Business excellence through sustainable change management

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Abstract

Purpose – The purpose of the paper is to make a case for achieving business excellence through sustainable change management. Business excellence is defined through the Baldrige Performance Excellence Criteria. Sustainable change management has three pillars: enlightened leadership to provide change direction, great project management to manage technical aspects of change, and excellent talent management for implementing the change. All three pillars will be discussed in this paper along with successful examples of sustainable change management practices from various sectors.

Design/methodology/approach – The paper is a synopsis of professional work done by the author over 38 years in achieving business excellence and managing sustainable change in professional and personal arena.

Findings – The paper provides insights about how sustainable change is achieved to propel an entity toward business excellence. It suggests that leadership is central in initiating the change for the benefit of the enterprise. To successfully manage change, strong project management skills are crucial. Without proper talent management, change initiatives will falter.

Originality/value – This paper fulfills a global need on how to achieve business excellence through sustainable change management.

Keywords Leadership, Project management, Change, Baldrige, Business excellence, Performance excellence, Sustainability, Talent management

Paper type Viewpoint

1. Introduction

"Change alone is unchanging and nothing endures but Change" – Heraclitus, Greek Philosopher.

The author has personally managed the change since his childhood to the current time. He lost both parents by the time he was six years old. Family members provided excellent support and the author turned to education for his survival and growth. After finishing high school in his native place, he traveled 500 miles to Mumbai for post-secondary education for two years. Then he traveled 800 miles to enter the Indian Institute of Technology (IIT), Banaras Hindu University (BHU) in Varanasi, India to study chemical engineering. At the conclusion of his undergraduate work, he traveled 8,000 miles to join the Illinois Institute of Technology (IIT), Chicago in the USA for his graduate studies. After completing his graduate studies, he worked in chemical field for seven years. During the recession in the USA, he started his MBA studies at Keller Graduate School of Management at the DeVry University in Chicago, USA. Then he joined AT&T Bell Laboratories in Holmdel, New Jersey and transitioned from chemical engineering to telecommunication field. During his early years at AT&T Bell Labs he worked on Quality Management project which again changed his career focus to quality management field. The author also taught quality management and operations management courses at various business schools for over two decades. In year 2000, he started his own quality management global consulting practice.

What follows in this paper is a systematic methodology to achieve business excellence through sustainable change management practices.

2. Business excellence

In 1987, by the Act of US Congress, the Malcolm Baldrige National Quality Award was established to spur productivity enhancements for the US companies by recognizing best-in-class organizations. In the last few years, the name of this award was changed to Baldrige Performance Excellence Award Program (USNIST, 2013-2014). As shown in Figure 1, the business excellence is achieved by addressing seven categories of the Baldrige Performance Excellence Program. Each of these categories requires thorough assessment of current processes and systems to identify strengths and areas for improvement. The change management becomes crucial when implementing areas for improvement to achieve business excellence.

3. Change management

3.1 Change management principles

As shown in Figure 2, the Change Management Foundation requires leadership to set direction, project management to take care of technical aspects of change, and people to implement the change. The Figure 3 depicts the Change Management Model. There are four key areas:

(1) determine need for change;

(2) prepare and plan for change;

(3) execute the change; and

(4) sustain the change.

