactive management with more innovative, proactive and efficient behaviour.

Because Sustainable Viability can be measured and managed only through its constituent factors, Coherence must itself be measured and continually improved.

Scope

This paper addresses the following points:

1. Definition of Coherence
2. Examples
3. How Coherence complements the Deming theories
4. Measuring Coherence
5. Impact of Coherence on the Sustainable Viability

Definition of Coherence

In general terms, coherence is the condition in which all the parts of something fit together well.

Within the E 21 System, Coherence is defined as the consistency with which the behaviour of every person and the processes used within an organisation align with its mission, vision and values.

Examples

The following situations illustrate poor Coherence:

- An organisation has implemented a quality system, but none of its key priorities focuses on customers.
- An organisation has completed an impressive new building, but quality appears only in its documents and not in its people's behaviour.
- An organisation has comprehensive human-resources policies, but its people remain unmotivated.
- An organisation places strong emphasis on knowledge management but provides inadequate training.

Many other examples could illustrate Coherence. These examples are significant because each is drawn from a real organisation and an observed situation.

How Coherence Complements Deming's Theories

As the e-business fever of the period began to fade, and easy money could no longer be treated as a sound business practice, many organisations turned their attention to Sustainable Viability as a more coherent basis for management.

The definition of Sustainable Viability explains its importance to organisations:

The capability of an organisation to compete effectively and to achieve and maintain a pre-eminent position in its market over a long period of time.

Dr Deming's theories provide a basis for building an effective management system that helps organisations achieve Sustainable Viability. However, organisations must be able not only to achieve viability, but also to measure and control it.

The practical constraint is time.

Few organisations can invest for three or four years before obtaining meaningful results from a process of change, and then wait a further three or four years to demonstrate sustained outperformance.

Deming's theories may therefore benefit from a complementary methodology.

Such a methodology would enable organisations to measure and control Sustainable Viability from the outset. It would help them assess how changes made in the first year influence results in subsequent years and would shift attention from short-term profit towards Sustainable Viability.

As one of the Sustainable Viability factors, Coherence must be measured and improved if the methodology is to produce the expected results.

Measuring Coherence

The first step in measuring Coherence is to identify the characteristics that determine how it should be analysed.

Research across organisations in different sectors identified two characteristics with particular importance for the analysis of Coherence:

- Dynamic because Coherence must be analysed continuously as information and assessment criteria change.
- Complex because several groups of tools, including Profits Helical and Knowledge Management, provide information that must be analysed through the Coherence factor.

The next step is to understand the factor's internal structure and characteristics. This understanding makes it possible to identify the data sources required to measure its constituent parts.

The research indicates that Coherence has three constituent parts:

1. Correlation among the organisation's main management areas
2. Correlation among the individual business issues within those management areas
3. Correlation between those two dimensions and both the planning system and the organisation's modules and processes

Two principal data sources support the analysis of these constituent parts:

- People, meaning everyone connected with the organisation
- Metrics from modules and processes

The final step is to determine the relative value of the information gathered within the Sustainable Viability Coefficient, or SVC.

To make the coefficient reliable, organisations must gather information in a defined and consistent manner within an established management framework. The specific design of that management system is less important than having a coherent framework in place.

Impact of Coherence on Sustainable Viability

During the E 21 System foundation projects, the Coherence factor was identified and incorporated into the Sustainable Viability Coefficient. On that basis, the methodology indicated that results could be predicted years in advance with a high degree of reliability.

This finding gives Coherence a central role in business management. It should be considered in the design and development of an organisation; otherwise, medium- and long-term forecasts of organisational results from a Sustainable Viability perspective are likely to vary widely.

The other three factors, Quality, Efficiency and Asynchrony, are also important to the control of Sustainable Viability, but they are easier to measure and manage.

Coherence is distinctive because it is difficult to measure and, consequently, difficult to manage.

Conclusions

The study supports three conclusions:

1. Sustainable Viability comprises four factors: Quality, Efficiency, Coherence and Asynchrony.
2. Each factor can and must be measured and controlled if Sustainable Viability is to be managed.
3. Among these factors, Coherence has particular importance because its measurement and management are especially demanding.

Terminology

Profits Helical: *A group of correlations between critical factors and an organisation's modules or processes, including their metrics, used to support Sustainable Viability.*

Modules: *Groups of processes or activities with a defined expected result and a focus on customer satisfaction. Each module can operate independently while organising and managing knowledge coherently with the other modules.*

SVC: *The formula used to measure Sustainable Viability.*

Asynchrony: *The correlation between the Integrated Knowledge Profile of the people involved with an organisation and the Integrated Knowledge Profile of the subjects within its management system.*