For Senior Executives Who Are Accountable For Delivering A Positive Return-on-Investment From Their Corporate Change Projects

FLYING BLIND

10 Critical ROI Blind Spots

The 10 Critical *"Blind Spots"* Every Senior Executive Must Know About To Ensure Their Change Projects Deliver A Positive ROI

STEPHEN HAY

Strategic Advisor To Senior Executives Preparing For Transformational Change

Flying Blind

10 Critical ROI Blind Spots

For Senior Executives Who Are Accountable For Delivering A Positive Return-On-Investment From Their Corporate Change Projects

Flying Blind

10 Critical ROI Blind Spots

The 10 Critical *Blind Spots* Every Senior Executive Must Know About To Ensure Their Change Projects Deliver A Positive ROI

STEPHEN HAY

Strategic Advisor to Senior Executives
Preparing for Transformational Change

Copyright © Stephen Hay 2017

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means – electronic, mechanical, photocopying, recording or otherwise – without prior written permission from the publisher.

ISBN: 978-0-473-40297-6

Published By Stephen Hay, People & Process Limited

Address: PO Box 30169, Lower Hutt 5040
Wellington New Zealand

Contact phone: 04 587 0237 (New Zealand)
1300 290 606 (Australia)

Website: www.PeopleandProcess.com

PRAISE FOR THE AUTHOR

"Going into the meeting I had a preconceived idea of what I would get from the meeting – and I have to say that I was entirely wrong. In talking with Stephen (I talked, he listened and asked questions) it opened my eyes to areas of my business where I hadn't previously focused.

Stephen didn't profess to know anything about my business and he didn't try to force his own ideas – but he did get me thinking, and thinking is something I can highly recommend to every business owner!"

Camilla Welch,
Managing Director
Label and Litho Limited

"Stephen and I worked together on the Training and Education work-stream of a Transformation Programme for a major New Zealand government entity. The project delivered: an organisational design, capability and capacity for a common training environment, a centralised support for training design, planning and scheduling, and evaluation for all training and education across the entity – an organisation of over 14,000 staff.

Stephen was highly effective in facilitating and bringing into effect difficult elements of this transition in a demanding change environment. Stephen brings *a maturity and depth of thinking to his work and is capable of operating with confident autonomy in ambiguous environments. He has particular strengths in working with senior stakeholders, he writes well and has strong ethics."*

Crispin Garden-Webster,
Industrial Psychologist Takatuf Oman

"After meeting a few times informally, I contacted Stephen to work with me on a particular piece of business improvement within my corporate services group. I was impressed with Stephen's knowledge and ability to listen and guide while allowing me to maintain ownership of my goals. Stephen was a good person to work with and I would highly recommend him."

Grant McKenna,
General Manager
Finance & Corporate Services ServiceIQ

"Stephen worked on a key project that would maximise the use of the solution implemented by my team. Stephen is astute and demonstrates his wisdom, knowledge and wealth of experience through well-placed questioning and discussion that prompt what I call 'Ah Hah' moments for those listening.

His knowledge and experience were well suited to the political issues and challenging business culture of the organisation we worked for. I appreciated the contribution Stephen provided to my project team and *me. If I got the chance to work with Stephen again, I'd certainly jump at that chance."*

Humphrey Wikeepa,
Senior ICT Consultant Define Group

"His instinct for business analysis is both natural and unfailing, not only capturing the finest details of complex processes accurately, but also taking 'soft' issues into account at all stages of analysis and maintaining a clear vision of how things fit into the big picture.

His highly professional attitude also allows him to communicate constructively with all stakeholders, which turned out to be a highly valuable asset in the context of the difficult and often conflict-prone project we worked on together.

I would heartily welcome any opportunity to work with Stephen again, and it is without hesitation that I would warmly recommend him for any business analysis and improvement initiative."

Laurent Schmuziger,
International Committee of the Red Cross
Geneva

"Stephen provided a pragmatic business process framework to support our organisational strategy project at NZTE. He has a quiet style that doesn't dominate, ensuring that all team members understood the process and allowing them and senior leadership the space to drive the process to the desired outcome.

Provided valuable follow-up around team culture and communication."

Richard Laverty
GM Strategy
New Zealand Trade and Enterprise

"I have worked with Stephen Hay at Learning Lab Denmark. Stephen was trying to make some sense of a very anarchistic organisation. In my view he did an excellent job at balancing the need for speed and trailblazing with accountability and systematic strategy development. In addition to this professional approach and skill, Stephen Hay is a very amiable and inspiring person to be around."

Søren Kjaer Jensen,
Consortium Director
Learning Lab Denmark

"Firstly, Stephen was able to cut across the various boundaries that exist between divisions and companies – looking at the issues instead of the personnel. This enabled us to focus on what the company really wants to do. The centrality of the customer became very real.

Secondly, Stephen was very effective in communicating the definitive, detailed reasons behind the changes suggested. He repeatedly reminded us that there were valid, functional reasons for the changes; that in order for TFL to survive and position itself for future stability, changes were essential and the need for implementation was urgent.

Finally, Stephen helped staff discover their sense of ownership of both the problems inherent in the organisational structure and their ability to initiate change. They realised that change ultimately enhances both customer service and corporate health."

Taito Tabeleka
Chief Executive Officer
Telecom Fiji Limited, Fiji Islands

"I always found Stephen's input extremely valuable, whether it was by way of analysing processes, devising business improvements or acting as a strategic advisor.

Stephen is a highly perceptive, thoughtful and skilful professional who delivers quality results. He communicates effectively with managers and staff and produces well-written, concise reports and advice. In summary, Stephen has always provided perceptive insights to the issues we faced and delivered excellent value."

Zoran Bolevich,
Director Demand and Performance Evaluation
Branch NSW Ministry of Health

CONTENTS

INTRODUCTION

You are probably reading this because you are a Senior Executive accountable for delivering a positive ROI on a corporate change programme.

More than likely, you are an executive in the services sector; in other words, your organisation does not take raw materials and transform them into finished goods. Rather, your business creates customer value through the provision of timely and correct information, information that solves someone's problems for him or her. You might work in government, the corporate or not-for-profit sector. But the essential is this: you don't actually make stuff.

If that's the case, you will be acutely aware of the claim that some 70% of change projects fail. They fail: to finish on time, to deliver the expected outcomes or to come in under budget. If your change programme involves an ERP implementation, you'll be aware those projects have a claimed success rate of just 33%, and some 90% are late or over budget.

I do need to add a proviso here. This claim of a 70% failure rate is, of course, subject to arguments within the Change Management community. But if they are arguing about the percentage of change programmes that fail, I think they've missed the point really, don't you...?

The reasons for these failures are well documented and there's enough literature out there for you to read and more than enough change management experts to help you manage the project or programme. Which is good, because that's not why we're here.

We're here because we're going to talk about the organisation you seek to change, not how you change it. And that's what makes this book both important and unique: Important because the single biggest problem facing executives responsible for a successful change programme is that they don't actually understand the organisation they are seeking to change.

Unique because no other book (as far as I know) addresses this issue of understanding the organisation you are seeking to change. Years ago, when I started piecing this together, I'd show it to ex-CEOs and active consultants and invariably their reaction was, "I wish I'd known about this when we were doing 'xyz' project...".

Corporate change programmes have a deep and lasting impact, good or bad, on your organisation and the people in it. That is reason enough to do it well.

Given the expertise and experience available to help you implement improved versions of project management, organisational buy-in, capability development and so forth, you could be forgiven for thinking that the number of successful change projects would be dramatically increasing. Yet this 70% failure statistic persists. What's going on?

In fact, most change projects are pretty well run, the project management expertise is generally robust, the communications and change people know their stuff and the executive team are generally pretty clear on what they want to achieve and why. So we can fairly safely leave aside the techniques of change management.

So, how do you ensure your change programme falls into the 30% that do not fail?

Let's open that conversation by separating the change from the thing to be changed.

Imagine you were responsible for driving a new tunnel under your city. You'd probably want to know where the building foundations, the sewer pipes, the water pipes, the electricity cables and any tunnels were located. And let's face it: If you were to drive a new tunnel without knowing all these things, the possibility of success would be minimal.

Yet that is the approach we take with our corporate change programmes. We have the techniques and all the expertise we need to run a successful change programme but the single consistent characteristic of all these projects is this: We don't know where all the existing infrastructure is.

So, naturally, the changes you want to make interfere with the existing infrastructure rather than enhance it (for the purposes of this book, infrastructure is everything that currently exists in your organisation).

Most change management theories and models start with the view that you need to identify the future you want then plan a pathway to get there. In practice, if not in theory, the status quo exists only as something to be moved away from.

But taking this approach creates blindspots and the thesis of this book is that these blindspots are the most likely contributors to the very high percentage of change projects that fail. The purpose of this book is to reveal those blindspots.

While we're at it, let's change the measure for success to one that is simpler and easier to track. Let's just use Return on Investment. But also let's ensure that our ROI measure includes tangibles (time, money), intangibles and strategic advantage.

A failed change programme now has a negative return on investment or one that is less positive than expected. Interested?

Before we get too far into this, it might be an idea if I give you a brief introduction to why I'm writing about this.

I strongly believe that corporate change programmes *can* achieve deep and lasting positive impact. You can have a positive impact on your organisation and deeply affect the working lives of your employees, your customers, suppliers and other stakeholders.

I have seen and worked on these projects and programmes from both sides of the coin over a period of over two decades. Based on this experience and an enormous curiosity, I have put together a series of models and insights that I'll describe in this book. It's an absence of models and insights that creates blind spots.

Further, I believe the change heroes you need are already in your organisation – as a senior executive, you are one of them – and the last thing you need is another consultant coming along with the 'silver-bullet solution' to your organisational problems.

Again, the theme of this book is not about changing your organisation; there are plenty of books about that. This book is about understanding the organisation you seek to change. And that is a lot different from changing it.

Understanding comes from looking from a variety of angles and perspectives then blending them into a coherent whole. This is my particular expertise.

I started my professional life as a surveyor. Even as surveyors use a variety of maps – road maps, soil-use maps, vegetation maps, land-use maps, contour maps, etc. – to give them the information they need, they are always conscious that they are talking about the same piece of land.

Similarly in our organisations, managers use org charts, charts of accounts, process maps, seating plans, IT infrastructure maps, data flow diagrams and so forth to describe different aspects of the organisation. But for some strange reason, change consultants then act as though these are descriptions of different organisations and make no reference to the other charts and diagrams at hand.

Most organisational disputes are about the validity of the picture the map is showing. These disputes can easily be resolved by putting all these charts next to each other to give us a complete overview.

Back to our tunnelling example… As already mentioned, if you were a civil engineer and you decided to drive a new tunnel underneath a city without checking the existing infrastructure below ground, you'd have an absolute disaster on your hands.

Well, that's what happens when we initiate a change programme in our organisations: We have all the right techniques and methodologies for success; we just forget to collect together all the plans needed to build a full and complete description of the organisation we're trying to change.

That's what this book is about, and I'm really pleased you've decided to come along for the ride.

A warning before we start: What you're about to read in this book is probably the opposite of what you are hearing from your current advisors.

Don't worry about that, I've found that most people appreciate a contrarian viewpoint and my best clients love an intellectual challenge; they revel in muscular thinking.

One last thing before we get started. It is important to realise that while ROI is important, it is just one part of the picture. ROI has a counterpart. It is COI, the Cost of Inaction.

In the approach taken here, the Cost of Inaction is the cost of not collecting all the information you need to fully understand the organisation you seek to change. Put this way, the COI is the difference between falling into the 70% of projects that fail or staying in the 30% that succeed. In other words, the Cost of Inaction is a negative Return on Investment. Is that a price you're willing to pay?

My exclusive offer to you: If, on reading this book, you find yourself thinking that you'd like a second opinion on your current or future change programmes, simply reach out to my office for a Complimentary Change Management Strategy Review (Value $1450).

You can reach my office at:

- 1300 290 606 if you're in Australia
- 04 587 0237 if you're in New Zealand

Or feel free to visit
www.PeopleandProcess.com/StrategySession to
schedule your Complimentary Consultation.

To your success,

Stephen Hay
Strategic Advisor to Senior Executives
Preparing for Transformational Change

SITUATING YOUR CHANGE PROGRAMMES IN YOUR ORGANISATION'S ENVIRONMENT

Content Is King But Context Is Everything.

The typical approach to change focuses on content: change management plans, project plans, communication plans and so forth. But to give this content meaning, you need context. And the context of your change programme is your organisation. Let's never forget that.

No context, no meaning.

Further, to give your change programme context, we need to start with your organisation's environment, its context. In trying to understand your organisation we need to first situate it in two different frameworks. The first is the industry business model; the second is your organisation's maturity. Why?

The industry business model shows how your organisation creates value for its customers or clients (or beneficiaries, if your clients don't pay directly for your services). And your value creation model points to the change model you need to use.

By matching value creation and change models, you ensure your change project success measures are drawn from your business-level, customer-centric success measures. I mean, why would you use success measures for your change programme that do not relate directly to how you measure the success of your organisation? That would be absurd.

To put it really bluntly, without matching these success measures you run the risk of having a successful change programme that destroys value for your customers. And experience tells us that that risk is substantial.

The second context-setting model we need to look at concerns your organisation's maturity. By this I mean not how long it has been operating, rather its phase of development. We'll flesh this out in the relevant chapter but I wanted to bring it to your attention here.

The reason for this is simple and really important. If you had a misbehaving child, you would address that behaviour in a manner appropriate to the child's age. Equally, if your teenager is rebelling, the way you deal with the situation will be different from the way you deal with a toddler's tantrum. Even if, on the surface, they look quite different, a sullen teenager and a toddler in the middle of a meltdown are expressing the same thing. There is a mismatch between how they think things should be and how things actually are.

It's the same with organisations. Your organisation's phase of development guides you to the reasons for the problems you're trying to address with your change programme.

More importantly, it gives you the 'age-appropriate' means to address those problems. Knowing the maturity level of your organisation will help you determine the type of change programme that will give you the greatest ROI.

EF Schumacher*, in his little book *A Guide for the Perplexed* captures the importance of context beautifully...

"The most important part of any inquiry or exploration is its beginning. As has often been pointed out, if a false or superficial beginning has been made, one may employ the most rigorous methods during the later stages of investigation but they will never retrieve the situation."

We need to start with the two biggest blindspots because if you get one of these wrong, no amount of change technique or project management methodology will help. You will have committed yourself to the 70% basket before you even start.

BLIND SPOT #1:

Using The Wrong Business Model For Your (Service) Organisation

Let's dive straight in.

How can your business model be a blind spot in your change programme? More importantly, why does it matter?

We'll start with the second question.

It matters because success only comes if your change model matches your business model.

Let me explain.

If you have a factory and you make cars, your business model will be based on Porter's Value Chain* and your change model will have something to do with increasing efficiency/productivity and lowering the cost of production. It makes perfect sense and there's a consistency there.

You create value for your customers by taking components made by your suppliers and assembling them to build a car. Any improvement you seek will be in lowering the cost of production or the time to produce your cars. It's nice and simple, your ROI on your change projects is tangible; you can track and measure the impact of your change initiative.

Life is good.

Staying with the car industry illustration: If you take a radical approach and adopt the 'pull' approach to dragging the car down the assembly line towards the person who ordered it, your focus will be on reducing inventory.

All the work of Womack and Jones*, Ohno* and everyone else that has written on the Toyota Production System and Lean Manufacturing provides the background to this and you're more than likely familiar with it. In this case, your change programmes will address tooling changes and continuous improvement but, again, there is a consistency between the way you do business and the way you improve your business.

So the answer to the second question is consistency. You are more likely to see a positive ROI if you use a change model and measures that directly relate to the way you do business. It just makes sense.

Now let's tackle the first question.

How can your business model be the Number 1 Blind Spot?

To answer this, we need to go back to our maps.

The first rule of mapping is that the map is not the territory; it is always a representation and that representation is always subjective. Someone has to decide what detail is included and what is left out. Fortunately there is a long tradition in map-making so these decisions are relatively easy to make, there is plenty of guidance available and there will always be a cartographer around to rap your knuckles with a T-square.