In the change management field, Professor John Kotter's eight stages in Figure 4 provide a systematic method to travel the change journey and achieve business excellence through sustainable change management (Kotter, 2012). It is noteworthy to mention that the Deming Cycle of Plan, Do, Study, and Act as shown in Figure 5 is fundamental for continuous improvement. Also it is important to unfreeze, transition, and refreeze people's behaviors to successfully implement and sustain change.
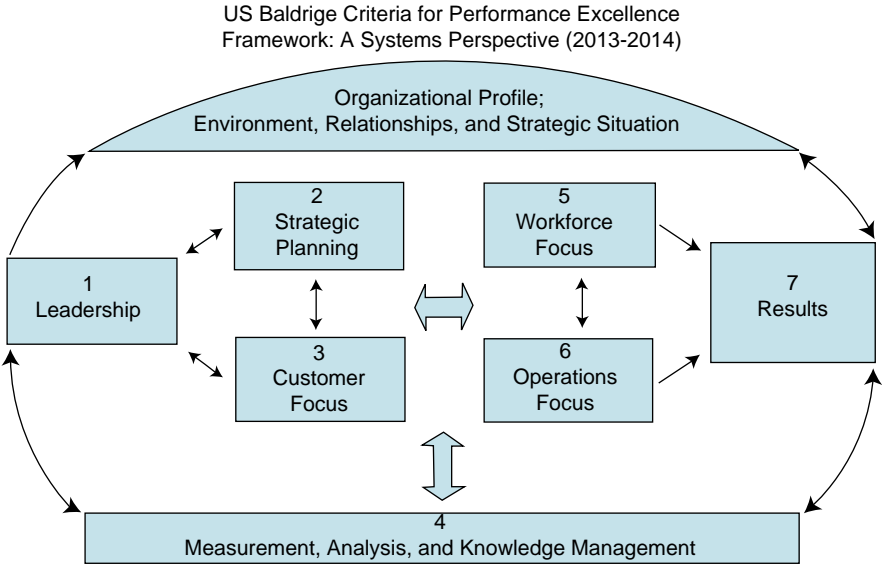

US Baldrige Criteria for Performance Excellence
Framework: A Systems Perspective (2013-2014)

Figure 1.
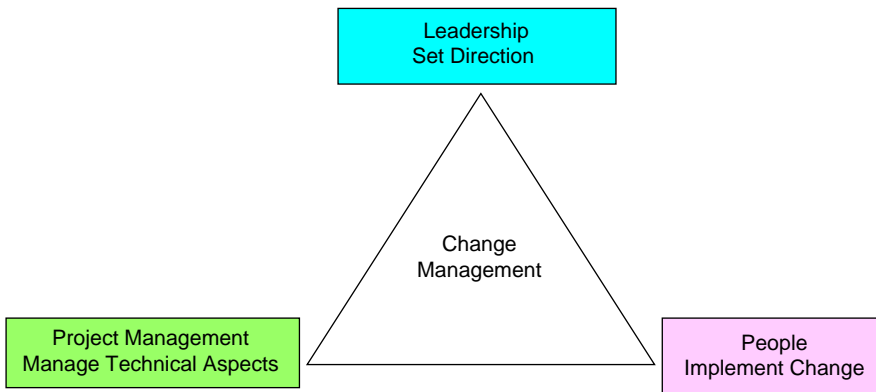Baldrige performance excellence framework

