People, Process, Technology - The Three Elements for a Successful Organizational Transformation

SEMS Webinar – Part 1 of the Mini-series on Transformational Change

March 2, 2011

S. Ramakrishnan, M. Testani

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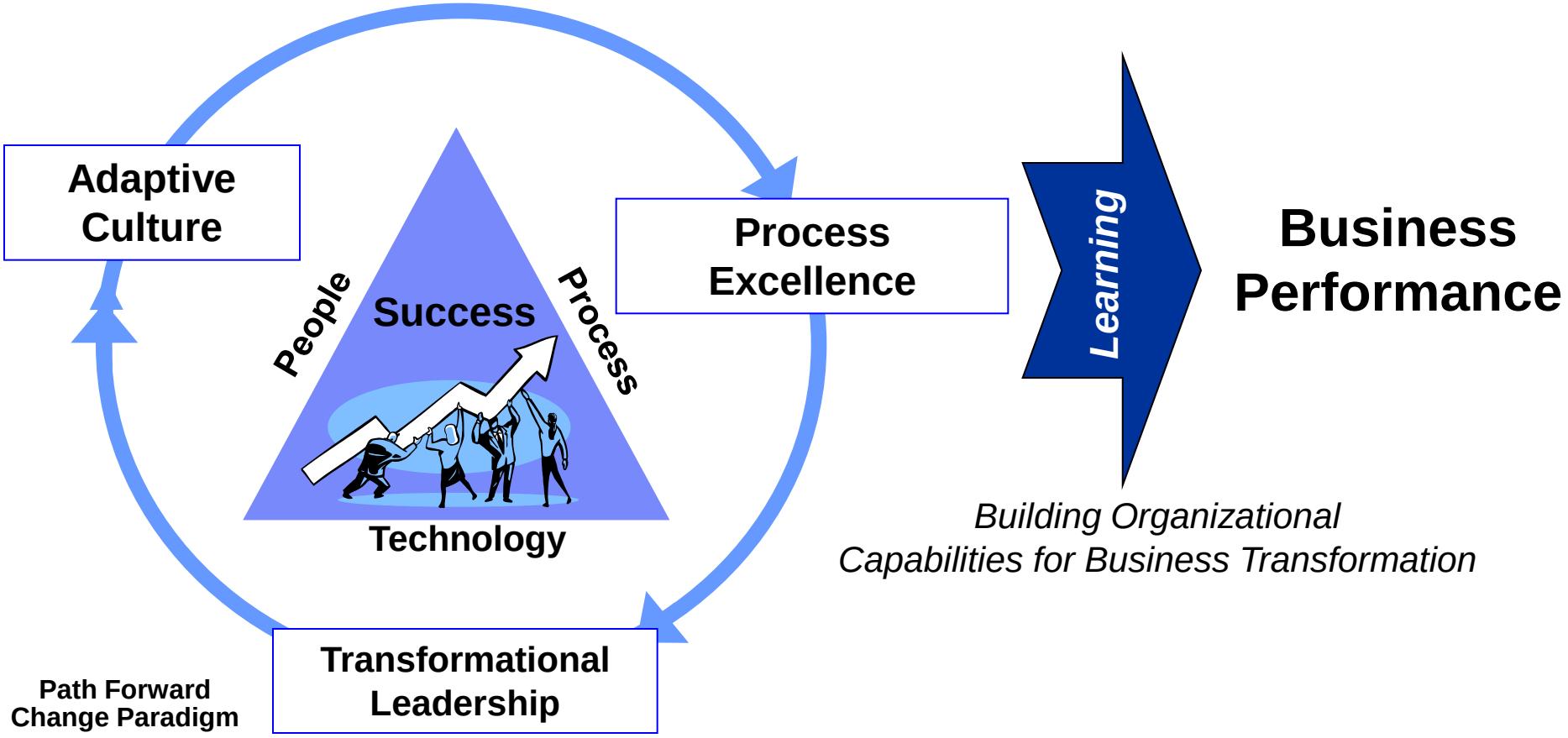
The Path Forward Approach to Business Transformation



Innovation and continuous improvement enabled through process excellence and high performing organization culture

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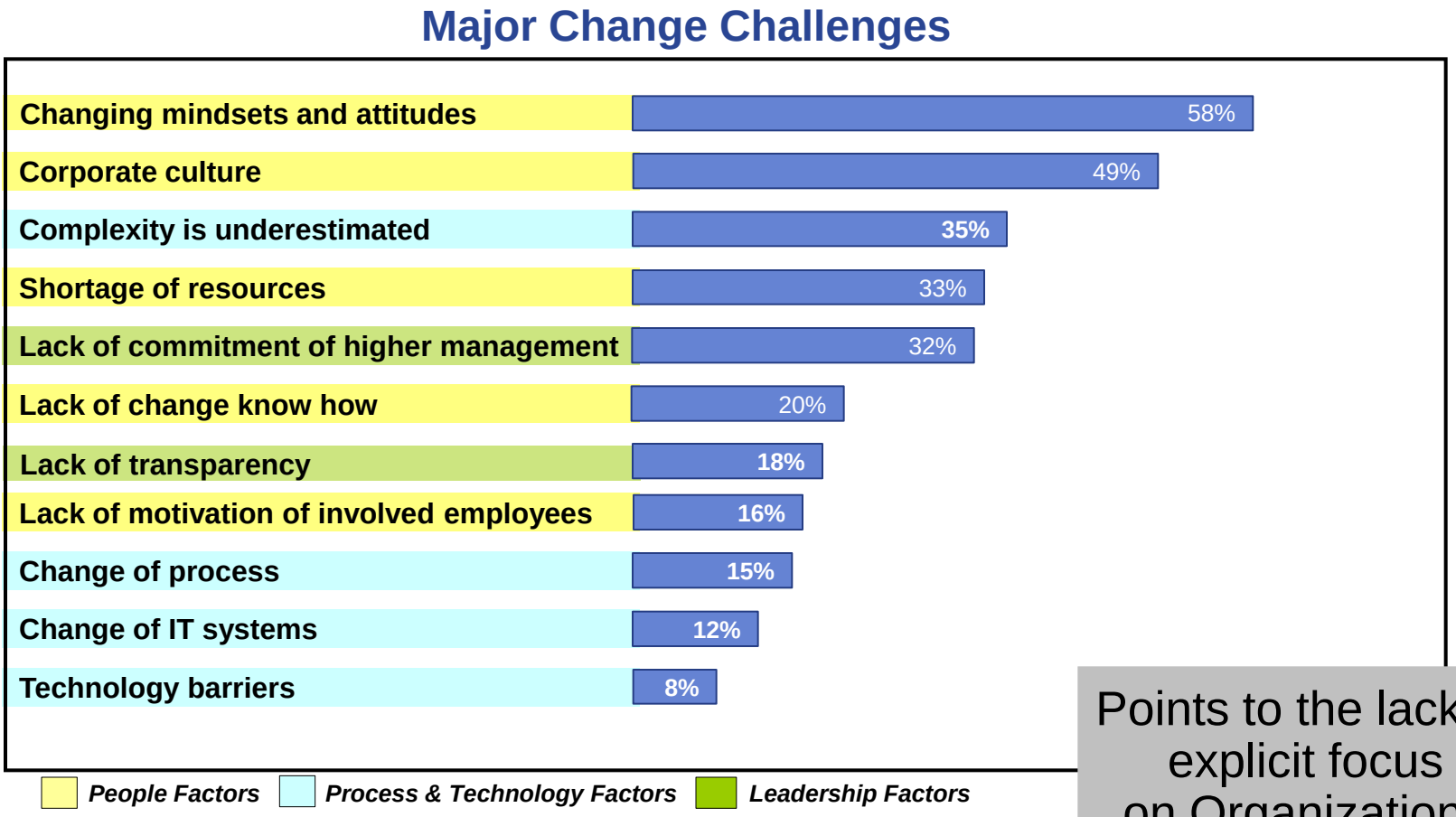
Most of the critical challenges to successful change involve people, process-technology and leadership