That is not the case in organisational development. For a start, the discipline is much, much younger and, secondly, the consequences of choosing the wrong model are less damaging. You won't run a ship aground if you use the wrong process chart, for example. You may, however, sail off the edge of your world...

Because the consequences are less obvious, though no less damaging, we are less inclined to learn from the mistakes. That's your first hurdle.

The statistician, George Box*, said, "All models are wrong but some are useful." While he was talking about statistical models, he was getting at the essence behind the 'maps are not the territory' statement. But what happens when you use the wrong model?

First, you need to know there are alternative models to the Value Chain. Just because it is the only value creation model taught in business schools doesn't mean it is the only way to model the creation of value.

Alternatives give you choices so, if your current models are driving the wrong behaviour, you need to have access to alternative models.

If the measures of success in your change project are geared toward production-line type measures (efficiency, cost of production, etc.) but your business is not, the changes you deem to be successful may be destroying your ability to create value for your customers. And you'd never know.

If your business is not, properly speaking, a production line, how do you model it?

In his seminal 1967 book *Organisations in Action*, Thompson* identified three types of technology: long-linked, mediating and intensive. We don't need to go into great detail on these but we do need to recognise that Porter's work is based almost exclusively on what Thompson called long-linked technology, the primary characteristic of which is sequential processes and economies of scale.

You can understand the attraction. Factories make stuff; it's concrete, tangible. You can strip out waste and you can see the impact. You can see the increases in productivity and the reductions in cost. The piles of waste in the corner diminish; production is faster, the cost of production decreases.

Life is good but for one small problem.

A bit less than 70% of the world's GDP comes from service industries – industries that don't make stuff. Yet the vast majority use a value creation model based on manufacturing.

That means that some 70% of your country's GDP is being generated based on a business model that doesn't fit the business. Stop for a moment and consider that. If your business is successful now, imagine what it could achieve if its value creation model was actually appropriate for the business you're in....

Just imagine what sort of competitive advantage that could offer you.

More importantly, if your business model is unsuitable, imagine how that is driving change in your organisation. Production-line models in a service organisation force you to focus on the transaction and processing speed. Yes, the IT industry has some responsibility for this. Value chains are a process view of your organisation and flowcharts are an information-world equivalent of a production line.

At its core, sequential processing is easy to understand. Flowcharts, first introduced by John von Neumann* in 1945 – and, being the easiest to understand, still the most widely-used business analysis aid – have ensured that 'push' model thinking has been embedded in your information systems.

Thompson's 'long-linked' technology surrounds us, is deeply embedded in our organisations and information systems, is taught in business schools and, most importantly, is really easy to understand.

But that doesn't mean it is always right.

Thompson also wrote of mediating technologies and intensive technologies. Some 30 years later, two Norwegian business school researchers, Stabell and Fjeldstadt*, picked up these concepts and expanded the choice of value creation models by adding the Value Shop and the Value Network to Porter's Value Chain.

Value Shop

The Value Shop* model is based on Thompson's intensive technology and it is important because it describes businesses that solve problems for their clients: consultants, medical practitioners, auto-repair shops, and so forth. Most service industries, in fact.

Rather than linear, the model is cyclical and spiralling; as a problem is investigated, diagnosed and solved, other problems may emerge.

Crucially, the value is in the diagnosis and the options the practitioner offers the client. This is about relationships, not transactions. Bedside manner, if you will.

Most clients or patients would like this presentation of options to occur in a timely manner, taking into account their need to understand the diagnosis. Focusing on the transaction and searching for economies of scale and increased productivity in these types of business is the fastest way to destroy value for a client. Your doctor's 15-minute consultation roster is a good example of these value-destroying practices.

The diagram below shows the Problem Definition, Problem Solving, Choice of Solution, Execution and Evaluation stages for two levels of support.

Review Cycle 1 shows another problem at the first level of support. Cycle 2 shows an escalation, Cycle 3 shows another problem at the second level of support.

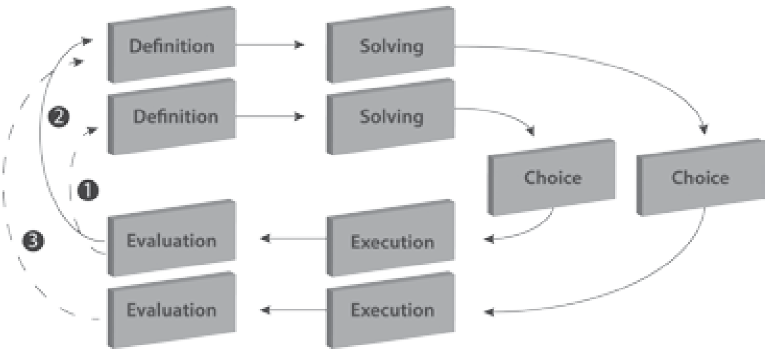


Figure 1: Cyclical Problem Solving

Value Network

The Value Network* model fits businesses that bring customers together, it is based on Thompson's mediating technology. Customers don't sign up to a particular telecom company for the company. They sign up to reach other customers.

Banks are a good example of this (bringing together borrowers and lenders [depositors]). So too are postal services. Treating these businesses as value chains means you have to mangle the language to fit your practices into a foreign logic.

Yes, there may be elements of sequential processing in your business but that is not how you create value for your customers. Where value chains are characterised by efficiency and economies of scale, value network activities are simultaneous and parallel.

So you also need to mangle the actual logic that is creating your customers' value. It breaks down when you force-fit a telephone company into a factory. The incorrect choice of business model results in a need for huge call centres to try to fix the problems. We'll look at this throughout the book.

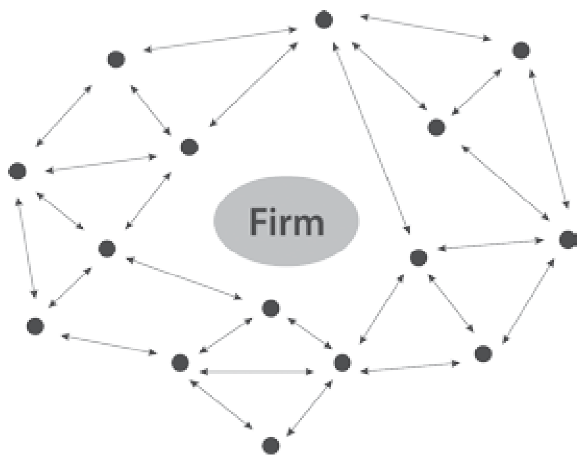


Figure 2: Value Network

So far, these value chains, shops and networks have been described from the inside-out, from the perspective of the organisation creating the value. But there is one very important perspective that we will encounter again and again throughout this book – the voice of the customer and customer value.

So, to look at your business model from your customers' perspective, let's introduce a couple of new people to this conversation: Treacy and Wiersema*, the authors of *The Discipline of Market Leaders*.

Treacy and Wiersema identified three types of value sought by customers, which they call 'value disciplines'. Importantly, you can't be good at all three. Like the value creation models mentioned above, with value disciplines you need to choose one and perfect it. It's fine to be 'just okay' at the other two.

They are, in the author's terms:

- Operational excellence, which gives best total cost. Its objective is to achieve the low-cost position on product and service support.

- Product excellence, which gives best product.Its objective is to build a better product, for which customers will pay a premium.

- Customer intimacy, which gives best total solution.Its objective is to solve a client's broader problem and share the benefit.

From both the internal 'looking-out' perspective and the customer 'looking-in' perspective, you need to choose the one that best fits your organisation. Context gives meaning and purpose. A purposeless organisation is meaningless. People seek meaningful work.

The greatest advantage, though, comes from mixing value creation logics (inside looking out) and value disciplines (outside looking in). The result will situate your organisation in its rightful place both in terms of how it creates value and the value your customers seek. And situating your organisation correctly means you can change it appropriately.

Let's have a quick look at how these might match and the consequences of pursing *process improvement* as a change method in each case.

Starting with the production-line model, it is clear that operational excellence is its companion 'value discipline'. And, if that's the model for your business, that's fine, because your change projects can then be very, very focused on improving operational excellence.

Process improvement is ideal for this. You can seek economies of scale, reduce processing time, cut costs, outsource. In a manufacturing world, all these are legitimate and, most importantly, consistent. But... in a business based on service, you must be aware that all these activities will put your focus on the transaction, not the relationship.

If you are in the business of solving client problems, you need to be looking at the Value Shop and Customer Intimacy models, and how they work together. Your change models and their measures of success will then become clear. There is literally a 'light bulb' moment when you see this laid out in front of you.

Using process improvement in this case will see time spent with customers as waste and will drive you to seek to eliminate unnecessary consulting time. But it is exactly that time that creates the value for the customer. You see how this mismatch of models can seriously erode your business?

If you are in the business of connecting your customers with each other, you'll need to be looking at the Value Network and Product Excellence business models. Your change models will need to take into account your product development cycle and how quickly you connect customers to your network and rectify faults.

Process improvement has a role to play if there is heavy automation or digital transactions – self-serve kiosks, for example. But be wary of looking for waste in the product development lifecycle; time spent thinking is not necessarily time wasted.

Eliminating Blind Spot #1 means situating your organisation in its rightful place both in terms of how it creates value and the value your customers seek. It gives your organisation context and purpose.

We do this by mixing value creation logics (inside looking out) and value disciplines (outside looking in). A change model that honours these, coupled with robust change and project management techniques, will be assured of delivering a positive ROI.

We've spent a fair bit of time on this, the first, and biggest, blind spot, because if you get this wrong, there is no recovery.

It's now time to move on to Blind Spot #2: Thinking Your Organisation is More (or Less) Mature Than It Really Is.

BLIND SPOT #2:

Thinking Your Organisation Is More (or Less) Mature Than It Really Is

Blind Spot #1 considered whether or not your business model is the right one for your organisation and, accordingly, whether the change model you use will help or hinder your ability to deliver value to your clients.

Now it's time to forget about how your organisation creates value and look at why its stage of development plays such an influential role in the success of your change projects.

If you are considering a change project, it is a pretty reasonable assumption that your department or organisation is in a crisis of some sort. This might be triggered by a change in legislation, changes in the market, a product recall or some other externally generated disruption.

Crises are also triggered internally and, thankfully, if we look at an organisation from its developmental perspective, there are just two crises to choose from (this section draws heavily from the work of Bernard Lievegoed*).

The first occurs at the end of the Pioneering or Start-up Phase (we'll describe these later) and the second occurs at the end of the Differentiation or Mechanistic Phase. In the same way it was important to know which value creation model fits your organisation, it's important to know which crisis you're in because the way you deal with each of these crises is quite different.

Not knowing which crisis your organisation is in is Blind Spot #2.

If a child misbehaves in a particular way, you treat the situation taking into account the fact that you are dealing with a child not an adult. The same goes for dealing with an adolescent.

You wouldn't counsel a man going through a mid-life crisis using the same techniques you would use to help a teenager work through an adolescent existential crisis, even if they might appear the same on the surface.

But when we deal with situations in our organisations we don't take this into account.

Instead, we treat all organisations in the same way (except, perhaps, start-ups). This means we tend to make a mess of the situation not because the solutions we bring are incorrect rather that they are inappropriate for the organisation's stage of development.

Not surprisingly, this has a profound impact on the success or otherwise of your change initiatives.

Let's have a look at these development stages. For most organisations, the first three phases are relevant (though most have not progressed beyond the first two...):

- Pioneering
  (Pioneering Crisis)
- Differentiation
  (Differentiation Crisis)
- Integration
- Associative

Each of these stages has its own characteristics and each has its own crisis. The reason you are considering embarking on a change programme is most likely related to one of the two crises but the way you react to the crisis must be driven by the crisis itself. Use the tools that relate to one crisis on the other and you'll have a disaster on your hands.

Pioneering

The first phase of an organisation's development lifecycle is the pioneering phase, also known as the start-up or entrepreneurial phase. Everything is in the 'here and now'. Much of the activity is re-active rather than pro-active. And the organisation is seen as a large family with personal relations being crucial to success.

It's easy enough to self-diagnose. You just need to be honest with yourself. If your organisation is in this phase, it will be exhibiting some or all of the following characteristics:

- autocratic leadership and decision-making
- clear organisational goals
- informal organisation
- rigidly defined lines of communication
- few standardised procedures or methods
- minimal forward planning
- little or no formal management development

Left too long, this creates the danger of personality cults. If the organisation is to endure, this guru-based phase is clearly not sustainable and sooner or later the organisation enters its first crisis.

The first crisis marks the end of the family orientation that typifies the pioneering phase and demands the *introduction and implementation of systems and procedures*. The organisation begins to take on a life of its own. It is the equivalent of the crises of adolescence, when your children start to move out from under your influence.

Typical events that mark the onset of the crisis are:

- growth in size
- the need for specialist techniques
- lack of capital
- a need for better planning
- a need for professional management

You'll know that you're in the depths of this crisis if you experience:

- poor communication
- conflict between managers

- task and job repetition
- a growing split between supervision and management
- complaints about lack of delegation
- arguments
- poor decisions
- customer complaints

All young organisations go through this organisational development crisis and tech start-ups seem to be able to do it both spectacularly and very publicly...

If you see symptoms like those above, it's time to introduce some rigour and standardisation using the procedures and structure associated with the scientific or differentiation phase. This will help to stabilise the chaos and keep the organisation on track for its ongoing development.

The use of a robust change management model (see Blind Spot #10) during the pioneering crisis can help clarify the goals and aspirations that will take you into the future. And it is important to correctly identify these goals because they will be embedded in the processes and procedures you put in place to carry you into the next, differentiation, stage.

Differentiation

The differentiation phase of the organisational development lifecycle marks the introduction and implementation of systems and procedures. It is here that the abstraction found in practices such as business process modelling comes into its own as the organisation begins to take on a life separate from that of its founders. Even if key people leave, the organisation will continue to function.

This differentiation phase is characterised by:

- new systems and procedures
- mechanisation, standardisation and specialisation
- management as a clearly-defined hierarchy
- span of control with everyone responsible to one manager in the hierarchy
- responsibility and authority vested in managers
- specialists acting in advisory roles
- formal communication systems that operate in a number of different forms

It is a time of expansion. The family aspect of the pioneering phase is replaced by a growing sense of the need for professionalism.

Rather than personal relations providing the foundation and infrastructure, professional competence and respect between colleagues underpin the functioning of the organisation during its differentiation phase.

It is in this phase that we see Taylor's Scientific Management* being enacted; the person is replaced by his skills and competences. And it is in this phase that we see most organisations today. This is why organisational maturity has little to do with how long the organisation has existed.

An organisation can stay in this differentiation phase, or its crisis, for several decades. Left too long, the organisation becomes sclerotic – a fair assessment of many bureaucracies we have to deal with in our day-to-day lives.

What happens when your systems start to creak?

Rather than facing up to and going through the crisis, the temptation is to prolong this phase. Paradoxically, when most organisations need to be relaxing control and decentralising decision-making, they implement enterprise-wide IT systems.

This is a good example of doing the right thing at the wrong time and goes a long way to explaining the 70% failure rate of IT-based change programmes.

The processes and procedures that come with ERP solutions are needed for the pioneering crisis; the differentiation crisis asks that you loosen the reins, not tighten them.

The differentiation crisis marks the limit of scientific management or Taylorism. People feel that they are regarded as packages of competences, work is no longer satisfying and increasingly rigid procedures are needed to ensure that productivity is maintained. Micro-management is rife. I'm sure you recognise this as you look around. Key members leave to start their own small consulting businesses or come back and work for you as contractors...

The organisation can exist without its people, and largely it does. The company no longer has a life of its own; it has become an empty shell populated by people who are saving their energy for their after-work activities. We'll look at this in more depth in Blind Spot #8: Employee Engagement.

This somewhat bleak analysis of the differentiation phase carried too far is the result of observing all too many organisations determined to remain where they are. This also explains why so many change processes simply choose to ignore the status quo and look to the future. The status quo, being so debilitating, is seen as something that must be escaped.

And so, the crisis begins...

The typical events that mark the onset of the scientific crisis are:

- inflexibility and inertia
- loss of co-ordination
- lack of communication
- breakdown of staff/line system
- lack of motivation

Once in the crisis, we see the following:

- slow customer responsiveness
- inadequacy of reporting systems
- slow reaction to environmental problems
- low morale in the workforce
- higher labour turnover
- industrial relations difficulties
- lower productivity

These types of problems are wellknown to most of us, whether as employees or clients, and the situation is serious and extremely widespread. That's why it's a blindspot. If it weren't, these issues would be dealt with and we wouldn't see these symptoms.