Figure 2.
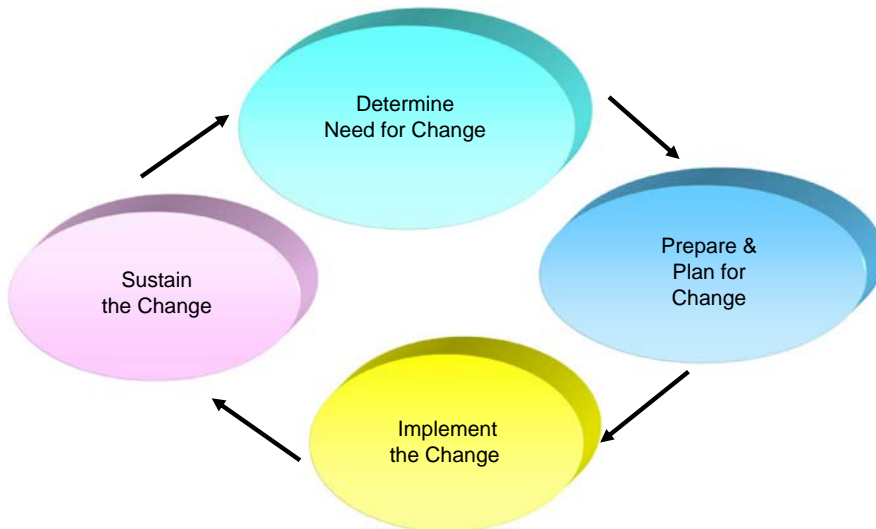Change management
foundation

Figure 3.
Change management
model

1. Establish a Sense of Urgency

2. Create the Guiding Coalition

3. Develop a Vision and Strategy

4. Communicate the Change Vision

5. Empower Employees for Broad-Based Action

6. Generate Short-Term Wins

7. Consolidate Gains and Produce More Change

8. Anchor New Approaches in the Culture

Figure 4.
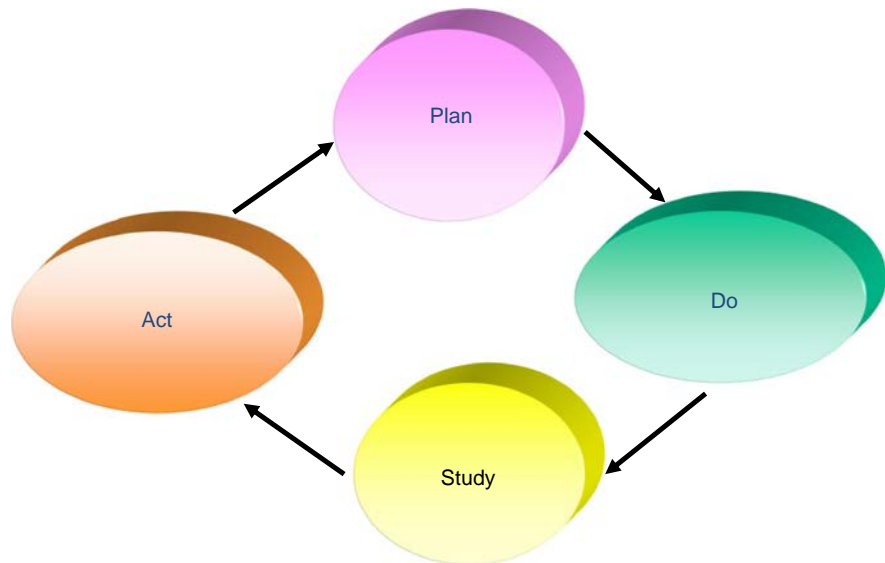John Kotter's eight stages
for change management

Figure 5.
Deming cycle – continuous
improvement

3.2 Need for change management

(1) From the pool of more than 5,000 US publicly traded companies, 486 (9.7 percent) are 100 years or older – excluding operating subsidiaries and just 23 private firms in the USA with audited financial statements are 100 years or older (Krantz and Swartz, 2011).

(2) There are five factors which together result in unique corporate behaviors leading to longevity (blog by TenHaken, 2012):

· careful management of organizational culture;

· protecting core/unique strengths;

· strong relationship with business partners (customers and suppliers);

· investments in developing employees – leadership succession; and

· strong relationship with the local community.

(3) Figure 6 shows a summary by countries of 100 corporations that will survive 100 years in the western world (Kneale, 2009). The study did not include companies from Brazil, China, and India.

(4) The global survey by McKinsey on creating organizational transformations with 3,199 executives from industries/regions around the world showed (July 2008):

· motivation for change – 35 percent good to great performance, 15 percent reducing costs, 12 percent turning around a crisis;

· targeting success – successful 75 percent of times when well-defined financial or operational terms and represented a genuine new level of performance;

· value of visibility of CEO/BU head – 70 percent successful when leaders were very visible;

· how to communicate – 63 percent successful when an equal mix of emphasis on both problems and successes;

No.	Country	No. of Corporations
1	UK	20
2	USA	19
3	Japan	15
4	France	8
5	Germany	7
6	Canada	5
7	Finland	5
8	Sweden	5
9	Australia	3
10	Denmark	3
11	Spain	3
12	Switzerland	3
13	Italy	2
14	The Netherlands	1
15	Norway	1

Source: Klaus Kneale, Forbes.com, January 28, 2009

Figure 6.
100 corporations that
will survive 100 years

- successful companies engage (tactics used) – successful companies used more than three times (average 5.1 tactics) different tactics compared to unsuccessful companies; and

- important tactic – engaging the organization through ongoing communication and involvement; short-term wins, celebration of successes, and symbolic actions.

(5) Globally only 30 percent of change programs succeed. To improve your odds of transformation success need (McKinsey Quarterly, 2009):

- *a compelling story*, because employees must see the point of the change and agree with it;

- *role modeling*, because they must also see the CEO and colleagues they admire behaving in the new way;

- *reinforcing mechanisms*, because systems, processes, and incentives must be in line with the new behavior; and

- *capability building*, because employees must have the skills required to make the desired changes.