Points to the lack of explicit focus on Organizational Culture

Source: Making Change Work Study: Continuing The Enterprise of The Future Conversation from the IBM Global CEO Study, 2008 (n=1,532)

Available at : http://www-935.ibm.com/services/us/gbs/bus/pdf/gbe03100-usen-03-making-change-work.pdf; page 12

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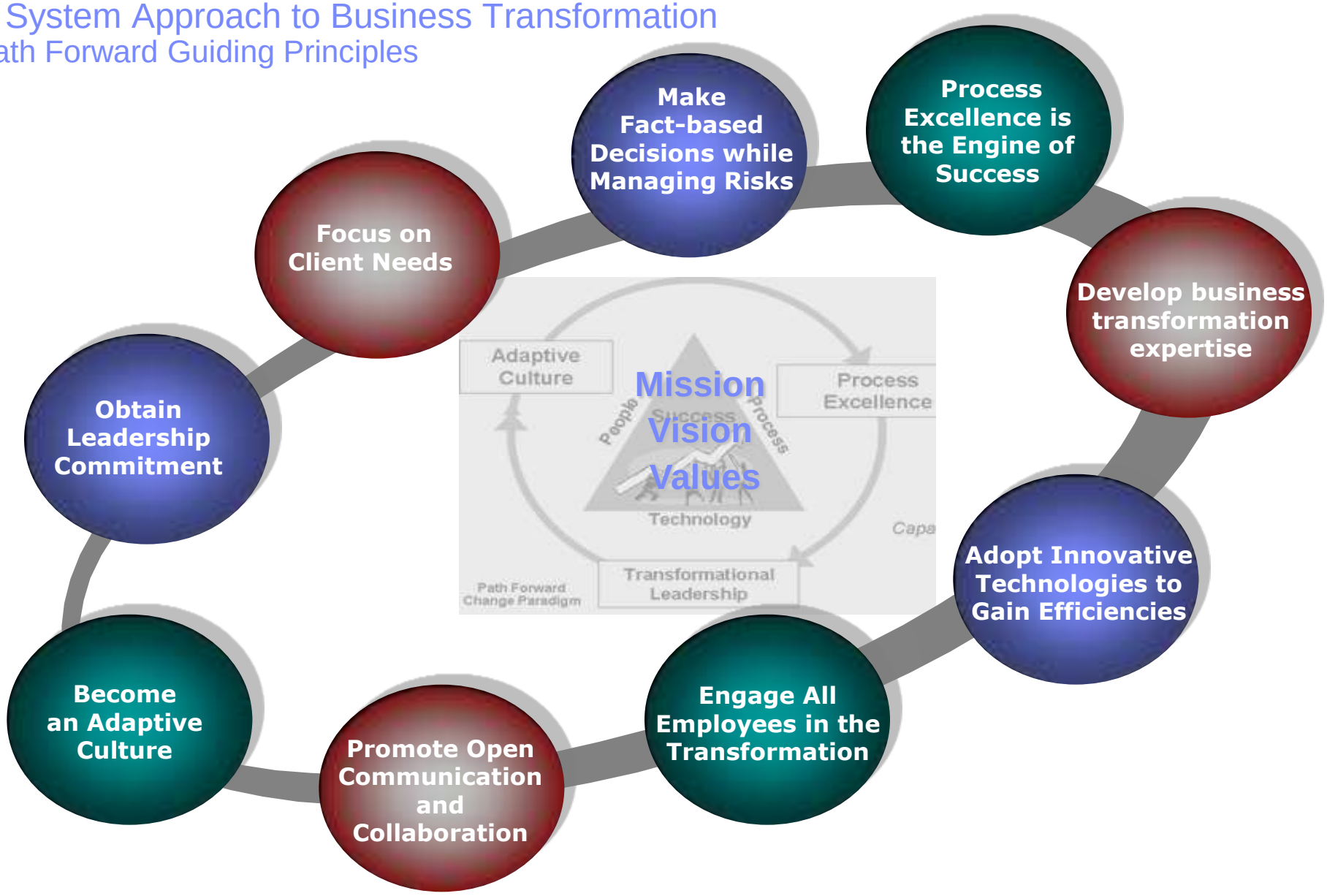
A System Approach to Business Transformation

Path Forward Guiding Principles



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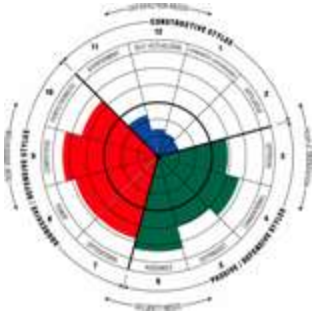
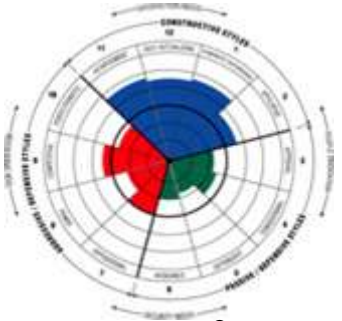
Approach to a Successful Change Initiative*



OCI©
Current State

Compelling Reason for Change
(Why leave where we are?)