Organisations facing this crisis tend to:

Either go through the crisis to the next, integrated, phase with some pain;

Or reinforce the 'stuckness' by implementing large, enterprise-wide IT systems. The organisation is stuck because its value creation paradigms (Blind Spot #1) won't permit it to move forward. If you think you're a production line (even if you're not), you seek process excellence and implement IT systems to reduce transaction costs, even if that is inappropriate for the behaviour you are observing.

Organisations suffering these 'symptoms' then try to rejuvenate by bringing in an external, charismatic CEO, forcing them back into the Pioneering Phase. It's the hamster-wheel of organisational development.

Finding technical solutions to people-related problems is the primary characteristic of organisations not addressing the differentiation crisis.

You see how these two blindspots weave into each other? Your organisation is trapped by the way its management thinks about it...

But there is a way out. A rigorous application of the Strategic U-turn (see Blind Spot #10) during this crisis will lay bare the conflict between the values, as embedded in the cultural subsystem, and the processes as found in the technical subsystem.

Crises are perfectly normal in the organisational development lifecycle, so we shouldn't be overly negative about the challenges. They mark the end of one phase and hence the beginning of the next. They are necessary, but need to be managed wisely.

Projects to move the organisation through this crisis need to be planned carefully and appropriately. Using a fresh perspective, such as a process-oriented work breakdown structure, can ensure your change programme has a 'whole of process' approach and can shed light on organisational minefields that would be otherwise hidden.

As your organisation moves into its integration phase, the change needs be brokered, as opposed to 'managed', because most of the change is cultural rather than technical. And much of the change comes in the form of personal and leadership development, at all levels of the hierarchy...

Integration

The next phase, the integration phase, of an organisation's development can be seen as the onset of maturity. We could also call it Organisational EQ. This is where we can really talk about organisational maturity.

Systematic approaches are applied where appropriate but elsewhere a flexible and informal attitude can be adopted. Trust based on both personal relations and professional respect is the order of the day.

Known as the dynamic or integration phase of the organisational development lifecycle, it is probably the furthest a service industry enterprise can develop – only because there is, strictly speaking, no supply chain. No extraction from, nor return to, nature is necessary – the key characteristic of the final, associative phase.

Thinking back to the descriptions to be found in Stabell and Fjeldstad's paper (mentioned in Blind Spot #1), this phase marks the desired attributes of a value shop. It is characterised by:

- flexibility
- informality
- teamwork
- a systematic approach to planning and controlling

An organisation that is more appropriately described by a value chain will eventually find this phase limiting because, once in the mood of this phase, there is a strong desire to extend it beyond the bounds of the firm – and, with that, the desire to become a lean enterprise.

If the enterprise as a whole does not pursue this avenue, the crisis that follows is characterised by business units seeking independence. Spin-offs and out-sourcing can be an expression of this.

But does this integration crisis really exist? Has anyone experienced the end of the integration phase?

Whether or not your organisation needs to enter the third crisis of the organisational development lifecycle is largely dependent on whether it is a manufacturer or in the service industries. In the case of a service provider, there is most likely no need to develop further. There is talk of lean service but that is largely in respect of production-line techniques applied to the services sector.

But for an organisation that is based on the value chain there is certainly need for a value-creation paradigm shift to help it move into the associative phase of its development.

And, once again, the application of a robust change management model (see Blind Spot #10) will assist the process.

Like Blind Spot #1, we've spent a fair bit of time on this. Eliminating the second context-setting blindspot will remove many, many blockages in your change programmes by simply allowing you to treat your organisation's crisis according to its maturity level.

We've now set the scene for your organisation, from the outside. The Positioning Matrix below shows this diagrammatically.

Resolving Blind Spot #1 will place your organisation in one of the rows. Eliminating Blind Spot #2 will give you a cell in that row.

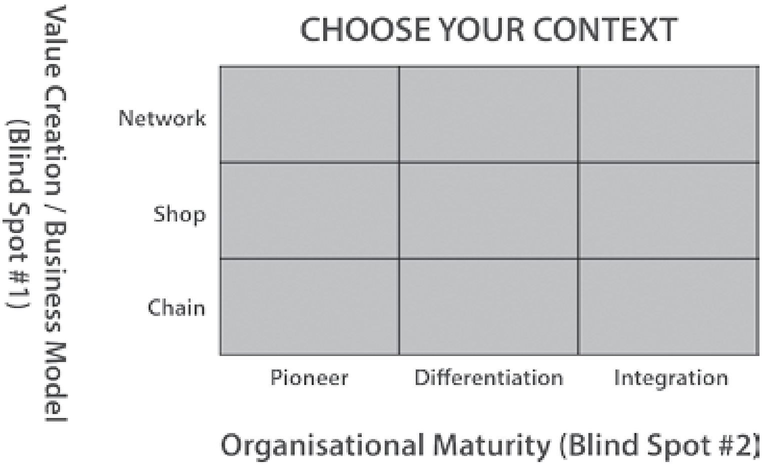


Figure 3: Positioning Matrix

Eliminating Blind Spots #1 and #2 gives you your organisation's context. Everything else in this book applies to that cell. Starting with Blind Spot #3: Using Static Images to Plan Change.

THE INFLUENCE OF THE PAST

Now that we've set the context of your organisation, we can start to look inside it.

To understand your organisation, we need to unpack two different perspectives: the influence of the past and a deep understanding of what is happening in the present. There's no need for us to worry too much about the future state because your change programme has that worked out.

In this book we're focused entirely on understanding what you have before you, now. And the way to address the issues you face, is this...

...*the problems you are trying to solve today were the solutions proposed in the past*.

That past need not be too far distant. It could be just 6 or so months ago. The important thing is that decisions were made then that shape the way things are done now.

Past decisions influence the present in a static manner. The thinking of the past has been frozen, if you like, into three main views of your organisation:

- its hierarchical structure (the organisation chart)
- where people are located (building and seating plans)
- how work is done (process maps and procedures)

These three maps are the result of decisions made, and then frozen in time. Sometimes the information they contain is contradictory, sometimes it matches; other times there is so little correspondence that you wonder if the diagrams are describing the same organisation.

In terms of understanding the present, this next blindspot (which could be three but for the sake of brevity has been folded into one) unpicks the three diagrams and shows how their lack of use can create certain blindspots in your understanding of your organisation.

Blinders (sometimes blinkers) are used to prevent a horse seeing backwards or to the side. It keeps them focused on the path in front, especially when racing or when pulling a carriage in the streets.

Management practices and the daily pressure of running a business mean that we often put on metaphorical blinders just to stay sane. There is a danger in this, though. We forget to take them off when we embark on a change programme.

The rest of this book is about exercising your peripheral vision – taking off the blinders – and we start by considering how these static images can be used together to reveal blindspots in your understanding of your organisation.

BLIND SPOT #3:

Not Using All The Information Contained In The Static Images Of Your Organisation

The first two blindspots considered your organisation from the outside-in. They were concerned with context:

- situating your organisation in its environment
- situating your organisation on its development path

Blind Spot #3 takes us inside and looks at how you can use multiple static images of your organisation to help you plan change.

Static maps are just that – static. They describe the story of your organisation as it was devised by people in the past. Someone in HR or the Executive Team determined the hierarchical structure, determined who would report to whom, determined how many direct reports each person could have and the competencies needed for people to perform their roles and complete their tasks.

It's an old view. The thinking was done and the picture is the only record you have of those conversations. Crucially, the people whose positions are described in those pictures were not involved in the conversations. Worse, the people who made the decisions may no longer be in your organisation.

Why are the people affected by these decisions not involved in the decisions? Sometimes it's because they were not in the organisation when those decisions were made; but more often it's because the people making the decisions do not consider the people who are subject to those decisions to be capable of contributing.

Not trusting people to make decisions or contribute to the conversation about things that affect them… That's a blind spot. Quite a serious one.

To eliminate the blind spot you must involve those affected in the decisions so you can ensure those decisions do not cause harm to others.

Everyone will tell you that change is a journey, not a destination. We prepare for a journey by consulting maps. What is the equivalent when planning your change journey?

Most organisations have an org chart. This is the minimum you'd expect to see and use. It tells you how your organisation is organised, who reports to whom and how many hierarchical layers you have.

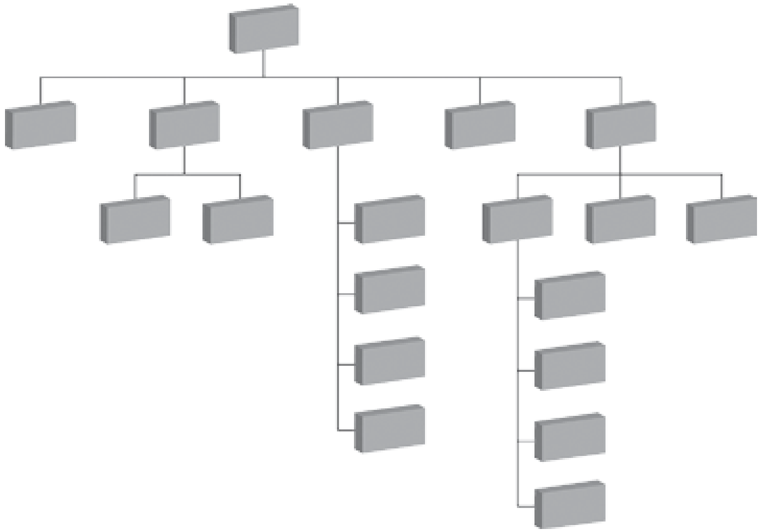


Figure 4: Example Organisation Chart

The extent of what an org chart tells you could be considered fairly meagre, but most organisations don't use even this level of information. Or, often, they use it only to 'restructure' – move the boxes around to come up with a new way of organising – a 'technique' commonly used to manage someone out rather than managing their performance. Certainly not one I'm advocating here as part of your change programmes.

You could add more information to the org chart by comparing it with your chart of accounts. This blends reporting and financial delegations. Sometimes the differences are glaring, sometimes not. But it is better to know than not know.

To the org chart, we can add another static chart – the seating plan.

This corresponds roughly to the towns and hamlets on your topographic map. It shows where people live and where they might work.

Holding these two pictures up against each other opens up a blindspot. You can see whether your people sit together as they are organised. Is this important? That depends entirely on how you view your organisation.

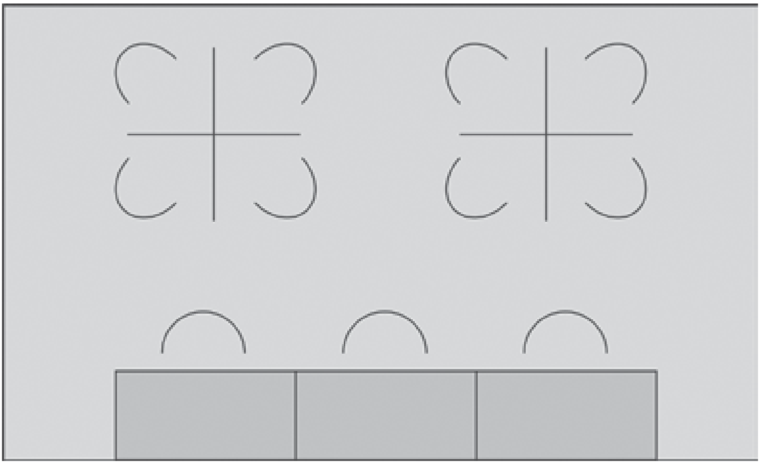


Figure 5: Example Seating Plan

You might be an advocate of cross-functional teams and you can use these two pictures to help you see how your organisation enables that. Or you might suspect you have a sclerotic bureaucracy that you want to loosen up. Having people sit in their organisational units would be a symptom of that, and may be hiding a micro-manager – driving unproductive behaviour you wish to stop.

Organisational charts and seating plans tell you only who can approve leave and where you can find people. But if you're in an organisation that favours hot-desking, your seating plan won't even help you with that! That's the equivalent of removing all street names and numbers from your city directory. You know people live there; you just don't have any way of finding them.

Work, though, is another matter. None of these static charts address the work you do, and none say anything about how your organisation creates value. And that's the main blindspot in this section.

Enter process maps and models. They abstract out of the org chart and tell you how the tasks performed by different roles interact to get work done. They are the first maps that show creative interaction.

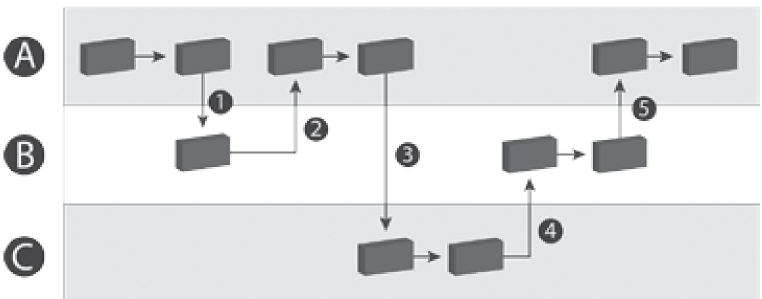


Figure 6: Example Process Map

Your process maps need to lift their game to be of any real use. Many times a process map is drawn and then lives its life in the bottom drawer of someone's desk somewhere, only to be pulled out when something goes wrong. It's subsequently presented in a meeting as evidence that the process *does* exist – "It is *the people* who failed."

That's rubbish. The process exists whether it is drawn or not. If it didn't exist, no work would occur, no results would be generated, no customers would receive anything of value. The process exists, always. It is our understanding of the process that is deficient.

Comparing an org chart or a seating plan with a process map is always enlightening. Take any process map and plot its sequences across an org chart and you'll usually end up with a diagram that looks like a ball of wool after a kitten has got to it.

Do the same thing across a seating plan and the result will be similar.

If you're really keen, plot several process charts on one seating plan. Then try to make sense of it. It helps to use different colours. The mess you see is what your employees are dealing with. Every. Single. Day.

The next diagram is an example that plots the Process Map onto the Seating Plan, above.

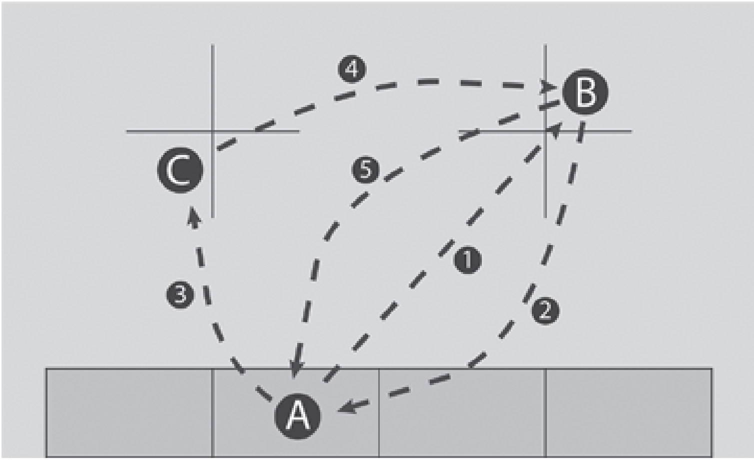


Figure 7: Process Flow on Seating Plan

Part of your change programme's ROI needs to include the unravelling of that mess.

I hope it is clear now that comparing the three most common static charts used to manage your organisation can give you incredible insights – insights not many senior change managers are using, even if they are so simple to find.

Once you see the balls of wool, once you have these insights, you are in a much better position to plan your change journey. Not having the insights is the equivalent of planning a road trip with a map that shows no towns. You have no idea where you will be able to refuel or buy lunch.

You wouldn't do that on the road; please don't do it to your organisation!

What's the impact if the three components of this blindspot are ignored?

This blindspot differs from Blind Spots #1 and #2 both conceptually and practically. Those two situated your organisation in its environment and development lifecycle and provided indications of success factors you can use for your change programme. This blindspot deals exclusively with information you have available within your organisation. You don't need to look far to find it.

Ignoring this blindspot means you are making decisions on very limited information. Worse than that, you're making decisions ignoring information you readily have available.

