Driving Change Throughout the Enterprise

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EDITORS' NOTE *Prior to assuming his current position in January 2004, Jim Taylor served as Executive Vice President and Chief Financial Officer of Thomas Group. Previous appointments include President of the Chancellor Group, a Texas-based consulting company; Vice President of Overhill Farms Corporation, a food-processing company; CEO and President of the automotive accessories firm Elcon Industries; and Partner at Coopers & Lybrand (currently PricewaterhouseCoopers). A licensed CPA, Taylor is a member of Financial Executives International, the Dallas Citizens Council, and sits on the board of the learning partnership, Big Thought.*

COMPANY BRIEF *Internationally headquartered outside Dallas, Thomas Group, Inc. (www. thomasgroup.com) is an international, publicly traded professional-services firm that creates and implements customized strategies for sustained performance improvements in all facets of the business enterprise. With coverage worldwide, Thomas Group (Nasdaq: TGIS) offers a unique brand of process improvement and performance management services, enabling businesses to enhance operations, improve productivity and quality, reduce costs, generate cash, and drive higher profitability.*

CEOs today face the challenge of having to constantly change their organization in order to stay profitable and competitive, and that challenge is unprecedented in terms of complexity and potential impact – both positive and negative.

An enterprise is an aggregation of companies or organizations within one company that all report to the same executive. The term "extended enterprise" refers to an ecosystem that includes the various affiliated companies or organizations, along with the suppliers, customers, and their systems. When you drive change throughout your enterprise, knowing the value your customers and suppliers put on their processes is as important as knowing your own. This is a critical element of Process Value Management.

Executives are asked by their boards and shareholders to get to market faster and increase productivity and quality, while simultaneously reducing costs. They are challenged to overcome changes in demand and financial constraints by being cost competitive rather than price competitive. Executives are required to place operations in proper alignment with an appropriate strategy, particularly in the world of mergers and acquisitions. And sometimes they are asked to leverage diverse, disconnected, and in some cases, competing strategic initiatives.

When attempting to drive change, CEOs encounter all manner of barriers. Several are the result of what Jim O'Toole characterizes as the "ideology of comfort and the tyranny of custom." These are cultural barriers that, for nearly 30 years, Thomas Group has helped to overcome. On site throughout the duration of each assignment, we collaborate with clients first and foremost to help them see their organization or their extended enterprise as a series of high-level connected processes versus an organization of isolated functions. Once an executive can see his enterprise horizontally (via processes) versus vertically (as individually functioning "silos," or divisions that are impenetrable by their customers, suppliers, or other divisions of the same enterprise), he has a much better chance of executing results-driven, cross-functional change.

Driving change requires leadership to ask and answer a series of challenging questions, such as: Where are you currently performing? What areas of the enterprise are you targeting for improvements? What are your means for driving your change and improvement initiative? How are you planning to close the gap? And how are you driving with speed and quality?

Another key point: In collaboration with each client, our ultimate goal is to change the performance of an entire organization, rather than merely execute a series of incremental changes. Experience has taught us it is imperative that improvement occur at all levels and in all areas of the given enterprise, and that performance change must be driven from top leadership.

In the book *Enterprise Architecture as Strategy*, Jeanne Ross and her co-authors, Peter Weill and David Robertson, assert that "top-performing companies define how they will do business (an operating model) and design (or re-design) the processes and infrastructure critical to their current and future operations (enterprise architecture), which guide the evolution of their foundations for execution. Then these smart companies exploit their foundation, embedding new initiatives to make their foundations stronger, and using it as a competitive weapon to seize new business opportunities. And what makes this capability a competitive advantage is that only a small percentage of companies do it well – we estimate 5 percent of firms or less."

Companies on the leading edge of change are using speed-driven techniques of process improvement

Most change initiatives fail and, of course, the reasons vary among organizations. Over the years, the most formidable barrier or obstacle to driving change is overcoming the organization's current culture; e.g., defense of the status quo. Embedded inside of an organization or enterprise's culture are additional barriers to change, such as structural barriers, or "silos." Sometimes a barrier is psychological ("What's in it for me?") or emotional, such as concerns about job security or the economy, or a focus is on cost rather than on value. Sometimes "tribal" barriers occur, such as a lack of mutual respect and trust because of conflicts in the past. It is important to keep in mind that change leaders and change agents threaten the comfort found in status quo. That is why they encounter obstacles that are very difficult to overcome from the "inside." Over the years it has been my experience to also see change initiatives fail because of disjointed methodologies; e.g., as a result of mergers and acquisitions, a company may focus on activities rather than on results or inherit totally unrealistic objectives or confused priorities.