Vision
(Where do we want to go?)

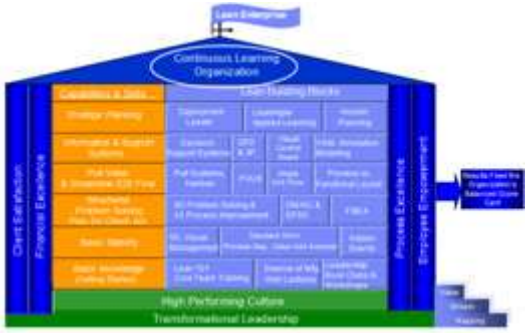


OCI©
Preferred State

Path Forward
Transformational Leadership Development

Transformational Leadership
(Who will take us there?)

Change Plan
(How will we get there?)



Lean Transformation Roadmap

Path Forward
Transformation Teams

Enable advocates for change
(How will we enroll others to go where we want them to go?)

OCI® - Organizational Culture Inventory
is a proprietary of Human Synergistics Intl.

Reference: Adapted form Dr . Marvin Washington

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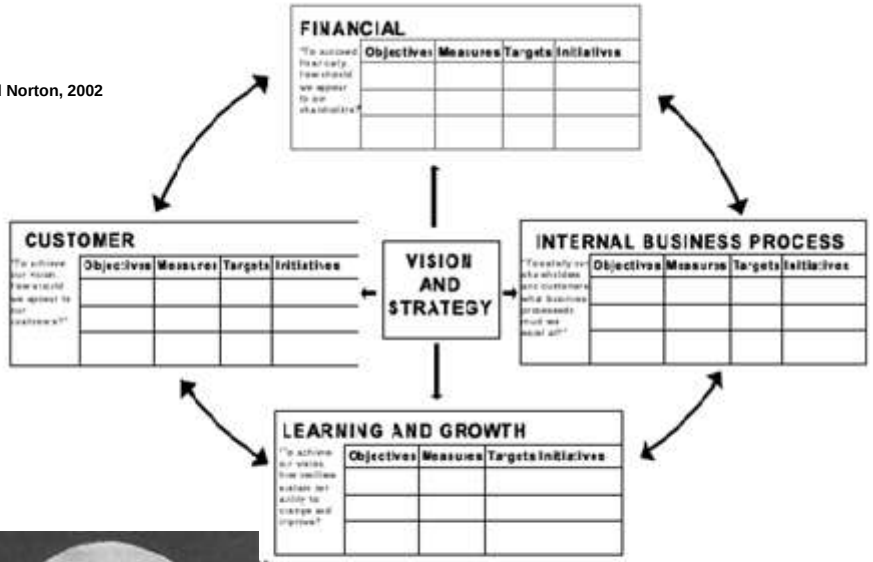
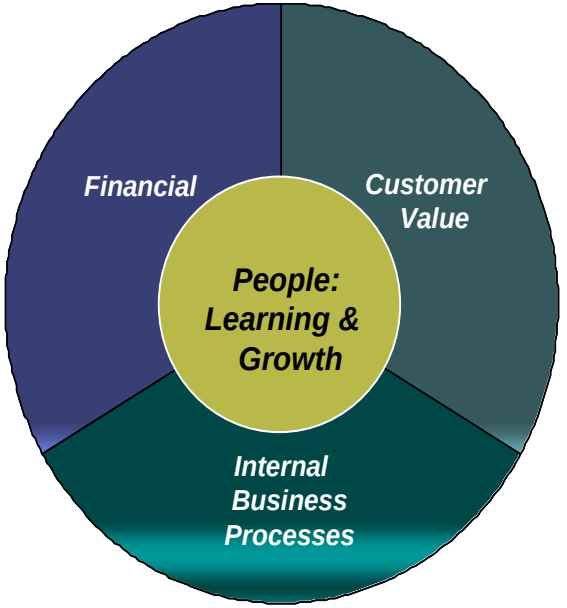
Aligning the Organization to Achieve the Vision

Kaplan and Norton, 2002



The Path Forward approach works with the senior leadership team to implement a 'People-centric' Balanced Scorecard

Thomas J Watson (1947)



"Teach your associates to teach themselves and in that way you will strengthen the entire organization"

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Path Forward Change Paradigm

Integrates People, Process and Technology

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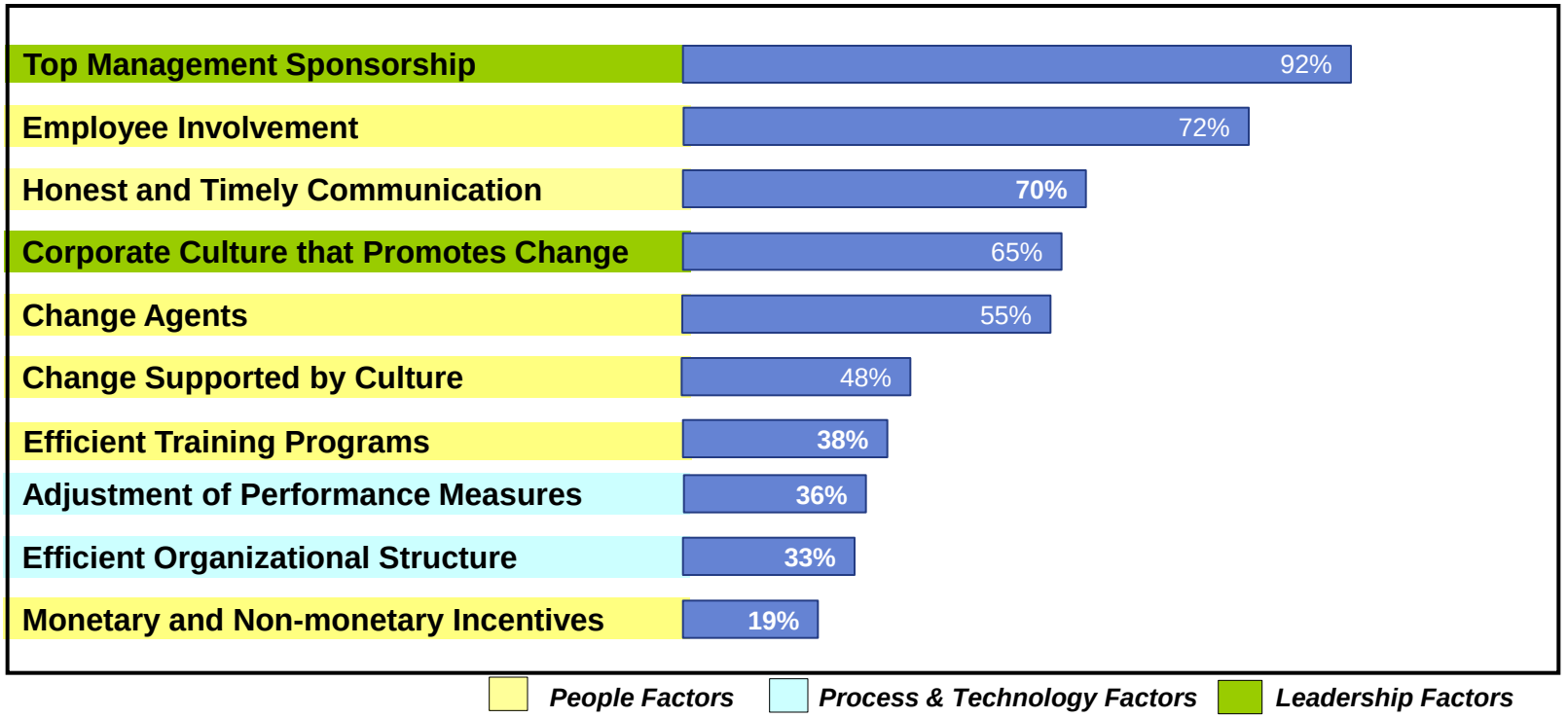
Key to Successful Change Initiatives