Remember our statement about the map not being the terrain?

If you leave on a trip without a map, the land doesn't really care. The towns don't care whether you turn up or not. But the people in your organisation *are* the terrain, they know what works and what doesn't and they can see how your change programme is progressing against the terrain that is they.

Trying to navigate that terrain with no map is not brave; it is foolhardy. It is changing your role from navigator to explorer. Mapmaker not map user.

Do you agree there are insights to be gained from this cross-referencing of static maps?

You can expand your change strategy to incorporate these three perspectives using the simple exercises I've mentioned above or you could use a more sophisticated tool such as an Enterprise Architecture modelling suite. That's up to you.

Personally, I prefer the old-fashioned, hand-drawn way because scribbling is good and a bit of rough-and-ready does wonders for understanding. The rougher your drawings, the closer they are to reality, I've found. And the less 'finished' they are, the more people are willing to change them.

Why would you want to change these diagrams?

Because, despite the rhetoric, all the process map does is give the people who do the work the opportunity to sit down and discuss the work they do. It is a graphical minutes of a meeting, a meeting between the people who perform the tasks shown sequentially in a flowchart.

That's why it's so important. In many ways the map doesn't matter. It's not actually a map; it's a means to engage people in a discussion about why they come to work in the morning. Yes, you'll have a map at the end but the map is not really the goal.

The goal of any 'process improvement' exercise is changing work practices. And if you're going to do that, you had better understand what you're changing and the impact those changes will have on your organisation and on your people. That's your ROI, right there.

A word of warning.

It is tempting to develop these drawings and the insights that come from them in isolation. Business analysts, particularly those who have come from a technical background love data and its presentation. But if you do this work without the people involved, you send the message to your people that you don't trust them to make decisions that affect them.

It tells them that you know best, better than they do – even if they have been doing the work for years, decades maybe, and you have only just arrived on the scene. Most importantly, it shows that you are not willing to listen, to take into account points of view other than your own, to seek advice from the people who will be affected by the decisions you are about to make.

This lies behind most, if not all, 'resistance to change'.

People are not resistant to change; they are resistant to being changed (from Peter de Jager*).

So you'll need to expand your strategy to incorporate lots of consultation and to-ing and fro-ing as you work out your change strategy and the programme and projects that will implement it.

It might blow out your timelines but you'll have to spend the time anyway, it's just a question of when. Do you spend the time at the beginning of the project, planning, handling objections, and creating a 'change-ready' environment? Or do you spend it after the project is finished, repairing the damage and mopping up the stragglers?

What does that mean for the classical change manager?

Generally speaking, this is so far from the experience, training and general philosophy of change management today that you'd be better finding someone with no change management experience at all and starting afresh.

You need to expand the approach to your change programme to bring in fresh approaches – approaches that recognise that your organisation is populated by people – and that these people hold the success, or otherwise, of your change programmes in their hands and minds.

In doing so, the 'terrain' becomes complicit in the journey. And that's a good thing!

This blindspot described how you can better understand your organisation based on decisions made in the past.

It's now time to move on to Blind Spots #4, #5 and #6. These next blindspots take the parts of your organisation described by these static maps and introduce dynamism to them. We'll start with the processes then move onto people.

CURRENT SYSTEM BEHAVIOUR INFLUENCES DECISIONS ABOUT THE FUTURE

Now we have a decent picture of how the thinking of the past has been embedded in your organisation and continues to influence it – via the static maps and charts – it is time to consider how your organisation is behaving now.

In terms of preparing for change, this is probably the most important section and, if I can use the land analogy again, this would be the equivalent of a seismic survey, soil moisture analysis or measuring where the water table is sitting. In a marine environment, it would be collecting tidal information.

All these things introduce an element of movement, of life, to the static pictures and it is the movement within your organisation that is important for its future shape.

Past thinking gives us the static views of the present. Dynamic analysis of the present opens the door to the future.

Why is this important?

We need to do this to ensure any decisions coming from your change programme will give sustainable results. We should not limit this to 'green' sustainability. By sustainability, I mean having the wherewithal to make your organisation's future the kind of place you and your colleagues want to work and would want your successors to work; it is a proactive approach to understanding and doing good in the system that is your organisation and its environment.

The key elements of your organisation’s current system behaviour that influence the future you’d like to create are:

- Process Behaviour
- Demand Analysis
- Internal Relationships

BLIND SPOT #4:

Not Knowing If Your Processes' Behaviour Is Predictable

Let's start with processes.

Your process maps give you a picture of the tasks performed by the people in your organisation. Depending on your process modelling tools, this may be in terms of role or position and may sometimes include location. They usually take the form of a flowchart and simply show the sequence of tasks required to deliver something of value to your customers.

As mentioned in the previous chapter, overlaying a process sequence on your seating plan can give you considerable insight to hidden inefficiencies. Overlaying the sequence on your org chart shows you the reporting lines that must be crossed for work to get done.

Procedures and checklists complete this picture of the work done and are useful for tasks performed by one person – if there is no collaboration to show, it's much easier to follow a bullet list of points than a series of boxes in a flowchart.

The assumption we must make – not always valid – is that all your work is accurately and completely described using a combination of flowcharts, procedures and checklists.

An even larger assumption – and one that is rarely valid – is that all work is done in accordance with the procedures and flowcharts.

Thus, two invalid assumptions underpin all process improvement exercises. You can see the beginnings of a problem.

How can you collect the information you need to take you from invalid assumptions to certainty? As always, we need to step outside the thing we want to measure.

Most process analysis focuses on the tasks performed, their duration and the delay in starting the next task. It drives the analysis into the detail when what we need is to find out how the process is performing.

Put another way, you cannot ever know if your people are performing administrative tasks according to your procedures – simply because you cannot see what they are doing. So we need to shift the focus from micro-supervision of your people to the behaviour of your processes.

- Are they behaving predictably?
- Are they delivering the expected results?

Not being able to answer these two questions is Blind Spot #4. The effect of this is debilitating. It either paralyses your organisation or you sail on in blissful ignorance.

If this applies to you, you are not alone. Most organisations cannot answer these two questions and many would not know how to go about finding the information they need in order to answer.

Now, regardless of your intention to run a change programme, these two questions are good questions to ask. It is simply good management practice to know the answers. But if you are embarking on a change programme it is even more important to be able to answer these questions before you start changing things!

Changing work practices without knowing whether or not your processes are delivering the required outcomes in a predictable manner means you run a very real risk of making things worse. You may also make things better. But if you do achieve more positive results, how will you know? And how will you know *why* (what factors have moved you in the right direction)?

Why would you want processes with predictable behaviour?

Fair question. At its most fundamental, management is concerned with forecasting and planning. Whether it is financial for budgeting purposes, HR for resourcing, production for procurement or IT for data storage and bandwidth, your role as a manager hangs on your ability to forecast demand then plan your resource allocation to allow your organisation to meet that demand.

Heck, even the success of your change programme rests on your ability to forecast the expected ROI of the programme and plan accordingly. And the core objective of this book is to show you how to *minimise the amount of unintentional damage* your change programme may inflict on your organisation.

The other reason you want to know about process behaviour is this: If you have a process that is not performing, it absolutely needs to be part of your change programme. Conversely, if you don't know how your processes are performing, it is impossible to know whether or not a process should be included or, worse, if your change project is going to damage a perfectly good one.

We mentioned above that there are two parts of this performance you need to know about: Whether or not the process's behaviour is predictable and whether or not the process is delivering to your client's satisfaction. Closely related but quite different.

- Predictability is a statistical measure by which you are reliably saying that your process will deliver such and such a result, within certain limits, based on past performance. This is the Voice of the Process.

- Deliverability addresses your client requirements that, in a service setting, are usually concerned with correctness and timeliness of your response to their queries. This is the Voice of the Customer.

It should be clear that you could just as easily have a process that reliably delivers a result that does not meet the client's expectations as one that does. Hence the need to pull these two measures apart.

To give credit where credit is due, this idea of predictable processes comes from the work of W. Edwards Deming* and is handled extremely well by Donald Wheeler* in his book *Understanding Variation*. I'll draw on Wheeler's explanations for the rest of this chapter.

The blind spot we're dealing with here is that the behaviour of the process to be improved is usually not understood. And not understanding the behaviour of a process you seek to change is akin to a psychiatrist prescribing a drug without diagnosis. They wouldn't do it. If they did, they'd be struck off the register for malpractice.

Yet, this form of malpractice happens far too often in organisations. Prescriptions for change are written and dispensed at will. Quite often the IT system vendor or implementing partner plays the part of the psychiatrist, an image that doesn't bear thinking about...

Too often, the amount of diagnosis conducted before dispensing advice is minimal. And the impact of this misdiagnosis goes far beyond the individual concerned. It affects all employees involved in the process and all customers who receive the results of the process.

At the heart of the problem is the assumption that your processes are behaving predictably. Why do we assume this?

Usually because the work just keeps getting done. And, if work is being done, it is simply assumed it is being done correctly.

There is another, more insidious, reason though. Rework.

Rework occurs because the process results are not to the client's requirements. In a service environment, at first glance, this looks like a deliverability issue rather than one of predictability.

The reason is this. Because the amount of rework required to fix incorrect results in an administrative process is usually neither known nor tracked, it is simply accepted as being part of professional office work.

Let's pause here for a moment and consider this.

In the sentence above, predictability and deliverability have just been merged into one. In other words, you usually cannot know if your administrative processes are predictable or if they are delivering acceptable results. Yet you assume they do both.

Let's make this concrete. If you receive a draft report and have to rewrite large parts of it because the draft is substandard, that is rework. Those hours you spend could be spent doing things that add value – for you, your team, and your clients. Instead, you are adding hours of work to your week to minimise damage because someone else's work is substandard.

Let's be clear though. Maybe you have revision cycles. That's not rework, that's part of the process of checking and assessing documents and general intellectual work. But if you are redoing work because it was not done correctly the first time, that's rework.

Rework is a symptom of a broken process. Revision is a normal part of intellectual work.

To show you how accepting we are of rework, let's take the flurry of activity needed to compile a document at 4.30pm on a Friday. There is usually no need for it but it is so ingrained into the office culture that this rework becomes a badge of honour.

That's fine if it were saving lives or breaking new ground in scientific research or the creation of a work of art. Usually, however, it is happening for no other reason than someone further upstream in the process line hadn't completed their work to the standard needed to pass it on in a timely manner.

And that's the crunch point when it comes to process predictability. If the rework needed to render the 'product' acceptable becomes part of the process behaviour, it is built into the processing time and the process behaviour is assumed to be predictable. Nothing could be further from the truth!

All that's happened is you have disguised the problem by doing unnecessary work.

To help tease these two elements apart, let's turn to Wheeler and his treatment of process results. He calls this 'The Voice of the Customer' and this Voice will tell you one of two things: whether or not what you have produced is acceptable to your customer.

You may well have a process that has predictable behaviour, i.e. based on past experience you can predict future performance, within certain limits. What you don't know is whether that performance is acceptable to your customer. And the only person who can tell you that is your customer.

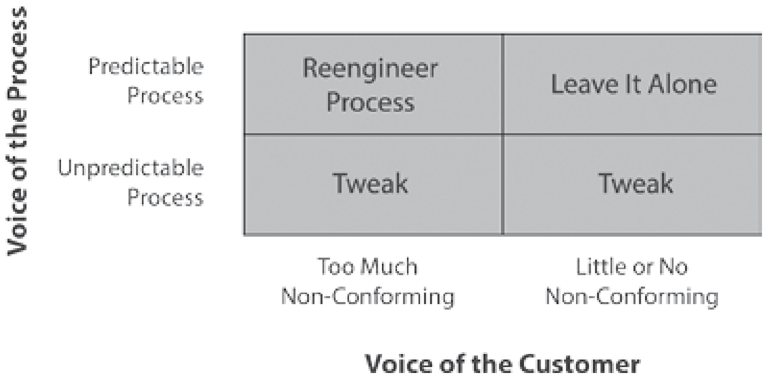


Figure 8: Wheeler's Double Trouble

The diagram above gives us four possibilities for action, four indicators for your change programme...

- If a process has predictable behaviour and its results are acceptable, keep it.

- If a process' behaviour is unpredictable and you can tweak the process, that's where process improvement practices can be employed. It doesn't matter whether the results are acceptable or not, you need to make the behaviour of the process predictable first.

- If a process has predictable behaviour and its results are unacceptable, no amount of tweaking or process improvement will fix the problem. It needs to be thrown out and started again. This is the *only* case in which the 'obliterate' part of Hammer's 'Business Process Reengineering'* is valid.

Earlier, we looked at why we assume a process to be predictable. Now we can look at why an unpredictable process limits your organisation's ability to improve. And why you need to make your process behaviour predictable *before* assessing its results.

A process with unpredictable behaviour means that your organisation is delivering outputs and outcomes to your clientele – outputs your clientele – may or may not be happy with, but you don't know why. This has profound implications on your ability to improve organisational performance.

There are four cases.

- If you don't know why you are delivering good work or badwork, you can't really change anything without knowing whether or not it will affect the result positively or negatively.

- If you knew, and you knew that the change you were about to implement was going to make things worse, you wouldn't do it.

- If you knew the change would damage your process and still went ahead with it, that's negligent.

- If you don't know and you make changes without knowing, that's not negligence, that's ignorance.

So an unpredictable process not only limits your ability to change, it also limits your ability to manage your organisation's value-creating activities. Remember what we said earlier about forecasting?

If you can't forecast, you can't plan. But you can't forecast unless your processes are behaving in a predictable manner.

All this analysis is highly relevant to your corporate change programme. In fact, you can equally apply these cases to your 'change process of choice', found in Figure 12: Understanding the Organisation You Seek to Change:

- If the behaviour of your change process is unpredictable, i.e. you cannot say, based on past experience, what the results will be within a certain tolerance, you should probably find another change process.

- If your change process is predictable, you know the ROI you can expect.
- If the ROI is acceptable, go ahead.
- If the ROI is unacceptable from a predictable change process, you also need to find another change process.

In other words, the sole criteria you need for choosing a change management process is: Will it, based on past experience, deliver a positive ROI?

So where to from here?

We've spent a fair bit of time on this and admittedly it is not the most thrilling of subjects. I hope I have, at least, made it palatable...

But it's important. Because eliminating this blindspot will ensure your changes do no damage. That's a pretty good reason for completing this diagnosis.

Now that we've understood the behaviour of your processes, we can turn our eye to the demand that triggers these processes.

BLIND SPOT #5:

Not Understanding The Demand That Drives Work

As outlined in the last chapter, not understanding your process behaviour and outputs is one of the primary reasons that change projects fail. You can do so much damage to perfectly acceptable processes simply by being unaware of their behaviour.

There is another aspect of this that needs your attention, though.

Processes don't just start by themselves; they need to be triggered. And these triggers are a direct measure of the demand placed on your systems, which is something very, very few organisations understand.

The key to understanding demand is to understand that all demand creates work. Not value, work.

Addressing Blind Spot #5 allows you to see whether the demand that is triggering your processes is value-creating or value-destroying. We call it *Demand Profiling* and it is the single best lever for determining what changes your change programme needs to deliver.

Study and understand demand and it opens up the whole system. It will show you which processes need to be improved, it will help you eliminate rework, it will point you in the right direction regarding training needs. In short, it will flood your work practices with light. Yes, it is that powerful.

So, what is demand?

Every time someone asks a question it creates work for your department or organisation. While some of this work creates value for the person asking the question, a lot is simply unproductive.

The man who has done the most work in this area is John Seddon* of Vanguard Consulting. He makes the point that demand comes in just two flavours:

- value demand (customer demand that reflects the reason you exist)

- failure demand (demand that results from the failure to do something or the failure to do something right for the customer)

You obviously want more of the former and less of the latter.

Note: Failure demand is not the same as what people call failure work. Failure work is work that has to be done solely because it wasn't done right the first time (in the last chapter, we called it rework). Failure demand triggers failure work. It's an important distinction.

What do these types of demand look like and why is this distinction important?

For this to work, we need to go back to our view of your organisation as a system. A system exists to fulfil a purpose, i.e. without a clear purpose, a system doesn't exist. If your organisation is seen as a system and your customers know its purpose, they will place demands on your organisation consistent with that.

That demand creates work. There are two possibilities.