When change is driven, you can pull your company's culture in the right direction by first attacking the practices that obstruct better process performance. Companies on the leading edge of change are using speed-driven techniques of process improvement that incorporate simplified workflows linked to strategic and financial performance. Consider what Jack Welch faced when he was selected by Reginald Jones to become his successor as CEO of GE. Welch had to drive change. In certain areas he extended the vision; in other areas he limited the focus. He aligned the strategy and the structure with GE, ensuring that with the introduction of new systems, the right people were working on the right things. He made truly dramatic changes and always, from a process perspective, found ways to support the change with an eye on productivity and quality.

Talk about results. In 1980, the year before Welch became CEO, GE recorded revenues of roughly $26.8 billion; in 2000, the year before he left, they were nearly $130 billion. When Welch left GE, the company had gone from a market value of $14 billion to one of more than $410 billion at the end of 2004, making it the most valuable and largest company in the world, up from America's 10th largest by market cap in 1981.

Years later, Lou Gerstner faced many of the same internal barriers when he became CEO of IBM. As he explained in his memoir, *Who Says Elephants Can't Dance?*, when Gerstner arrived in April 1993, IBM's culture had become insular and "Balkanized." More than 100,000 employees had lost their jobs in a company that had from its inception maintained a lifetime employment policy. Layoffs and other tough management measures continued in the first two years of Gerstner's tenure, but the company was saved. IBM's business success has continued to grow steadily since Gerstner's retirement in 2002.

It is noteworthy that although Welch's successor, Jeff Immelt, has not exactly "blown up" GE, he has driven significant changes throughout the company, as has Gerstner's IBM successor, Sam Palmisano. The need for such change never ends. Knowledge management must capture the principle of constant learning, which we call Cycles of Learning®, so the most efficient and effective ways of working are continuously being implemented. Modernization requires change, as does meeting customers' requirements in the best way possible. Even huge companies such as IBM and GE must constantly reinvent themselves with leadership that drives necessary improvement throughout the entire enterprise. Both Welch and Gerstner struggled to overcome all manner of obstacles and barriers, and the worst were cultural.

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At Thomas Group, we view an organization horizontally, not vertically. We focus on driving change by executing a proven Process Value Management results-driven methodology. Working closely with clients, we identify the highest leveraged processes, whether they are business processes, management processes, or core processes, and measure the current and future operating efficiency.

Next, we establish operational and financial objectives and assess their impact on the organization and the enterprise. Being results oriented and knowing that a process is a series or sequence of definitive actions that deliver consistent results (with defined inputs and outputs), we know what the envisioned state will yield. Once the work scope is submitted and approved, we implement a hierarchical change and governance structure so that newly formed cross-functional teams will be empowered.

Teams are formed, and they begin mapping select high-level processes so key action flows and work packages can be identified. Knowing the incremental value (speed, quality, and productivity) that exists in each process leads us to identify barriers and root causes of waste. Our methods allow us to rank barriers and prioritize the impact the removal will have, so that we can accurately assess which barriers will be the most challenging to remove, and yet yield the highest impact; and which ones are not core processes, but have become substitute processes and are truly loaded with cost. Is this a recipe or an art form? CEOs for whom we work tell us it is both. It is important that change be incremental – and not all change can occur at once. Knowing what to change – and where to focus the driving improvement efforts – is the art. Being aware of any unraveling of critical processes that were identified as constraints comes with know-how and experience. One thing is certain when driving change: 99.9 percent of the time, you do not remove the substitute process first. A substitute process is one that the culture has installed as a work-around to the original process's lack of productivity.

Throughout the process of driving change, we manage tasks and priorities, linking all actions to results as the cycles of learning from the enterprise continue. An organization and enterprise committed to learning must take what it knows from the perspective of action learning and knowledge management, and disseminate what has been learned throughout so that the organization can become a total learning enterprise.

There are two other points I wish to make. First, throughout the completion of assignments for various Thomas Group clients, we are especially alert for initiatives that we characterize as "firefighting." These activities illustrate what Stephen Covey had in mind when suggesting that too much time is spent on what is urgent and not enough time on what is important. Substitute processes – that is, responding to symptoms rather than to root causes – offer an excellent example of firefighting. It is imperative that when driving change across an enterprise, everyone sees the entire "forest," not only its individual "trees."

The second important point is that change initiatives involve a journey of discovery to learn what should be done and how to do it better. In this context, I am reminded of what Peter Drucker said in an article that appeared in the *Harvard Business Review* in 1963: "There is surely nothing quite so useless as doing with great efficiency what should not be done at all." Thomas Group's results-driven, cross-functional methodology is but a means to an end: achieving desirable results.

Our methodology opens up opportunities to create a "total learning organization," while guiding and informing process improvement initiatives. We expedite access to what Carla O'Dell and C. Jackson Grayson characterize as "beds of knowledge," which are "hidden resources of intelligence that exist in almost every organization, relatively untapped and unmined." We then drive dissemination of best practices throughout the enterprise when transferring knowledge. Thomas Group creates value for each client in countless ways. How important are results to us? Results and breakthrough process performance are everything we are about. They are what drives change. ●