Pre-requisites for Successful Change:
- Transformational Leadership
- Employee Engagement
- Direct, Open, Sensitive Communication

Start with Leadership Commitment to begin looking at the culture and process

Source: Making Change Work Study: Continuing The Enterprise of The Future Conversation from the IBM Global CEO Study, 2008 (n=1,532)

Available at : http://www-935.ibm.com/services/us/gbs/bus/pdf/gbe03100-usen-03-making-change-work.pdf; page 13

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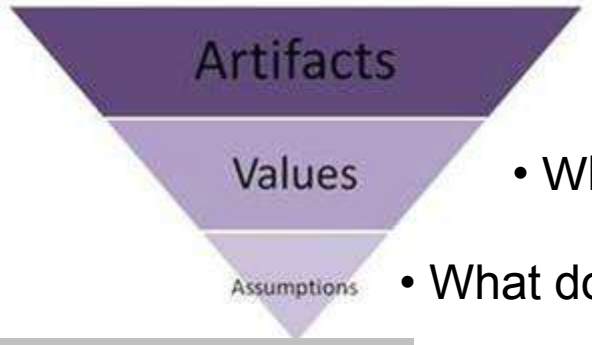
What is Culture and Why is it Relevant?

- **Edgar Schein** model of Culture:



- What you can see, hear and observe
- What is important to the organization
- What does it take to 'fit in'

Organizational Culture and Leadership: E. Schein, Jossey-Bass, 4 ed., (2010)

- **Dr. Robert Cooke:** Organizational culture—the shared beliefs and values guiding the thinking and behavioral styles of its members
  - Organizational behaviors are classified into 3 categories:
    1. Constructive behaviors
    2. Passive/Defensive behaviors
    3. Aggressive/Defensive behaviors
  - These qualitative behaviors can be measured & quantified to help evaluate and change an organizational culture

Robert Cooke's work can be found at Human Synergistics International's website
http://www.humansynergistics.com/news/ResearchandPublications.aspx

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Organizational Culture Inventory®, OCI

Circumplex with a Brief Description of the 12 Styles

Self-Actualizing

Members are expected to gain enjoyment from their work and produce high-quality products/services

12

Achievement

Members are expected to set challenging but realistic goals and solve problems effectively

11

Humanistic-encouraging

Members are expected to be supportive, constructive, and open to influence in dealing with others

1

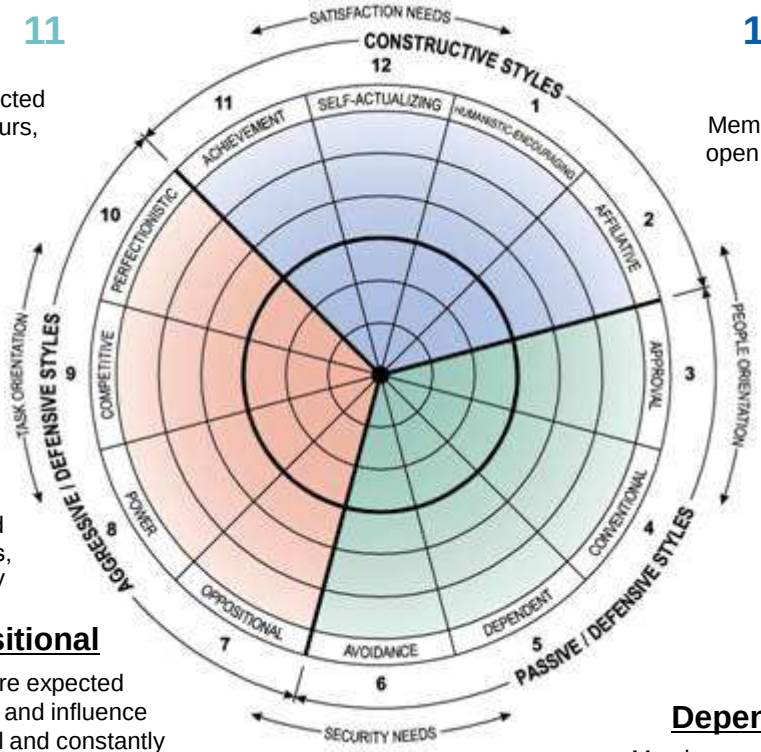
Perfectionistic Members are expected to avoid making mistakes, work long hours, and keep "on top" of everything

10

Affiliative

Members are expected to be friendly, open, and sensitive to the satisfaction of the work group

2



Competitive Members are expected to operate in a "win-lose" framework and work against their peers to be noticed

9

Approval

Members are expected to agree with, gain the approval of, and be liked by others

3

Power Members are expected to take charge and "control" others, and make decisions autocratically

8

Conventional

Members are expected to conform, follow the rules, and make a good impression

4

Oppositional

Members are expected to gain status and influence by being critical and constantly challenging one another

7

Dependent

Members are expected to do what they are told and clear all decisions with supervisors