- In placing that demand, asking those questions that relate directly to your purpose, your customers hope to derive some value for themselves. They also trigger a work process for your people. That's value demand.

- Failure demand, on the other hand, is generated by your failure to do something the customer wanted. Crucially, it also triggers work for your people. Worse, it destroys value for both your customer and your employees: It wastes the customer's time and the work generated is generally unfulfilling for your employees.

The good thing about failure demand, however, is that it is entirely under your control. That means you can fix it.

You see the connection between understanding your organisation's demand profile and your change programme? If you have lots of failure demand, you have a pretty clear indication you need to launch a change programme. What is more, that failure demand is telling you exactly what you need to change!

Like processes, both types of demand may be predictable or unpredictable. Let's take a brief look at the four possibilities. They are:

- Predictable Failure Demand
- Predictable Value Demand
- Unpredictable Failure Demand
- Unpredictable Value Demand

	Predictable	Unpredictable
Value Demand	Train Against Demand	Exciting Challenging
Failure Demand	Root Cause Analysis	Catastrophic Failure

Figure 9: Demand Profiles

Predictable Failure Demand

Unfortunately, much of your people's day-to-day work is probably generated by predictable failure demand. This means that your customers are contacting you because you failed to do something for them or failed to do it right. They may be following up on an order they placed or because a piece of information they sought has not been given to them.

Predictable failure demand tells us that something is broken somewhere: a process that is not performing as expected, a signatory is away for extended amounts of time, a piece of equipment is out of service for maintenance. Something is blocking the flow.

Because this demand is predictable, it means you can use the same analysis we discussed in the last chapter on process behaviour.

The positive side of identifying predictable failure demand is that it is entirely under your control! All you need to do is find the cause. Then fix it.

And because this demand is predictable, we know that if we don't do something, we will continue to be hit by this type of request.

Finding and eliminating predictable failure demand is the 'low-hanging fruit' of a change programme. It frees up work capacity, eliminates the cause of poor customer relations and increases employee engagement in one fell swoop.

The return on investment is many-fold, making it an ideal place to start your scoping exercise.

Predictable Value Demand

This is your bread and butter work, your 'cash cow'. Most service organisations find that about 60-70% of value demand covers the same issues. Hardly surprising, given value demand is based on your customers' understanding of your purpose.

Faced with predictable value demand, you simply need to train all your staff to deal with these core value-creating queries. By doing so, you'll increase customer responsiveness and employee job satisfaction. Productivity will rise at the same time. How?

By answering value-creating questions at first point of contact, you will reduce turnaround time and help your employees build deep and trusting relations with your customers. Apply the same method to Corporate Services (Finance, HR, ICT and Facilities) and you'll help Corporate Services staff build better relationships with their internal customers, their fellow employees, for example.

Once you've assessed this value demand and ensured all customer-facing staff can answer the core content, you can decide how you might want to optimise your responses. This might involve channel optimisation, you might decide to systematise or automate, you might decide to outsource or offshore.

But be sure of one thing: This predictable value-demand is the way your customers recognise the value you create, the reason your organisation exists, so how you choose to deal with it is a strategic matter.

Like a predictable process that delivers to customer expectations, you should change how you deal with predictable value demand very, very carefully. The temptation is to see this as an opportunity for cost-cutting. Resist.

Unpredictable Failure Demand

Unpredictable failure demand means that you have managed to not satisfy a customer in a completely new way! Every time!

While that may sound exciting, it's not actually something you want to aspire to. If living on the edge is okay for you and your organisation, then unpredictable failure demand is what you should seek. But in the interests of accurate forecasting and positive ROI, I'd strongly suggest you seek your thrills elsewhere.

If you have failure demand you've never seen before or that occurs in an unpredictable manner, this usually indicates a catastrophic failure of some kind – such as a server going down, an intermittent glitch in a pay-run or security passes that do not give the access needed for the job.

The only way to find a solution requires investigative work because there is no precedent. Root-cause analysis, business recovery processes and business continuity plans will be activated in these cases.

These types of problems may affect one or many but, no matter how many people it affects, it needs expert analysis to prevent a one-off incident of unpredictable failure demand becoming predictable.

Unpredictable Value Demand

Of all the demand types, this is the most exciting. This type of demand is the clearest indicator that you and your organisation have risen in status in the eyes of your customers. You are considered an expert, a trusted advisor, *the* place to go to for advice.

This unpredictable value demand is indicated by questions that fit within the expertise of your people but come from left-field. To receive them, you have established credibility in all other fields.

When you start receiving this type of demand, it indicates that you have:

- eliminated predictable failure demand
- systematised predictable value demand and
- put in place processes for dealing with unpredictable failure demand (catastrophic glitches)

In short, you have your business under 'intellectual control' and you are able to take on extra work. You have become credible in the eyes of your peers and customers. You have identified and eliminated all failures under your control and freed up capacity to deal with the interesting and challenging queries that require time and reflection to solve. It is a good place to be.

Andrew Sobel* in his book *All for One* wrote about moving an organisation from one with a number of individual trusted advisors to one that is considered an equal partner with their clients. Receiving unpredictable value demand is an indication that your organisation has attained that status.

As we did for process behaviour, we can apply these same criteria to your change programme.

Before you start your programme, look at who is asking for what. Are there consistent requests for the same changes? Or are they one-off requests based on a catastrophic failure? Have there been so many of these one-off failures that you need a fundamental rebuild of a system or process?

As noted above, demand profiling is the single best indicator for the changes needed in your organisation. And, paradoxically, it is a blindspot that is easily eliminated.

It is simply a case of looking at your organisation from the outside and determining what is triggering the work done by your people.

Which brings us to our next consideration: The relationships between your people.

BLIND SPOT #6:

Failing To Turn Gatekeepers Into Change Agents

Blind Spots #4 and #5 considered the dynamics of the work done in your organisation from an 'objective' standpoint. Blind Spot #6 considers the people who do the work and the relationships between them...

Relationships in your organisation are either formal or informal.

Formal relationships are those shown in your documentation, your org charts, your seating plans, and your financial delegations. But we all know that the hierarchical relationships shown on the org chart do not reflect the real relationships in your organisation.

We also know that the informal networks that allow the work to be done are, for the most part, completely invisible. Understanding the informal relationships in your organisation and how they affect the work that gets done is, then, our next topic for investigation.

Because this is so important, it might be worth doing a quick recap so we situate these relationships correctly.

- Blind Spots #1 and #2 dealt with situating your organisation in its industry, ensuring your business model matched your change model and checking that you were dealing with your organisation's issues in an 'age-appropriate' way.

- Blind Spot #3 looked at the thinking of the past and how it influences the behaviour of the present.

- Blind Spots #4 and #5 then considered the dynamics of the present and how they can shape your approach to the future, specifically looking at process behaviour and the demand that triggers your people's work.

We now leave behind these 'people-less' descriptions of your organisation. Blind Spot #6 means looking at the people in your organisation and their inter-relationships. It is closely related to the social subsystem you'll see in the change model described in Blind Spot #10 and relies on the same mathematics that lies behind both Facebook and LinkedIn. It is called Social Network Analysis or Organisational Network Analysis, is extremely powerful and therefore carries some risk.

Figure 10: Organisational Network Diagram

Because the power is in the database, these techniques need to be used carefully and respectfully.

It is imperative that you have full and unanimous agreement from everyone involved before sharing the results of this type of analysis.

The data collected can be very revealing and gives you the information you need to merge organisational and personnel development, so can prompt real and lasting change. It therefore deserves respect.

As an aside, the mathematics comes from telecom network load analysis and other pipeline load analysis systems; examples of it are in electricity grids, rail networks and traffic flow. It is possible you or your people may object to being analysed in the same way as products that flow through other networks; this is a valid reaction and needs to be acknowledged.

If you do go ahead with this type of analysis, the questions you can ask will help to uncover the hidden networks within your organisation, the information flows not captured in your information systems and the influencers not identified by positions on an org chart. As you know, hierarchy and hierarchical position do not necessarily mean influence.

Essentially you are looking for trust networks within your organisation. Once found, you can use them to help your change programmes bring about the positive changes you want. Abuse them, and your reputation and credibility will be shot. Hence, the need to have full agreement on the sharing of results.

Why is this a blind spot?

As we touched on when speaking of processes, we assume we know how our organisations work. We also showed there that these assumptions are usually invalid.

But even if we have eliminated Blind Spots #1 - #5, we have not yet addressed the people and how they operate informally. So, in fact, we still have no idea how things really get done in your organisation.

For example, we often look at people who block information flows as being bad, as being power hungry, as being disruptors. But if we can turn their interest to match the interests of your change programme, they can be your greatest allies – because they have access to so much information.

You know that the people who have been in your organisation the longest often have the greatest institutional knowledge, that they carry the institutional memory and oral history of your organisation. But what role do you let them play in bringing about change?

Too often they are seen as change saboteurs, preservers of the status quo. Quite often their point of view is dismissed based on nothing more substantial than their years of service. But more often than not, their view is completely valid because they have seen it all before and, more importantly, have seen no appreciable improvement. Did you know that another statistic bandied around states that 30% of change projects leave their target organisations *worse off* than when they started?

Not everyone who resists change does so out of fear. Many put up counter arguments because they understand your organisation better than you. And they actually want to help you avoid damaging an organisation they believe in (see Blind Spot #8).

All the pictures we have described to date deal with the non-people aspects of your organisation. We said earlier that not understanding the processes you want to change is approaching negligence. Not understanding the relationships in the organisation you seek to change is, I would venture, the equivalent of our psychiatrist's malpractice.

One of the reasons we are addressing this is to make your job easier.

The whole point of change communications is to find the path of least resistance for your messages. So why not use the people who have the greatest access to your organisation? Why not use the people other people trust? Why not let the uncontrollable social and informal networks do your work for you?

According to the mindset of many of your peers, responsible for corporate change programmes in other organisations, these questions are simply not to be considered. But to leverage these informal networks, you need to relinquish control. Many senior executives are reluctant to do so. Many change programmes fail. There is a strong case for asserting a connection.

The answers to the questions above rest largely upon how much you trust your people to help you. If, based on what you have read so far in this book, you are sure of your starting point and the need for your change initiative, and if you are sure that others share your vision, then just let them share that vision with the rest of the organisation.

Not knowing how these networks work, and not using them to help communicate the need for change and the expected results of the change, is tantamount to shouting into the wilderness and hoping someone, somewhere, might hear. It is not professional and it certainly doesn't show much confidence in either the purpose of the change or the people subject to the change.

Like most of the blindspots we've discussed, this one is also created because of a sometimes-wilful ignorance. Opening up this element of your organisation means taking into account all your employees' wishes and concerns, and that takes time.

Ignoring this means you can spend months, if not years, after the end of your change programme repairing the relationships that have been damaged. Damaged due to a functional view of the organisation that treats your people as functionaries – automatons who have no life outside work and who can be moved around an organisational chart at will.

Ignoring this particular blindspot heightens the risk that you blindly push through changes, mandated from above. Ignoring the informal networks means you can find yourself facing opposition that: 1) you did not expect and 2) you probably don't understand. And because you don't understand it, you can't handle it in a meaningful way.

The damage this can create is immeasurable. The people concerned will just out-wait your change programme. They'll hunker down, as any one under attack will do, wait for the first and maybe second attack waves to pass and try to continue on with their lives as best they can in the circumstances.

The irony is that in this particular case, their lives involve keeping your organisation going and the circumstances they are sheltering from are those your change programme has inflicted upon them.

The change-strategy mindset required to really take advantage of this must take into account the fact that your people are people, not collections of competences that fulfil roles. This is the opposite of the model used in process mapping and, because that's the case, it makes this blindspot even more important.

And it's so simple. So simple we sometimes forget.

Talk to your employees as you'd like to be talked to yourself, listen to their concerns. If they have legitimate concerns – and most do – they will also have suggestions as to how to mitigate the impact of their concerns. And if their concerns can be mitigated, they may well mitigate the concerns of others in the organisation you simply don't know about.

Hard as it may be to admit, nothing ever works according to diktats from management; there are always workarounds and advice-seeking amongst those who actually do the work. Most of this is totally invisible to management and management blithely considers that their systems and plans are working as required (see the chapter on process behaviour, Blind Spot #4.)

Expanding your change strategy to incorporate social network analysis means a shift in emphasis from a technical approach to including your people. They change, from being those to whom the change will occur, to active participants. It means including them in the decision-making process and using their informal positions within your organisation to help bring about the change you desire.

Questionnaires will need to be developed, distributed and collated. Analysis will be needed. Care will need to be taken to ensure trust is not breached and confidentiality is not broken.

It brings another dimension to your understanding of the organisation you seek to change; a richer, deeper, more human dimension that brings with it risk, of course, and the corresponding exponential reward.

Rob Cross* has written extensively on the benefits of conducting social network analysis projects and recognises that it is not for the faint-hearted. But the rewards more than outweigh the risks if you conduct these surveys and projects with care and recognise the duty of care you need to adopt when dealing with the answers to such questionnaires.

The upshot of dealing with this particular blindspot is that the entire informal network of your organisation is revealed – and it is better of course if it is revealed to everyone. However, as the issue of confidentiality is so important, I need to say this again: If just one person objects, then it is better not to reveal anything.

Dealing with this blindspot humanises your organisation. It gives people the opportunity to find out who else they can talk to about their concerns, who else might be able to help them with their work and who else can pass a message to those who need to hear it.

The diagram below shows the results of the insight gained from overlaying an organisational network diagram on a seating plan and moving people about to reflect their working relationships.

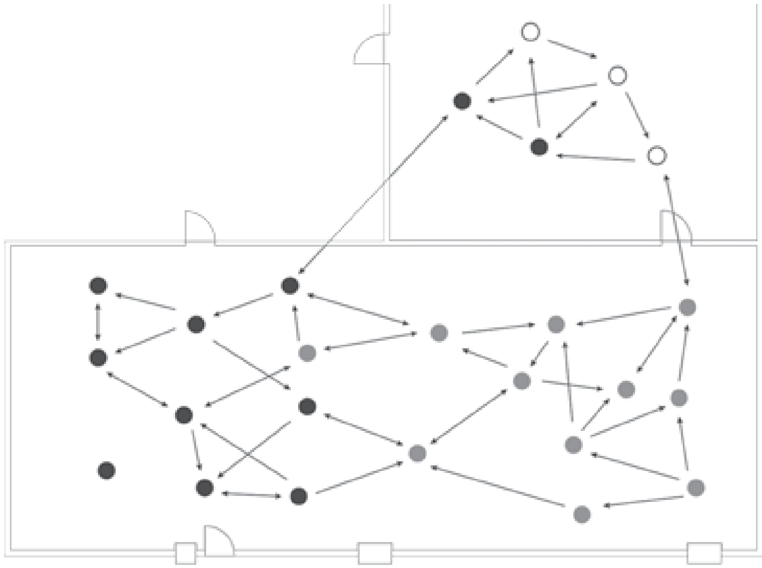


Figure 11: Organisational Network Diagram on Seating Plan

Organisational network analysis also highlights the critical role played by middle managers and their judgments of the legitimacy of their top managers as change agents. And helps you identify those people you may once have considered gatekeepers but who are, in fact, best placed to help distribute your messages to the rest of the organisation.

Understanding the informal networks in your organisation is crucial to the success of your change programme and the ability to generate a positive ROI from it. In Blind Spot #8 we cover the cost of losing an employee. The type of analysis covered here can help minimise the number of employees you might lose.

These last three blind spots have shown how your organisation's present system behaviour can guide you in choosing what to change. It's now time to shift our focus a bit to how you might monitor the progress of your change process.

THE FALLACY OF BENEFITS MANAGEMENT – MONITORING AND IMPLEMENTING CHANGE

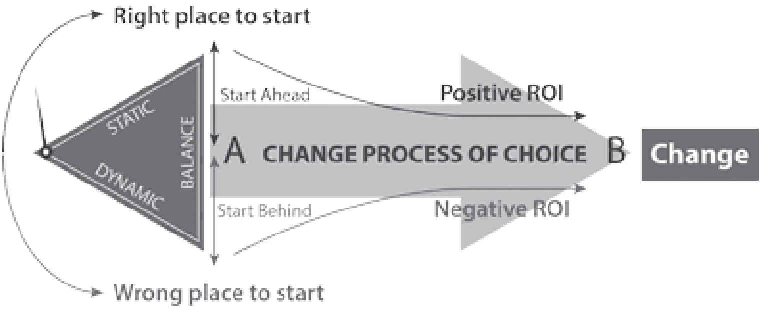
Benefits realisation is hard work.

With the six blindspots we've described eliminated, you are in an excellent position to deliver a positive ROI on your corporate change programme. You can be sure that you're starting from the right place and can line up the tunnelling equipment certain that you are not going to cause incalculable and irreparable damage.

The diagram below shows how everything fits together. So far, we've covered the 'Static and 'Dynamic' sides of the triangle. Blind Spots #7 - #9 are included in the 'Balance' side of the triangle and Blind Spot #10 is an option for your 'Change Process of Choice'.

It shows how your 'change process of choice' will always bring about change but that the difference between a positive ROI and a negative ROI depends upon where you start.

Where you start depends upon how well you understand the interplay of the static and dynamic elements of your organisation as it is *now*.



ANY CHANGE PROCESS WILL GET YOU FROM A TO B, BUT IT'S WHERE YOU START THAT COUNTS!

Figure 12: Understanding The Organisation You Seek To Change

In fact, we could stop here and you could use your preferred methods of project and change management combined with your favourite benefits management system to run your change programmes.

But there is still a niggling problem. The 70% failure rate statistic tells us that over two-thirds of all change projects fail to deliver their expected benefits. Yet Benefits Management has been around since the mid-90s so it seems that not even that has helped to bring down the failure rate.

This next section, then, is designed to not leave you in the lurch.

If we are going to start in the right place, for the sake of consistency we should also use appropriate measures to gauge the success of our change projects. And so we move on to Blind Spots #7, #8 and #9.

Before we venture down that path, let's have a quick look at what a generic Benefits Realisation Management process would look like:

- Identify the investment outcomes
- Define benefit measures for each outcome
- Collect current benefit-measure data to have a quantitative basis for decision making
- Agree a tailored BRM approach for this investment
- Plan the new or changed capabilities necessary to realise the benefits
- Plan the investments required to make the necessary changes (to create or change the capabilities)
- Optimise the plan to reduce waste and have acceptable levels of resource, risk, cost, quality and time
- Implement the plan
- Review the impact of the plan implementation on the Benefit Measures and use insights to improve
- On completion of the plan, ensure BRM continues to sustain the capabilities and realisation of benefits

See the problem? It's no more than a change process.

The process you're using to gauge the success of your programme is the same as the process you use to manage the programme. It's like using a knife to sharpen a knife or trying to blow up a balloon with the air of another balloon.

It won't work because success has to be measured from outside; it has to use measures of a 'higher order' than the measures used for management.

Blind Spots #1 and #2 gave your organisation and its change programmes context; it situated both in a framework outside your organisation. We need to do the same when monitoring the progress of your change programme.

To do so, we're going to draw on the work of Richard Kopelman* and his Cube One framework.

There are three overarching elements of a successful business or organisation: productivity, employee engagement and customer satisfaction. That's it. Everything else you might measure can be put into one of these three buckets.

The validity of these three elements as measures has been tested against market capitalisation of Fortune companies across over 50 industries. That's industries, not companies. I think we can probably consider the measure sound enough for our purposes.

What I'm proposing is that you monitor the progress of your change programme by assessing the levels of enactment of all three sets of practices. The practices are:

- productivity-directed practices – these yield the efficient use of resources necessary for competitive success and the attainment of continued funding

- employee-directed practices – these enhance employee satisfaction and loyalty, which are needed to convert inputs to outputs over a sustained period of time

- customer-directed practices – these promote customer satisfaction and loyalty, which are necessary for top-line revenues to persist

High levels of enactment in these practices are seen as necessary for high levels of organisational performance. And that's why we're here, right? To increase organisational performance. Otherwise, why have a change programme?

Blind Spots #7, #8 and #9 look at these practices in turn: productivity, employee engagement, customer satisfaction.

Finally, Blind Spot #10 shows how most change processes completely ignore the interaction of the three subsystems that make up your organisation and proposes a change model fit for the purposes of this book.

BLIND SPOT #7:

An Obsession With Productivity

Back in Blind Spot #3, we looked at process maps and how they force us to focus on the transaction. Most measures of productivity have something to do with 'per': per-dollar, per-hour, per-employee, per-kilometre, per-year. These are useful measures for financial and non-financial reporting but they're not terribly inspiring. It's really hard to rally the troops with a speech on 'pers'...

Coupled with this is the fact that most managers, and particularly those in service organisations, confuse timeliness with efficiency as measures of productivity. How so?

Efficiency is an internal measure. It comes from a process point of view. It is the measure of process behaviour that is then used to determine productivity. Efficiency is the ratio of the useful work performed in a process to the total energy expended. Its purpose is achieving maximum productivity with minimum wasted effort or expense. All good.

But focusing on efficiency over timeliness destroys customer value. Why?

Timeliness is an external measure, from the customer's point of view. It is the time delay the customer considers acceptable before receiving a correct response. The only person concerned with this measure is the customer. A timely act or remark is one that comes at a moment when it is of genuine value or service.

To link this back to Blind Spot #4, these are the Voices of the Process and of the Customer.

Let's take a real example from the health sector to help illustrate the difference.

Many years ago, an elderly couple were both on the elective surgery list at a local hospital. The husband went in for surgery, spent a week or so in the recovery ward and was then sent home. Incapacitated, he needed to be cared for by his wife, with assistance from a professional caregiver funded by the hospital.

From an internal, process perspective, the hospital had scheduled the wife's surgery for a couple of weeks later. Because she expected to be still caring for her husband and needed time for him to be fit enough to care for her when she was discharged, she declined the offer. The rules of the elective surgery programme meant that she lost her place on the list and was pushed to the back of the elective surgery queue, a delay of years.

A timely surgical intervention would have occurred when the wife was ready. Possibly several weeks after her husband was completely recovered so that she could be assured that he was fit enough to care for her after her own surgery. Now, you may think that we cannot be scheduling patients when it suits them. But strangely enough, when people are consulted about things that directly affect them, they can be remarkably flexible...

The only difference between these two scenarios is communication with the patient. The efficient scheduling process allocated her a time convenient to the hospital which, when she declined, pushed her to the back of the queue.

A scheduling process anchored in timeliness would have seen the hospital calling her and asking her when it best suited her to have her surgery. Given it was not life-threatening, a short delay based on her desire to ensure her husband was fully recovered was not unreasonable.

Why do we make this distinction?

Mainly because the business models outlined in Blind Spot #1 have different measures of productivity and efficiency and the best way to gauge the success of a change programme is by using measures that reflect the underlying business model of the organisation.

This means that if you have a production line-like business, productivity measures such as per-minute, per-dollar, per-kilometre, per-employee, etc. are appropriate.

But if you have a service business, you are productive only when you are creating value for your customer. That means your productivity measures need to be set from your customer's perspective, and that's where timeliness comes in. We'll look at this in greater detail in Blind Spot #9.

Let's take a telecommunications company and its call centre as an example.

The underlying business model of the company is one of a value network. People sign-up not for the company but in order to be able to be connected with their friends, business colleagues and others they may want to contact.

The call centre's underlying business model is that of a value shop. It is presented with a problem, assesses the situation, researches an appropriate response and delivers it within an acceptable timeframe.

In both cases, the customer has fairly simple requirements: a telephone connection that works; faults, if they occur, are fixed promptly.

But productivity measures are habitually drawn from the manufacturing world so we end up tracking things like: number of connections per day, number of faults restored per week, time to complete a service call, duration of call to call centre: All internal measures.

Worse, these types of productivity measures tempt us to set targets. And targets actually destroy customer value rather than creating it. A good example is the call to the call centre. The call centre operator has to close off a call within a certain time. The caller simply wants their problem resolved at first point of contact.

Strange as it may seem, by using manufacturing productivity measures, a service organisation is forcing itself to destroy customer value and, through that, to be unproductive.

Kopelman's work identifies 10 productivity practices we can use to assess productivity in your organisation. You can use them to gauge the progress of your change programme assuming that increasing productivity is one of the elements of the ROI from your programme.

Each of the practices below is an enacted practice. Are you able to say which of these are enacted in your organisation? Which you would like to improve? Can you see how they provide a robust though indirect measure of everything we have talked about so far?

- P1. Individuals are held accountable for accomplishing specific (quantifiable) goals.

- P2. Individuals receive specific performance feedback that is useful for improving their performance.

- P3. Where possible, the performance of individuals and groups is quantifiably measured and monitored over time.

- P4. Salary increases (e.g., raises, bonuses) are proportionate to an individual's job performance.

- P5. Promotions are based almost entirely on job performance.

- P6. Individuals are selected for employment based on objective criteria (e.g., written tests, performance tests, work samples, etc.).

- P7. Training is provided for employees who need to upgrade their knowledge and skills.

- P8. Organisational performance improvement is financially rewarded by a group incentive plan (e.g., gain-sharing, profit-sharing, etc.).

- P9. Management encourages the delegation of decision-making authority to lower-level employees (i.e., real empowerment).

- P10. Individuals are encouraged to perform a wide variety of tasks whenever possible.

Now, imagine using these 10 observable traits to gauge the success of your change programme. Crucially, these observable practices have nothing to do with 'per' measures of efficiency. They are operating at the person-level rather than the transaction-level of your organisation.

And, speaking of people, that's our next monitoring blindspot – employee engagement.

BLIND SPOT #8:

Paying Lip Service To Employee Engagement

BlindSpot #8, Employee Engagement, is also strongly linked to organisational performance.

And, like productivity, having such a rich and strong indicator, it makes sense to use this as a measure of ROI of your change projects. If your employee engagement goes up after your change programme, you can reasonably expect that organisational performance will also rise and you can consider your change programme to be a success. The converse is also true, especially if key people leave...

Using engagement as a measure in the monitoring of the impact of your change programme means you can be assured of minimising the harm done. However, neglecting to use one of the subtlest levers your organisation has to boost its performance tends to be the normal practice.

As I hope has become clear, the purpose of this book is two-fold:

- One, to give you an alternative framework for understanding your organisation
- Two, to show you how you can guide your organisation through the changes it must inevitably face

One characteristic of change programmes is the de-layering and downsizing of your organisation. Driven by a false sense of productivity, such forms of restructuring invariably have a negative impact on employees in terms of job losses, job uncertainty, ambiguity and heightened anxiety. Most of which is not necessarily offset by any organisational benefits such as increased productivity and financial profits. The ROI on the change is therefore negative.

This comes about because we treat employees as organisational artefacts to be unfrozen, changed and refrozen. Intuitively, we all know this doesn't work yet there seems to be no alternative available.

So the potential for your change programme to quickly go from a positive to negative ROI lies with how seriously you treat employee engagement as a measure.

Let's make this concrete.

Employee engagement is brought into starkest relief when we look at Corporate Services.

Corporate Services is really the litmus test for any change programme. It is also the canary in the coalmine...

In Corporate Services (Finance, HR, ICT and Facilities) you have, under the one umbrella, the oft-criticised silos of the organisation and those whose job is to translate senior management's vision into policies and procedures. These policies and procedures then guide the behaviour of everyone else in the organisation.

Corporate Services almost invariably has the lowest employee engagement results in an organisation. So Corporate Services is interesting from an employee engagement perspective because:

- their customers are a captive audience – their fellow employees
- the measure of their employee engagement consistently ranks the lowest in organisational surveys

Hold this up against the fundamental rule of human behaviour that says it is really difficult for people to treat others better than they are treated themselves. If your employees are treated poorly by Corporate Services, it is unlikely they will treat your customers any better.

You can see the problem? As usual, the solution lies within it.

If you can fix the engagement problem in Corporate Services, you can probably fix the engagement problem in the rest of the organisation. Because the better your Corporate Services staff do their jobs, the better their fellow employees will do theirs.

The untapped influence Corporate Services has in your organisation is a blindspot in itself.

So far, we've just assumed that employee engagement is important. Let's now have a quick look at why employee engagement is critical as a measure of success for your change programme.

The language may be a wee bit academic and the examples from overseas but no one else is studying this stuff, so please bear with me...

The Wall Street Journal: "It's no longer about what you own or build; success is hinged to the resources and talent you can access."

But recent statistics indicate that American workplaces are not doing a very good job of managing the talent they currently have. Thus:

- only 14% of American workers say they are very satisfied with their jobs

- 25% say they "are just showing up to collect a paycheck"

This is not limited to the US. According to a 2003 survey, over 80% of the UK workforce was currently lacking any real commitment in their jobs.

Every year, roughly 20% of workers voluntarily quit their jobs. This figure varies widely by industry, with relatively low rates in manufacturing and transportation (roughly 15%), and relatively high rates in leisure and hospitality, retail, and construction industries (ranging from about 25-45%).

We can trot out the platitudes about people leaving managers not jobs and so forth but it is worth the effort to dig a little deeper.

The fully loaded cost of replacing a worker who leaves (separation, replacement, and training costs), depending on the level of the job, varies from 1.5 to 2.5 times the annual salary paid for that job. This *must* be factored into the ROI of your change programme. Lose too many people and your ROI is negative.

To appreciate what that means for an individual firm, let's consider a huge company paying low wages. The number of people Wal-Mart employed at the end of 2004 was 1,600,000 people. That's the entire population of Auckland, New Zealand.

Its annual employee turnover rate is 44% – close to the retail industry average.

Each year, therefore, Wal-Mart must recruit, hire, and train more than 700,000 new employees just to replace those who left. This, at a cost of 1.5-2.5 times their annual salaries.

This is normal attrition in a high-turnover industry. How many of those 700,000 ex-employees do you imagine were highly engaged? Now consider how much could be saved if you reduced that turnover to 500,000; you've just saved the equivalent of the annual salaries of 400,000 people; 25% of your workforce, assuming a 2x cost of replacement. And that's *annual* savings.

Bring those reflections into your own somewhat more stable industry and you can see how a change programme, which adds even more uncertainty, could increase those numbers exponentially.

While employee engagement in professional services organisations is important, if we're honest about these things, you are more likely to encounter its partner, employee cynicism.

In a review article from 1998 (old but there is no reason to suspect this has changed markedly), Dean, Brandes, and Dharwadkar* define employee cynicism as:

"a negative attitude toward one's employing organisation, comprising three dimensions:

1. a belief that the organisation lacks integrity

2. negative affect towards the organisation

3. tendencies to exhibit disparaging and critical behaviours towards the organisation that are consistent with these beliefs and affect."

What better way to induce employee cynicism than a poorly conceived corporate change programme?

To drive the point home, violators of the employer-employee relations that induce cynicism fall into three categories:

1. characteristics of the business environment, e.g. lack of alignment between policies and practices, unethical behaviour and a paucity of corporate social responsibility, and inequitable compensation policies

2. characteristics of the organisation, e.g. poor communication, *management incompetency in change implementation, lack of employee involvement*

3. the nature of the job, e.g. role conflict, role ambiguity and work overload.

We can all agree, I think, that contemporary workplaces provide ample cause for cynicism among its employees, even without the added pressure of a change programme.

What to do?

Accepting that employee engagement is a key factor in organisational performance, it makes sense that any change programme you might run will need to have increasing employee engagement, and decreasing employee cynicism, as one of the elements you measure in calculating ROI.

To do so, you need to get beyond the stated desires of employees and the ideal characteristics of a manager in a highly engaged workplace.

While it is useful to know that in one survey, 60% of surveyed employees want more opportunities to grow forward to remain satisfied in their jobs, telling you that a strong manager-employee relationship is a crucial ingredient in the employee engagement and retention formula doesn't help that much.

Even if you know that

- aligning efforts with strategy
- empowering your staff
- promoting and encouraging teamwork and collaboration
- helping people grow and develop
- providing support and recognition where appropriate

will all help to create a highly engaged workforce, how would you know it has happened?

We return to Kopelman.

Here are ten indicators you can use to measure engagement and to gauge the progress of your programme. Again, these are employee engagement practices that must be enacted.

In other words, your change programme should avoid layoffs where possible (see E3), and communication needs to be open and transparent (see E7, for example).