5

Avoidance

Members are expected to shift responsibilities to others and avoid being blamed for mistakes

6

Styles of Behaviors Required to "Fit-in"

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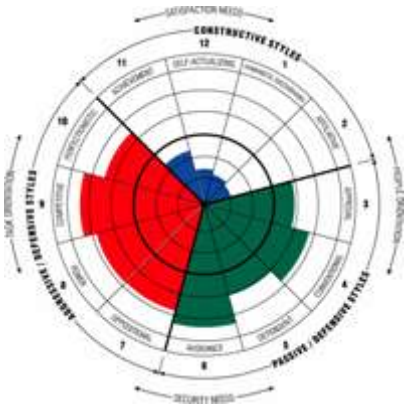
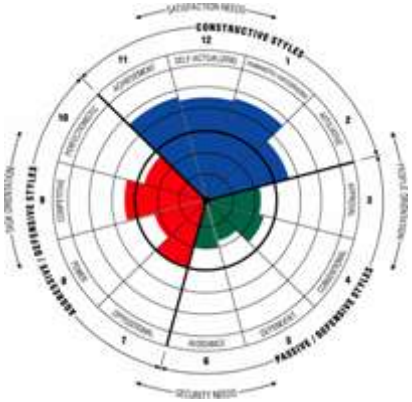
Culture has a significant impact on an organization's long-term economic performance:

Results from an 11 year study, contrasting cultures of more than 200 companies, shows organizations with Adaptive cultures consistently produced superior business results.*





	Unadaptive Culture		**Adaptive Culture**
Revenues →	166**%**	vs.	**682%**
Work Force →	36%	vs.	**282%**
Stock Price →	74**%**	vs.	**901%**
Net Income →	1%	vs.	**756%**

Corporate Culture and Performance: J.P. Kotter & J.L. Heskett, Free Press (1994)

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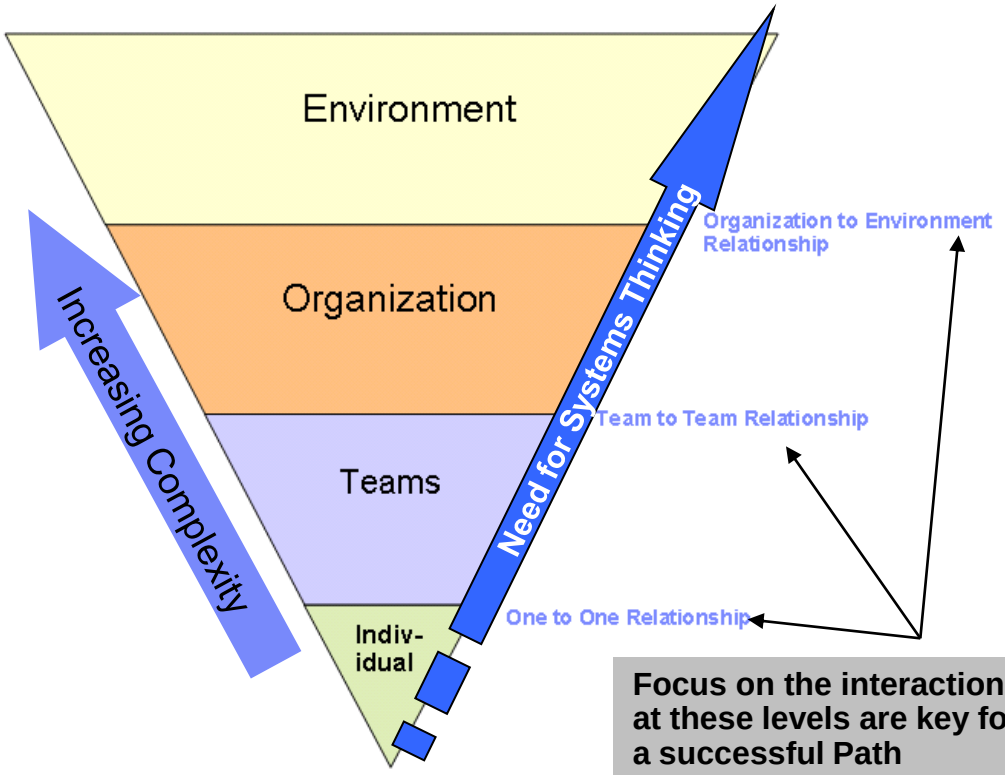
Living (Open) Systems & Interactions between System Levels

Seven Levels of Living (Open) Systems:

1. **Cell**- The basic unit of life
2. **Organ**- The organic system within a body
3. **Organism**- Single organisms; such as humans, animals, fish and birds
4. **Group**- Teams, departments, families, and similar bodies composed of members
5. **Organization**- Firm, company, neighborhood, community, city and other private and public organizations
6. **Society**- States, provinces, countries, nations, regions within countries
7. **Supranatural system-** Global systems, continents, world regions, Earth

Organizational change involves Level 3, 4 & 5



Focus on the interactions at these levels are key for a successful Path Forward transformation initiative

L. Tracy, The Living Organization: systems of behavior. Praeger, New York, NY. (1989)

J. G. Miller, Living Systems. McGraw Hill, New York, NY. (1978)

Haines, S., Systems Thinking Research Rediscovered, Available at http://journals.isss.org/index.php/proceedings54th/article/viewFile/1366/480 (2005)

Note: Systems Thinking is required for Open Systems, (Vs. the Analytic Thinking that is commonly used for Closed Systems)