- E1. Open, two-way communication is employed. All employees are informed about new developments and encouraged to express their ideas and complaints.

- E2. Distinctions between hierarchical ranks are minimised. Management downplays status symbols (e.g., executive dining rooms and other perks).

- E3. Employee layoffs are avoided where possible, by first attempting to place employees in other jobs within the organisation.

- E4. Employee growth is encouraged by providing in-house training and/or reimbursements for outside training/educational programs.

- E5. Work-family conflicts are minimised by adopting such policies as flexible work hours, day-care assistance, and encouraging managerial tolerance.

- E6. The organisation responds to employee concerns by taking appropriate actions, not just by words.

- E7. Managerial integrity is demonstrated in dealing with employees. All employees are given the same information; promises are kept.

- E8. Employees are treated with respect and as mature adults. Communications are straightforward, not condescending or patronising.

- E9. Employees know they can make (a few) mistakes. Management attempts to minimise the role of punishment and fear.

- E10. Management encourages employees to feel that they are part of a team.

More than two decades ago, Tom Peters* recognised there was a huge potential reserve of energy and commitment in organisations which could be released by making "meaning for people".

He highlighted the fact that people desperately need meaning in their lives and will sacrifice a great deal to institutions that will provide this meaning for them. Much of the generational research on attitudes to work bears this out and it is safe to say this need for meaningful work has only increased over the last 20-odd years.

It is equally safe to say that this call was largely ignored as we have plunged even deeper into the age of anxiety and the growth of employee cynicism.

Management's response?

Largely to ignore it.

That's why it's a blindspot.

And that's why Blind Spot #8 Employee Engagement is probably the strongest indicator you have of the success of your programme. It is the element that can have the greatest impact on your ROI.

Consider Blind Spot #5 Demand Profiling as possibly the single best indicator of what needs to change and Blind Spot #8 as a means to measure the success of your change programme and you begin to see the richness that comes from taking this multi-dimensional approach to delivering a positive ROI.

Let's now look at how we can monitor the progress of your change programme from outside your organisation as we turn to Blind Spot #9, which takes your customers' perspective.

BLIND SPOT #9:

Missing The Point Of Customer Satisfaction

Blind Spot #9 partners with Blind Spot #5. They are the odd men out.

One helps you to understand the demand that triggers work; the other measures how satisfied your customers are with the results of that work. They both look at your organisation from outside, something not many change programmes take into consideration.

Nonetheless, just because it is often neglected does not mean it should be ignored.

I will continue the theme of service organisations as they employ the most people and contribute the most to national GDP.

Customer satisfaction in a service business is the point at which you measure value. We need to raise this now because it represents one of the biggest blindspots in the modern business world.

It goes all the way back to Blind Spot #1, your underlying business model, and disregarding it will stymie your efforts to achieve deep and lasting organisational impact from your change programmes.

Why? Because a service organisation's performance in the market is measured by its levels of customer satisfaction.

Productivity in a service organisation is concerned with creating value. Employee engagement has a direct impact on organisational performance. And, because creating value for your customers is a direct measure of productivity and a key ingredient for employee engagement, customer satisfaction is an external measure of both.

Ignoring it as a measure of ROI in your change programme is the equivalent of using a change methodology that doesn't respect your business model and organisational maturity. You cannot expect a stunning return on your investment – or even expect to know if you have achieved this, or not – without the ability to measure your levels of customer satisfaction

And because service delivery – the characteristic known as 'involvement' – is dependent on your customer, your customer has the opportunity to get the services modified according to their specific requirements. How you deal with that directly affects customer satisfaction.

It might be a good idea to now have a look at the definition of a service if for no other reason than it will help you better choose your underlying business model. It will also help you better plan your change process then gauge its progress.

The four key characteristics of a service are...

Intangibility and Perishability

Services are intangible and insubstantial: they cannot be touched, gripped, handled, looked at, smelled, tasted.

Interestingly, they can be heard... think of your call centre or face-to-face encounters. Service is delivered through sound. Or, perhaps, the written word. This is important.

Services cannot, therefore, be transported or stored. They are produced and consumed during the same period of time, with your customer. Services are perishable in two regards:

- To deliver the service, you must assign the relevant resources, processes and systems during a definite period in time. If the customer you are expecting does not turn up, a no-show, you cannot perform or deliver the service. An example might be the empty seat on a plane that can never be used and charged for after departure.

- In the event of a service completed, it disappears. To stay with our airline example, when the passenger has been transported to the destination, he or she cannot be transported again to this location at that time.

I've found the best way to think of service is as an orchestral performance. Your company is the orchestra; your customers are the audience. If your orchestra is there and noone turns up, there is no service. Equally, once the performance is over, the experience and its delivery, which are inseparable, have reached their ‘finale’.

You can begin to see why I think customer satisfaction needs to play such a big part in the correct measurement of your change programme ROI.

Inseparability

As well as the requirement that the service provider assign resources and systems in preparation for the service delivery, the service consumer – your customer – is inseparable from service delivery.

No customer, no service. It would be very difficult to cut someone’s hair if they were not sitting in the chair...

Variability

Each service is unique because it depends upon the people involved, at the time. In somewhat academic language, it is one-time generated, rendered and consumed. This can never be exactly repeated as the point in time, location, circumstances, conditions, configurations or assigned resources will be different for the next delivery. Even if the same customer requests the same service.

Our orchestral performance is a good example here. No two performances are ever exactly the same.

Now, for the practical business people among us, we need to acknowledge the importance of academia in this regard. It is in the academic world that all these things are worked out.

So, it is well worth pointing out that there is almost a consensus among service-quality scholars that superior service quality has enormous benefits for service organisations. For business practitioners, an academic almost-consensus is probably good enough.

We ought, then, to define service quality: it enhances a service organisation's ability to differentiate itself from its competitors and gain a competitive advantage; it increases customer satisfaction, customer loyalty and retention, market share, profitability, and lowers costs.

In short, service quality positively and significantly affects customer satisfaction, financial performance and marketing performance.

That's fine, but remember that service quality is completely dependent upon your customer. You co-create the quality of the service with your customer for the reasons outlined above.

You see why this needs to be counted in your change programme ROI?

If your change programme damages your ability to deliver service in a manner to which your customers have become accustomed, your change programme has failed. It's that simple. Remember the caution in Blind Spot #5 about automating or outsourcing Predictable Value Demand? That's what we're talking about here.

There is one final aspect we need to consider.

It seems to me that one of the issues in improving the performance of service organisations is that there are, broadly speaking, two distinct types...

- those that deal with physical goods in some way or another (logistics companies or airlines, for example)
- those that don't (insurance companies, government departments, Corporate Services departments, software development and so forth)

For those that deal with physical goods it is a relatively simple exercise to see a process flow; you just follow the goods. And it is here that process maps and the general rules of the production line can be used, with some modification.

Hospitals are a curious example in this because, somewhat clinically, the patient becomes a physical flow through the various wards. Seeing a process flow means that manufacturing practices can be applied directly. Up to a point. Is a sick person in a hospital or a child in a school really 'raw material' to be transformed into 'finished goods'? Or, are we really looking at a value shop, in which the necessary expertise is brought to what the individual situation calls for? (See Blind Spot #1)

But for those that don't deal with anything physical, it becomes a little more complicated – the only flow is that of information. But does information really flow, or is this a construct based on the easy-to-understand flowchart promoted by the IT industry?

Certainly, seeing an information flow allows us to maintain our 'siloed' organisations. Maybe that's the problem. And putting the emphasis on customer satisfaction as a measure of ROI will highlight the problem in ways nothing else can.

Unravelling what it means to be a service organisation in today's corporate environment is critical. We've covered different value creation models in Blind Spot #1 and this expansion of service delivery, seen through the lens of customer satisfaction, buttresses that.

My intuition tells me that using manufacturing models in service organisations hinder rather than help the process of continuous improvement... That is, in part, what this book attempts to address.

The ten indicators (from Kopelman) you can use to measure customer satisfaction and to gauge the progress of your programme are below. Again, these practices must be enacted; you need to be able to collect evidence.

- C1. Customers are regularly surveyed via questionnaire regarding their satisfaction with products and/or services.

- C2. Focus groups (i.e., in-depth interviews) are regularly held with customers to gain a fuller understanding of wants and/or needs.

- C3. Products and/or services are continually upgraded as part of an ongoing program of quality improvement.

- C4. The best practices of competitors are studied and adopted, or improved upon, where possible (i.e., benchmarking).

- C5. The goal of customer satisfaction importantly influences operational decisions at all organisation levels.

- C6. Prices of goods/services are continually reviewed to improve the organisation's competitive position.

- C7. The quality of products/services is regularly assessed by an independent organisation as part of a continuing audit.

- C8. Customer satisfaction is an important factor in determining pay increases of individuals or departments.

- C9. Employees are granted wide latitude to use their own judgment in order to satisfy customers.

- C10. Product or service innovations are regularly sought and budgeted for on a continuing basis.

These last Blind Spots, #7, #8 and #9, make up the 'Balance' side of the triangle in Figure 12: Understanding the Organisation You Seek to Change.

Why Balance? Increasing Productivity can damage Employee Engagement just as increasing Customer Satisfaction can decrease Productivity. A useful image is that of a graphic equaliser.

If this makes sense to you intuitively, it's time to go to www.PeopleandProcess.com/StrategySession and book an appointment.

In the meantime, we'll look at Blind Spot #10, which is a concise change process model that ties all this together and helps to show the cross-referencing between personal and organisational development...

BLIND SPOT #10:

Ignoring Two-Thirds Of Your Organisation's Subsystems

Blind Spots #1 and #2 helped you see how your organisation creates value and where it lies on its developmental path. Having set the context, the next steps involved assessing how you look at your organisation.

Essentially, it is all about map-making and the bulk of this book has been about that. We've noted that most organisations have an organisation chart, sometimes they will have process maps, their IT department most likely has a series of network diagrams, and Facilities will have floor plans of your buildings. These are all maps.

What they don't have is a meta-map.

The land equivalent is a topographic map. These maps depict in detail: ground relief (landforms and terrain), drainage (lakes and rivers), forest cover, administrative areas, populated areas, transportation routes and facilities (including roads and railways), and other man-made features.

That's pretty comprehensive and has stood the test of both time and relevance. The same cannot be said for most organisations. There is no meta-map.

Instead of having a chart that shows the different components of the organisation and how they relate to each other, each department has its own set of diagrams that it shares (sometimes) and keeps up to date (rarely).

Now, the advocates of Enterprise Architecture would argue that that is what they are trying to achieve. But Enterprise Architects have for a long time been captured by the IT profession and that has damaged their credibility beyond belief – which is a shame because they have the conceptual and abstraction skills necessary for good map-making.

The key to drawing a good topographic map is deciding a) the scale and b) which elements you want to show.

One way, but certainly not the only way, to describe your organisation is by its subsystems. And as you'll see in this chapter, taking this approach gives us a change process that is entirely consistent with the rest of this book.

We started by thinking of your organisation as a system, a value-creating system with a clearly defined purpose. Now it's time to break it down into subsystems. The breakdown I'll use here is based on work of Friedrich Glasl*:

- technical
- social
- cultural

Technical

The technical subsystem contains architecture, physical resources, work processes and procedures and their descriptions, IT support and so forth.

The thinking in this domain is crystalline. When crystals grow, they change their size but not their form. The vast majority of change programmes and process improvement exercises fall into this category, mostly because it is the one we best understand.

To understand the technical subsystem we need only draw it. We take what we know of our organisation and transpose it into dead language, the language of code. We reduce people to entities and types; we treat policies as constraints.

Because it is dead, it only moves if we move it; the principles of logic apply. The parts of the organisation under consideration might change their size, up or down, but the basic form is maintained.

There is a whole industry built around this organisational subsystem and it strongly influences the way you manage your organisation and your people. Remember the value chain and operational excellence from Blind Spot #1? They deal exclusively with the technical subsystem of your organisation.

You can see the damage you can create if you apply the wrong business model to your organisation; it restricts your activity to just one of your organisation's subsystems.

Worse, it forces you to 'translate' the other subsystems into this one.

Social

The social subsystem describes all those activities around how we organise ourselves to get the work done. It is here that we find we, the people.

And it is here that we study the formal structures and the informal relationships that bind our organisations together.

Org charts and organisational network diagrams find themselves here.

But organisation charts and network diagrams are dead, too. They are a necessary element of the social subsystem but here, more than anywhere else, we must remember the adage, "The map is not the territory."

In this subsystem, the territory is your people.

Cultural

The cultural subsystem describes the values of the organisation, the reasons people come to work, and the way one 'gets ahead'. Here, we find all the usual leadership and branding considerations.

Most often, these three subsystems are dealt with in isolation. We attempt to pass from present state to future state within each subsystem without understanding how they work together and influence each other.

A quick glance at the business landscape will show you it is littered with:

- process improvement projects that result in no changes to the organisational structure
- organisational restructuring that doesn't actually render any change in the way we work, but only changes to whom we report
- leadership training and branding exercises that fail to affect the way people are organised and how they do their work

The next section outlines how you can integrate these subsystems into a whole change model appropriate to the content of this book.

The Strategic U-Turn

Given this rather bleak description of Blind Spot #10, how can you resolve it?

The key is to go around the loop (as illustrated below) rather than passing from present to future within each subsystem.

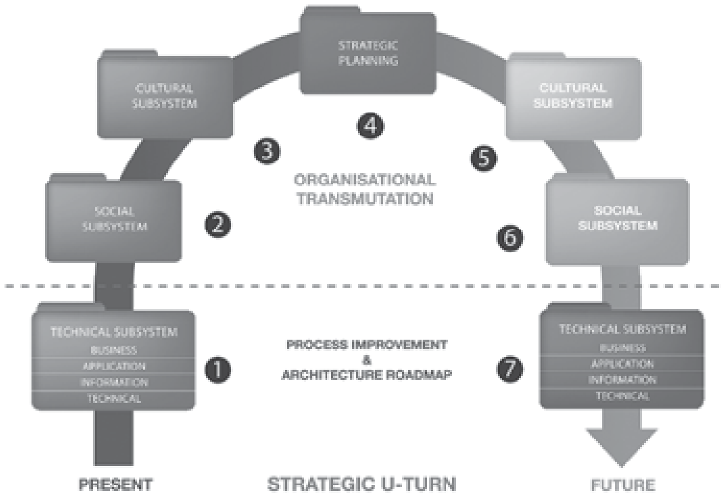


Figure 13: Strategic U-Turn

Step 1: How The Work Works

The first step of the Strategic U-turn focuses on the work you do. It addresses the present technical subsystem, asking simply, "How does the work *work*?"

This is where you describe your current processes, identify who does what, and detail all the applications, servers and networks that support them.

It's all classic business process mapping and application architecture. Finding out how you do what you do. The workflow and the tools used to conduct the work should be recorded. It's the Information Management infrastructure.

And it must all be recorded with great care and precision, so that the following analyses are grounded in an accurate account of the day-to-day work activities of your organisation. Just in this action, several blindspots are eliminated. Can you tell which ones?

But beware. There is a danger in this step.

Process mapping has a seductive quality about it – it looks so beautiful on paper. Once we draw something, we want to improve it so the temptation is to jump directly to the future technical subsystem without passing through the social and cultural subsystems. Why the temptation?

Because by remaining in the technical subsystem you don't need to deal with people.

Leap-frogging over the social and cultural subsystems should be resisted at all cost.

Step 2: How You Relate To Each Other

The social subsystem of your organisation is what makes your enterprise a nice place to work. It is where we find all the organisational principles, the policies, the hierarchy (or not) and the social networks (formal and informal).

It is not concerned with the work that is done, that we find in the technical subsystem. It is concerned with the way you work.

Most organisational change projects neglect the social subsystem in an interesting way. They find ways to describe it in terms of the technical subsystem and then treat it accordingly. Most restructures follow this approach.

To combat this, simply ask, "Who needs what information from whom?"

In this step of the change management model, you will see such techniques used as social network analysis (SNA), together with job assessments and values assessments.

Of interest are the people to whom others turn for information: Who performs which tasks, how decisions are made, who influences the outcome of meetings and working groups. All this needs to be recorded.

It is the Knowledge Management infrastructure and, I'm quite happy to admit, I'm anchoring this in human knowledge rather than machine knowledge...