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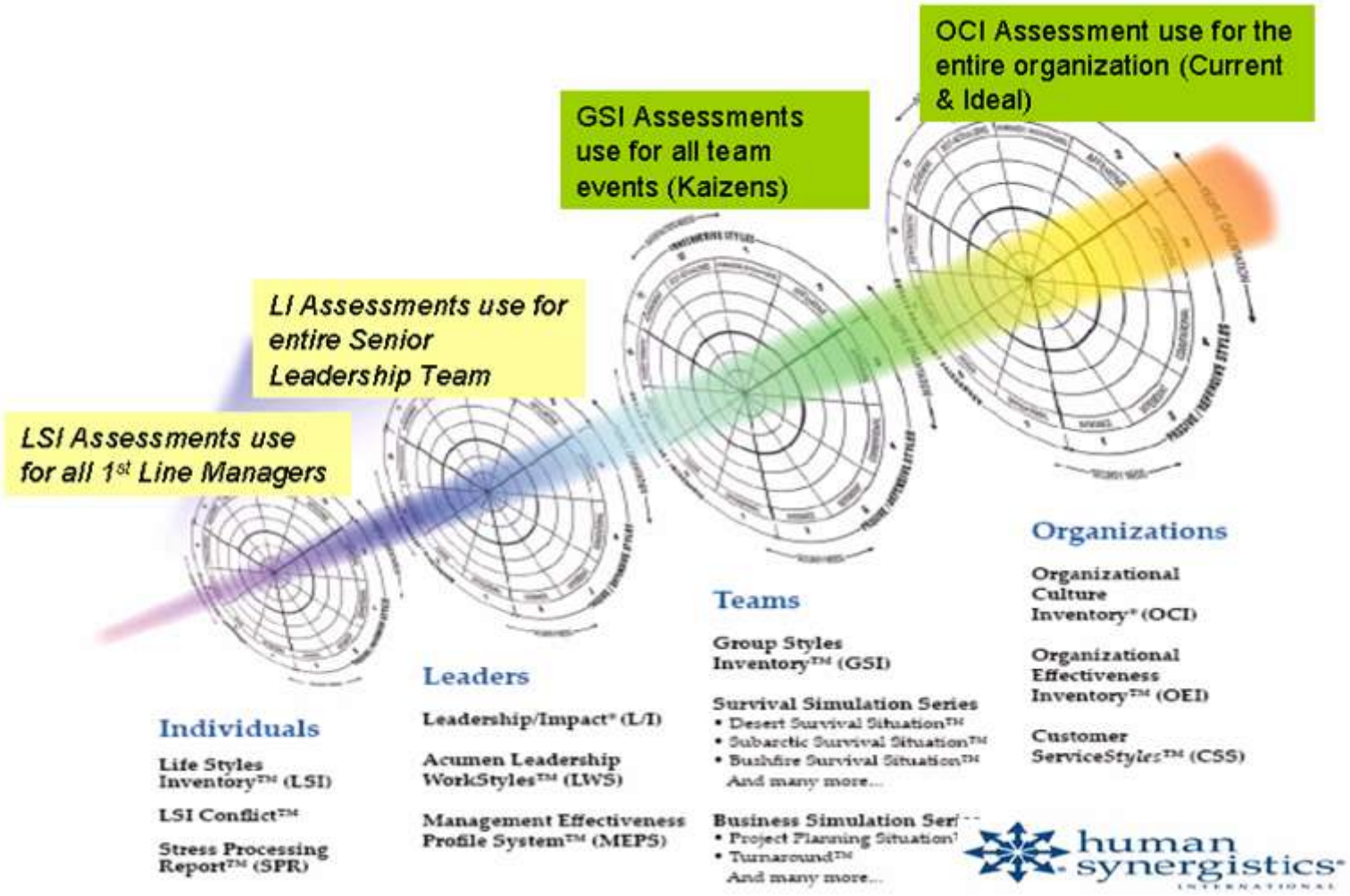
Begin by Understanding the Culture – Readiness for Change

A Systems Approach



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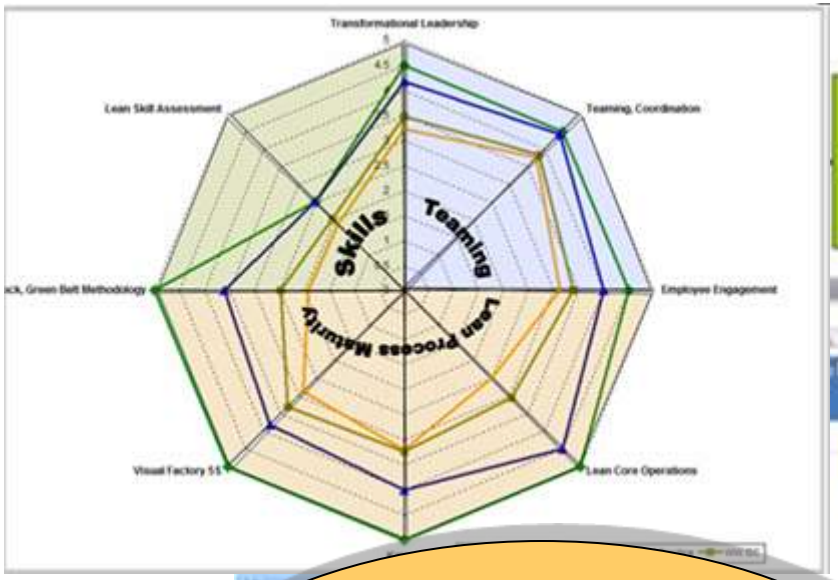
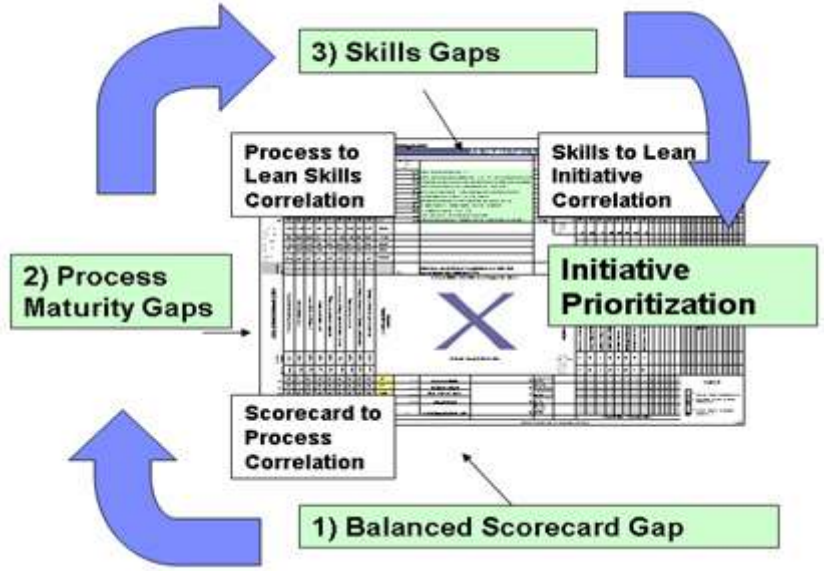
Process and Technology Maturity - Readiness for Change



Process and Technology maturity is conducted in conjunction with the OCI® to understand the strengths, weaknesses and skill levels of the organization



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Engaging People to Transform Processes Critical to Business Transformation Integrating to the "4 P" model of the Toyota Way

- Seek **perfection**
- Continual organizational **learning** through Kaizen
- **Learn to see** by walking the process
- Make decisions by **consensus**, Implement swiftly