Relationships are the key characteristic of this subsystem. How the people involved treat each other, the relationships between those who do the work. Of equal importance are the roles created and whether or not they help the business process.

You will gradually develop a picture of the social subsystem of the organisation. It takes time and requires trust. And, if we're honest about it, the existence of this step is one of the main reasons for avoiding it...

There's an apprehension that the full use of such a change management model will worsen the situation.

This is where personal development and organisational development intertwine. Better to have it all out in the open if you want to have a 'learning organisation'...

Without this step, the exploration of the present cultural subsystem has no basis. If you avoid it, you may as well stay in the world of process mapping and pretend that your people don't exist...

Step 3: How One Gets Ahead

Organisational culture is a curious thing. We know it's there but we have difficulty describing it. We know if it's good or if it's bad. Usually we feel it the most strongly when we have to get out of bed in the morning to go to work.

But how do we change our organisational culture?

We usually try to reduce it to a series of traits or behaviours. That allows us to have a present and future view, a before and after...

But culture is more than behaviour. Usually we need to get at it indirectly through understanding how we do our work and how we are organised. We distil it from the technical and social subsystems rather than address it directly.

The third step of the Strategic U-turn addresses the present cultural subsystem. Here you address, "How one gets ahead in this place."

Many change management exercises inadvertently reinforce the values that make up the present cultural sub-system. Fear, power and dishonesty work against the successful analysis of the values of the organisation that have brought it this far.

They also prevent real and lasting change from taking place. Disillusionment with management 'diktats' is the result. The employee cynicism mentioned in Blind Spot #8 is visible.

Credibility suffers, and you know the rest...

This is the time to determine the unwritten and unspoken rules that drive the organisation.

Step 4: Is This What You Want?

You now have a complete picture of the present state of your organisation. Blind Spots #1-6 have been exposed, revealed in all their glory.

By now it ought to be clear that we have moved a long way past the usual limits of a change management exercise. It can be unpleasant. It touches the 'comfort zones'. But it shows that honesty is of paramount importance.

This process is not for the faint-hearted but it will bring lasting results.

It is at this stage that most people realise just how much is at stake. It lays the foundation for the transition to the future of the organisation. And the future of the individuals within it.

This is also the point at which people realise that personal development in a social setting *is* organisational development. If you are going to acknowledge the people within your organisation, it can be nothing but.

Step 5: What Values Will Guide Your Future?

You now know what you don't want. That was the easy part. Now you have to decide what you do want and form a future cultural subsystem that supports that.

Together. No more top-down. This is where you start building something new. The first step away from the past. The elaboration of the rules and values for the future.

But wait a minute. Don't you already know where you want to go? Haven't you already identified the systemic problems you're trying to solve? And wouldn't it be easier to just start coding?

Yes, it would. Much easier. And certainly much easier to just pass your organisational issues over to your software vendor, as is done in most ERP implementations, for example. It should now be clear why there is so much argument about whether 70% of those projects fail and 90% go over budget... It depends upon your perspective.

There is *always* the temptation to jump directly to the last stage – the future technical subsystem – to begin codifying the implementation of concrete processes, the new ways of working.

But the whole purpose of this exercise is to ensure that the new processes support your new values. And that's not possible if you don't yet know what your new values are! To make matters worse there is *another* stage before coding: You first have to develop the roles and responsibilities that will support your values.

People first, processes second...

Step 6: How Will You Support Your New Values?

The sixth step of the Strategic U-turn addresses the future social subsystem that continues the resolution of the organisational crisis.

It is here that you determine the roles, functions and responsibilities that will be needed to enact the values elaborated in your future cultural subsystem. You can draw heavily on the pre-change results of any surveys you ran covering Blind Spots #7 and #8.

In some ways this step is the transformation of the information collected during Step Two, the present social subsystem. But it is a healthy transformation because it has passed through the cultural transition of Steps 3 and 5.

This change model is a cyclical rather than linear approach, similar to the distinction between a value chain and a value shop. It recognises that there are no straight lines in nature...

Step 7: How Will The Work Work?

The seventh, and last, step of the Strategic U-turn transforms the first by taking the question, "How does the work *work*?" and asking, "How will the work *work*?"

Based on all the work you've done so far, you can now identify who will do what, and detail all the applications, servers and networks that will support them.

The future technical subsystem contains the new processes that will buttress your roles and relationships and the organisational values that will take you forward...

It is a transformation of the present technical subsystem with much, much more.

Only having determined the roles, functions and organisational structure needed to support the desired values and norms, can we move down into the concrete processes and 're-engineer the corporation'.

But in this scenario, the re-engineering is done with the goal of supporting all that has gone before. You will know exactly why you are doing this. And the ROI will be self-evident.

The usual techniques such as business modelling, use cases and class diagrams can be used but with the assurance that the domain they are modelling is solid. It has been thoroughly and comprehensively thought-through. It's that crucial. The knowing 'why'...

Enormous value has already been created within your organisation. You can reasonably expect that employee engagement will have increased exponentially and resistance to change will be minimal.

Most importantly, the purpose of this seventh and final stage has context. It is for you to provide the infrastructure to permit that value-creation to continue, and continue, and continue.

You will embed it in the very concrete processes of the day-to-day activities of the organisation.

Well done...

CONCLUSION

And so we come to the end. Time to sit back and reflect a little on the journey you've just taken...

Imagine that you have stepped through these phases, collecting and analysing the information necessary to eliminate Blind Spots #1 - #6. In effect, you've just completed Steps 1 - 3 of the Strategic U-turn.

All that before starting your change programme.

Now, based in the information you've gathered, you're in a position to make fully informed decisions concerning the organisation you have and its acceptability, to you and your colleagues. And to commence your change programme.

You can now guide the programme using your change model of choice or the change model described in Blind Spot #10. And you can monitor progress according to Blind Spots #7 - #9.

How does it feel?

How does it feel having your organisation under intellectual control?

You are probably feeling relief, the relief that comes from understanding the organisation you seek to change. And the relief that comes from starting your change journey from the right place.

As I hope has become clear to you, by starting in the right place, you will be more likely to have a positive Return-on-Investment from your change programme.

You can use any change management process you like but if you use the knowledge and techniques outlined in Blind Spots #1 - #6 to ensure you are starting in the right place, and those in #7 - #9 to monitor progress, you will have a positive ROI. Because you know what you are changing.

Finally, it needs to be said again.

ROI is just one part of the picture. Its counterpart is COI, the Cost of Inaction.

The Cost of Inaction in the case of change projects is the cost of not digging out the information and performing the analysis of Blind Spots #1 - #6. It could be the difference between falling into the 70% of projects that fail or staying in the 30% that succeed. That's a pretty high price to be paying for not taking the time to understand your organisation.

Understanding your organisation is the essence of good management. It allows you to forecast and therefore to plan. It means that you can spend your time on the Important rather than fire-fighting the Urgent. It means that you can concentrate on the things that prompted you to take on a managerial position in the first place.

So you see, while this book is about achieving a positive return on investment from your corporate change programme, it is as much about understanding your organisation well enough that there are no surprises. And if you're managing for no surprises then managing change just becomes part of your daily routine.

Managing for no surprises. Isn't that a lovely turn-of-phrase? I should put a TM on it...

The other thing that has happened, quite indirectly, is that we have moved the focus from large-scale, transformative but ultimately disruptive change to one of continuous improvement. This focus on understanding the influences of the past and the system behaviour of the present is, in essence, a key characteristic of continuous improvement.

Set against the planned radical change that defines most change programmes, continuous improvement is gentler, more considerate of your employees and customers and far less disruptive to your organisation. Given the cost of losing people then having to replace them, and the disruptions this causes to business momentum, that has to be worth pursuing.

But while gentle, the introduction of these practices is not easy. Not easy because they are ultimately more radical than the usual change management processes. Radical because they give people the control they need to do their jobs.

Thank you for reading. As a sign of my appreciation for you having arrived at this point, I'd like to make you an offer, an offer exclusive to the readers of this book.

If, having read this book, you are thinking that what you have read makes sense and you would like a second opinion on your current or future change programmes, simply reach out to my office for a Complimentary Change Management Strategy Review (Value $1450).

You can reach my office at:

- 1300 290 606 if you're in Australia
- 04 587 0237 if you're in New Zealand

Or feel free to visit
www.PeopleandProcess.com/StrategySession to schedule your Complimentary Consultation.

I hope you've enjoyed the intellectual stimulus that comes from a contrarian viewpoint and if you would like to continue the conversation be sure to get in touch.

The COI doesn't bear considering...

To your success,

Stephen Hay
Strategic Advisor to Senior Executives
Preparing for Transformational Change

ADDENDUM: REFERENCES, MODELS AND CHARACTERS

In the order in which they appear:

EF Schumacher, *A Guide for the Perplexed:* a lovely little book on Western philosophy, by the author of the renowned *Small is Beautiful*.

Porter's Value Chain: from Michael Porter's 1985 book *Competitive Advantage* in which he first described value chains as a process view of an organisation.

Womack and Jones: JP Womack and DT Jones, authors of *The Machine That Changed the World* and *Lean Thinking*. Generally considered to be the founding fathers of lean thinking.

Ohno: Taiichi Ohno, considered to be the father of the Toyota Production System, known as Lean Manufacturing in the West. His concept of "just-in-time" inventory management lies behind the catch-phrase, "right information, right person, right time".

George Box: George EP Box was a British statistician who worked with time-series analysis, as did W Edwards Deming and Donald Wheeler. Regarded as one of the great statistical minds of the 20th Century, he was awarded the Shewart Medal in 1968.

Thompson: JD Thompson, *Organisations in Action*. A sociologist, Thompson's book is a classic multi-disciplinary study of the behaviour of complex organisations as they meet and handle uncertainty. He classifies organisations according to technology (our interest in this book) and environment, ideas that still have influence today.

John von Neumann: A brilliant man, von Neumann was instrumental in fields such as pure mathematics and quantum physics. He introduced the flowchart to help plan computer programmes.

Stabell and Fjeldstadt: CB Stabell and ØD Fjeldstad were researchers at the Norwegian School of Management and published *Configuring Value for Competitive Advantage: On Chains, Shops, and Networks* in 1998. Worth reading.

Value Shop: value configuration based on Thompson's intensive technology. Its five activities are:

- Problem Finding and Acquisition
- Problem Solving
- Choice of Problem Solution
- Execution of Solution
- Control and Evaluation

Value is created because the organisation can solve problems better or faster than the client because...

- the organisation is in possession of more information about the problem than the client

- the organisation is specialised to deal with the problem at hand with specific methods to cover analysis
- strong expertise with expert professionals is available

Value Network: value configuration based on Thompson's mediating technology. Value being created is between customers when they interact facilitated by the value network provided by the organisation.

Its main components are:

- a set of customers
- a service the customers all use that enables interaction between them
- an organisation that provides the service
- a set of contracts that enables access to the service

Treacy and Wiersema: M Treacy and F Wiersema published *The Discipline of Market Leaders* in 1995. The material in the book is excellent but the authors are, unfortunately, better known for allegedly manipulating the sales of the book in order to profit from its appearance on the New York Times Bestseller list.

Bernard Lievegoed: a medical doctor and psychiatrist, BCJ Lievegoed's 1973 book *The Developing Organisation* took a humanistic view of an organisation, rather than the prevailing technocratic / bureaucratic view, coming to the conclusion that personal development and organisational development are inextricably linked.

Taylor's Scientific Management: Frederick Taylor was one of the first to look to economic efficiency as seen through the lens of labour productivity. While the term 'Scientific Management' is now broader than Taylor's original work, his requirement of high levels of managerial control over employees work practices are still present in many organisations today.

Peter de Jager: Peter is a colleague who developed the Seven Questions of Change. When faced with Change – here are the questions that demand answers:

- Why? – Why is this particular Change necessary now?
- WIIFM? – If we don't address this? They'll listen to nothing else.
- Monday? – What exactly will we be doing differently tomorrow?
- Won't? – What won't Change?
- Might? – What might go wrong?What are our plans to mitigate that?
- Will? – What will be difficult?What will we do to make that easier?
- Signposts? – How will we know we're making progress?

W Edwards Deming: Deming's tome *Out of the Crisis* is well worth the read. It sometimes feels as though he is hurling words onto the page but, given his reputation for irascibility, that can be both expected and forgiven.

Donald Wheeler's *Understanding Variation:* Wheeler was a statistician who took Shewart's work and made it suitable for public consumption. He worked with Deming for a number of years and in his little book *Understanding Variation* he coined the phrase "numerical naiveté" as a description of those who do not know how to correctly interpret data.

Hammer's Business Process Reengineering: Hammer and Champy's book *Reengineering the Corporation* took the world by storm and put the focus firmly on an organisation's processes. A good read but bear in mind that this emphasis on reengineering will drive you to focus on the transactions rather than the relationships.

John Seddon: John Seddon of Vanguard Consulting has almost single-handedly rethought the work of Deming and Ohno into the service framework. Most of his work is focussed on the UK government but he now has a network of offices worldwide. His work is worth getting to know intimately.

Andrew Sobel: As outlined in his book *All for One*, Andrew Sobel's area of expertise is Clients for Life – how to evolve from Expert-for-Hire to an Extraordinary Adviser. Like the other references here, it is worthwhile being acquainted with his work.

Rob Cross: Rob Cross's work is focussed on applying social network analysis ideas to critical business issues. His first book, *The Hidden Power of Social Networks*, introduced how valuable network analysis could be to creating a high-performing organisation.

Richard Kopelman and his Cube One framework: Kopelman's work is quite recent (2012) with a focus on interpreting and assessing an organisation's performance by examining its productivity-, customer-, and employee-directed practices. In other words, all elements that are under management control.

Dean, Brandes, and Dharwadkar: JW Dean, P Brandes and R Dharwadkar wrote their paper "Organisational Cynicism" in 1998. In it they highlighted cynicism's deleterious effect on organisational commitment and team-based activities. Their conclusions are as valid today as two decades ago.

Tom Peters: Management writer and speaker, Tom Peters is best known for his series *In Search of Excellence*.

Friedrich Glasl: Founder of Trigon in Vienna, Austria, Glasl is best known for his work on conflict resolution. Prior to that he worked with Bernard Lievegoed on organisational change and development then shifted his focus when he recognised that the common characteristic of all change is our inability to resolve conflict.

FLYING BLIND
10 Critical ROI Blind Spots

Strategic transformation expert Stephen Hay is the strategic advisor to senior executives preparing for transformational change. He provides practical advice for leaders who are accountable for delivering a positive return-on-investment (ROI) from their organisational change projects.

With more than two decades of experience working with change programmes from both sides of the coin, Stephen has guided numerous large and small organisations in the services sector through difficult and complex transitions and improvement initiatives. He has now decided to share the insights and know-how he acquired through operating in demanding change environments.

Some 70% of change projects fail to finish on time, deliver the expected outcomes, or come in under budget. Many organisations identify the future they want and plan a path to get there; however, they fall short because the people involved don't actually understand the uniqueness of the organisation they are seeking to change.

In *Flying Blind*, Stephen reveals 10 blind spots that leaders must know about to ensure their change projects deliver a positive ROI. Each blind spot is explained in detail with models and techniques for understanding your organisation and creating a robust change programme that fits your particular business.

In this groundbreaking book, you'll discover:

- **The hidden reasons change projects fail to finish on time** and don't deliver expected outcomes
- Why **understanding your organisation on all levels is critical** for ensuring change projects succeed
- How using **the wrong business model takes away your competitive advantage** and damages your productivity
- Where to **find the change heroes in your organisation** and why they're more effective than outside consultants for championing initiatives

"Stephen provided a pragmatic business process framework to support our organisational strategy project at NZTE in the Capital Team. He has a quiet style which doesn't dominate and ensures that all team members understand the process, which allows them and senior leadership the space to drive the process to the desired outcome. He also provided valuable follow-up around team culture and communication."

Richard Laverty, *GM Strategy*
New Zealand Trade and Enterprise

For a Complimentary Change Management Strategy Review (Value $1450.00), Call 1300 290 606 in Australia or 04 587 0237 in New Zealand or Visit www.PeopleandProcess.com/StrategySession to book your free consultation.

ISBN 978-0-473-40297-6

9 780473 402976 >