Focus on Continuous Improvement and Learning

- **Grow leaders** that live the philosophy & teach it to others
- Respect, develop and challenge your **people** and **teams**
- Use the **expertise** of the workforce
- Respect, challenge and help your **suppliers**

Engaged Employees & Suppliers, Generate Business Value

- Deliver value through understanding **customer requirements**
- Remove **waste** to create **flow**
- **Pull** work through the process
- **Level** the workload (Heijunka)
- **Stop** when there is a quality problem (Jidoka)
- **Standardize** all tasks for continuous improvement
- Use **visual control** so no problems are hidden

Fundamental Lean Thinking – "Seeing & Eliminating Wastes"

- Base management decisions on a **long-term philosophy**, even at the expense of short-term financial goals

Starts with Transformational Leadership

Engaging employees directly contribute to improving constructive styles, reducing passive/aggressive styles → Transforming culture and generating business value

Jeffrey K. Liker. The Toyota Way : 14 Management Principles From The World's Greatest Manufacturer. Figure 1-1, p. 6, New York: McGraw-Hill (2004)

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Why Focus on Process? *14 Lean Principles* and the OCI® Circumplex*

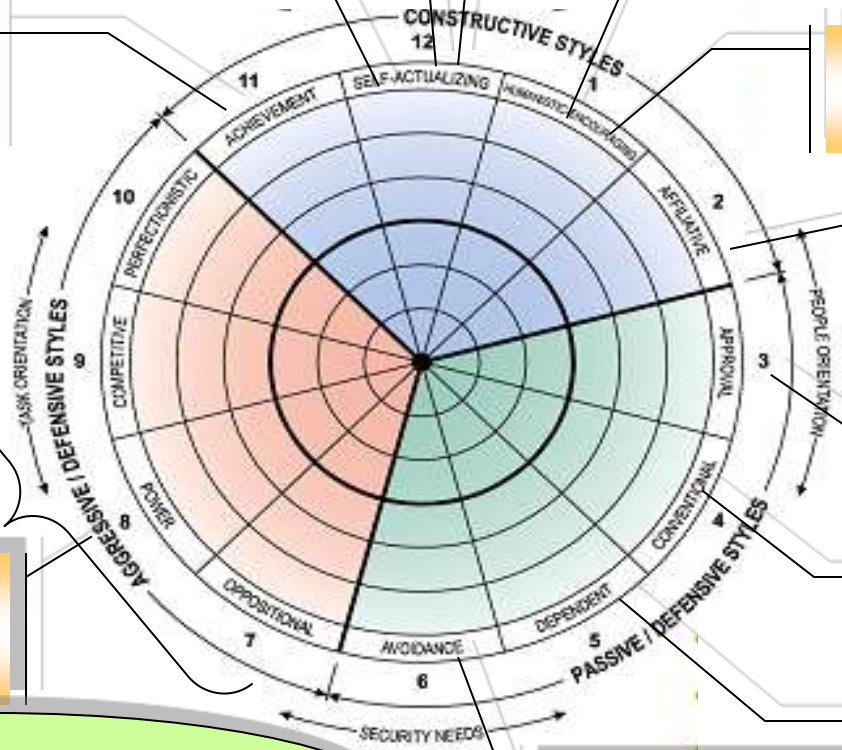
Standardized tasks and processes: continuous improvement and employee empowerment.

Become a learning organization through relentless reflection and continuous improvement (kaizen).

Develop exceptional people and teams who follow your company's philosophy.

Build a culture of stopping to fix problems, to get quality right the first time.

Base your management decisions on a long-term philosophy, even at expense of short-term financial goals.



Grow leaders who thoroughly understand the work, live the philosophy, and teach others.

Respect your extended network of partners and suppliers by challenging them and helping them improve.

Use visual control so no problems are hidden.

Make decisions slowly by consensus, thoroughly considering all options; implement decisions rapidly (nemawashi).

Use "pull" systems to avoid overproduction.
Level out the workload (heijunka).

Go and see for yourself to thoroughly understand the situation (Genchi Genbutsu).

Create a continuous process flow to bring problems to the surface.

*The need for **empowering employees to affect their processes is key for a constructive culture***

"The Toyota Way", Jeffery Liker (2004)

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Path Forward Deployment Strategy

STAGE 1: Readiness for Change

The "Burning Platform"

Balanced Scorecard, Lean Assessment, & Global Competition

Organization Vision of Success

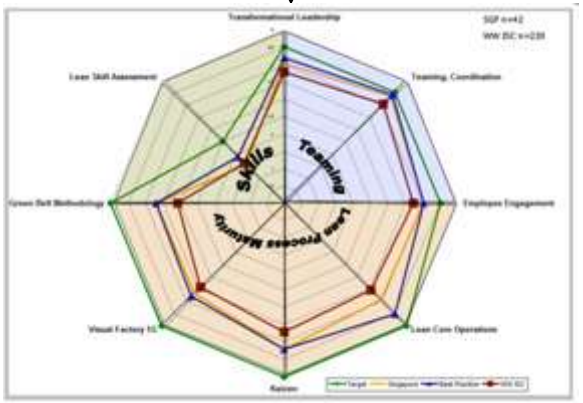
Leadership Commitment

Define Success, Success Measures, Barriers and Top Actions for Success

OCI®, Sub-cultures

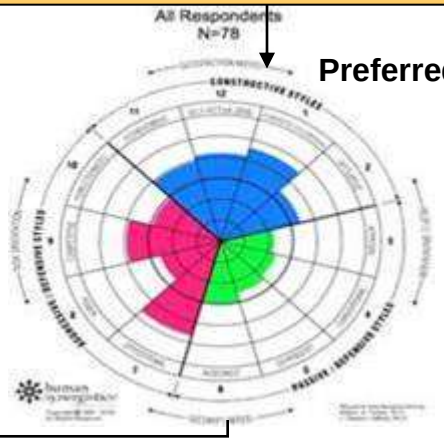
STAGE 2: Skills Development

Lean Transformation Plan



Lean Transformation Skills Development and Deployment

Transformational Leadership Development Roadmap



Preferred OCI®

STAGE 3: Continuous Learning

Gemba & Kaizens are the engine for continuous improvement

Bottoms-up Kaizens

Continuous Employee Skills Development

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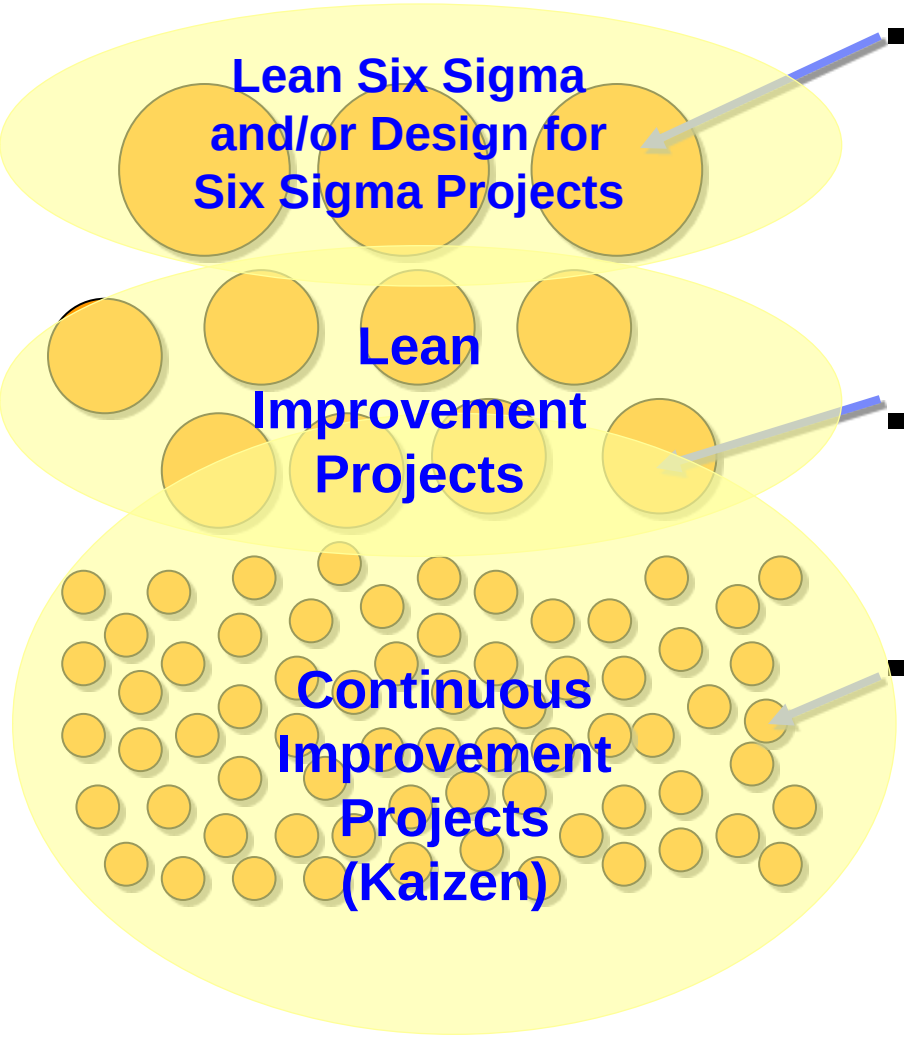
Improvement opportunities exist at all levels in the organization



- **Large Issues Improvement**
  - Management activity to identify strategic issues that affect the entire organization
  - Broad and complex; Strategic
- **Mid-Level Improvement**
  - Moderate Complexity
  - Cross-Functional Teams
- **Individual Level Improvement**
  - Pervasive use at the lowest level
  - Every employee trained and encouraged to use the process.

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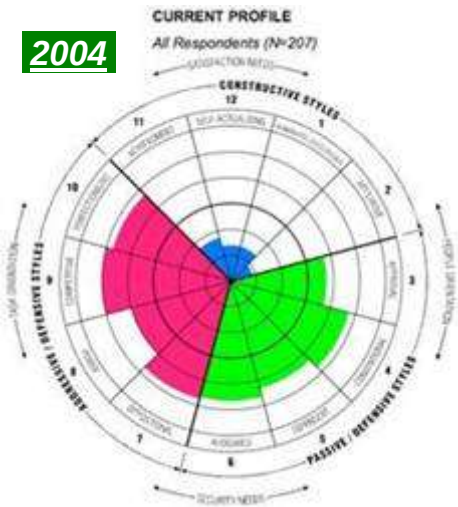
IBM Path Forward Business Transformation – Success Story

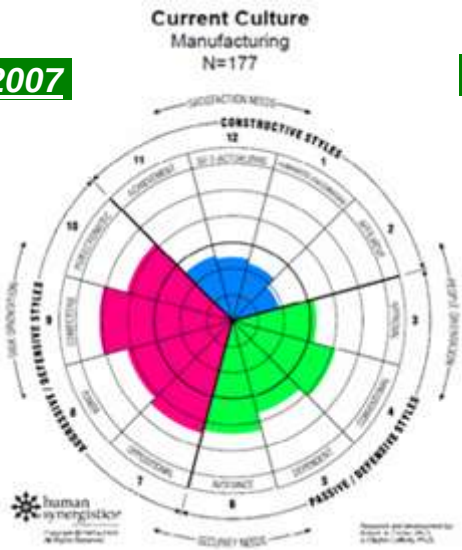
Shoot for the Stars
2005

Assembly Plant of the Year
2008

2004



2007



2010

Cultural Performance Index - CPI	**181**	**313**	**369**
Financial Performance	**Under Plan**	**Under Plan**	**Exceeded Plan**
Inventory Management	**Under Plan**	**Under Plan**	**Exceeded Plan**
Quality Performance	**Under Plan**	**Improving**	**Exceeded Plan**
Process Maturity	**Score: 2/5**	**Score: 3.1/5**	**Score 3.9/5**
Leadership CPI	**245**	**358**	**728**
Employee Satisfaction	**3.62/5.00**	**3.68/5.00**	**3.71/5.00**
Kaizens/# Ideas	**0/20**	**0/80**	**46/300**
# Employees Trained	**10 (<3%)**	**30 (<10%)**	**220 (55%)**

An adaptive culture + process excellence consistently produce superior business results

Summary

- Business transformation requires an explicit focus on People, Process and Technology
- Pre-requisites for Successful Change:
  - Transformational Leadership
  - Employee Engagement
  - Direct, Open, Sensitive Communication
- Needs a systems approach – focus on cultural transformation with process excellence
  - Readiness for Change: Organizational Culture Inventory, Process Excellence Maturity
  - Employee Engagement: Kaizens, Skills Training and Recognition
  - Transformational Leadership → Focus of our second webinar
    - March 16, 2011; 2 PM EST

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Thank you!
Questions???

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