Now let us look at the three pillars of successful change management starting with the enlightened leadership.

3.3 Enlightened leadership
As we saw in the earlier section, leadership is one of the critical components of initiating and sustaining the change. Successful transformation requires 70-90 percent leadership vs 10-30 percent management effort.

Leadership vs management

Leadership (produces change):

- establishing direction by strategic planning;

- aligning people; and

- motivating and inspiring.

Management (produces predictability and order):

- planning and budgeting;

- organizing and staffing; and

- controlling and problem solving.

The following five questions must be addressed by the leaders:

Q1. Why are we doing this?
Q2. Why are we doing this now?
Q3. How is this going to impact me and my organization?
Q1-Q3 – assess the organization's readiness for change.
Q4. How will we work together to make this happen?
Q5. What do I need to do to prepare myself?
Q4 and Q5 – further gauge organization's capability to drive the change.

Change questions response
Inadequate response by leaders to the above five questions or insufficient actions to resolve will lead to:

- potential disruption to the transformation effort;

- delay, derail, or possibly stop a transformation effort;

- ultimate results of significant budget overruns;

- damaged leadership credibility; and

- reinforced fear of future change.

Leaders must ensure that they are creating leadership at all levels of their organization to successfully carry out the change. On the change management journey try to enlist change agents throughout the organization. Also focus on people with positive attitude, rather than waste time with people with negative attitude. One of the important task leaders must address is to empower people, encourage them to embrace the change, and address their fears/resistance to change. As shown in Figure 7, learn from Jim Collins
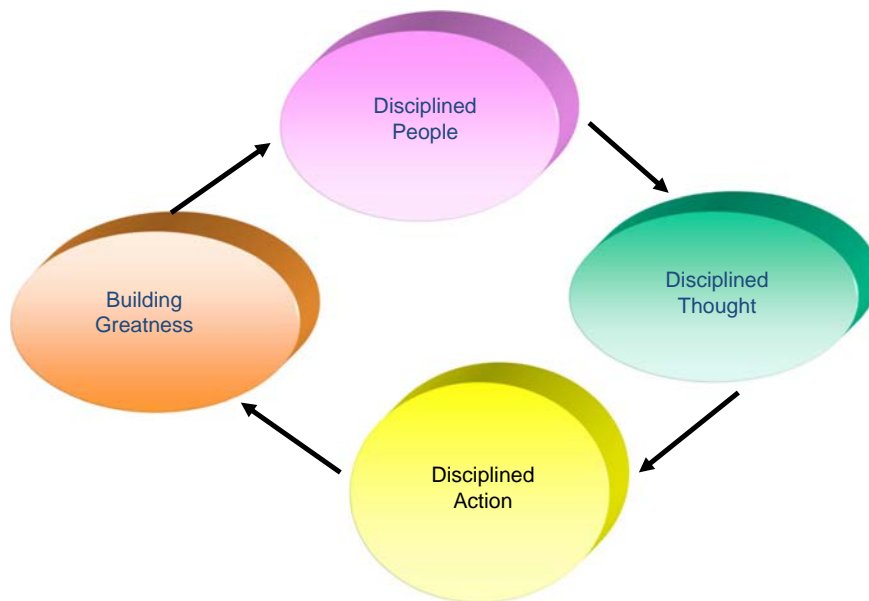
Note: Study of 1,435 good companies; examined performance over 40 years; companies
that outpaced industry by 3X over 15 years in stock market .
Source: Jim Collins, HarperCollins Publishers Inc, New York, 2001

Figure 7.
Good to great – Jim Collins

(2001) to enlist right people in your change journey, give them freedom for critical thinking, and support their actions. They will build sustainable change in your organization.

Now we will address great project management for successful change management.

3.4 Great project management
It is defined as application of knowledge, skills, tools, and techniques to project activities to meet project requirements.

(1) Project management is accomplished through the application and integration of the PM processes of:

- initiating;
- planning;
- executing (includes monitoring and controlling); and
- closing.

(2) To develop a set of specific plans and actions to achieve "the change" given time, cost, and scope constraints and to utilize resources effectively (managing the "technical" side of the change).

As shown in Figure 8, the project management fundamentals require (Peters, 1999):

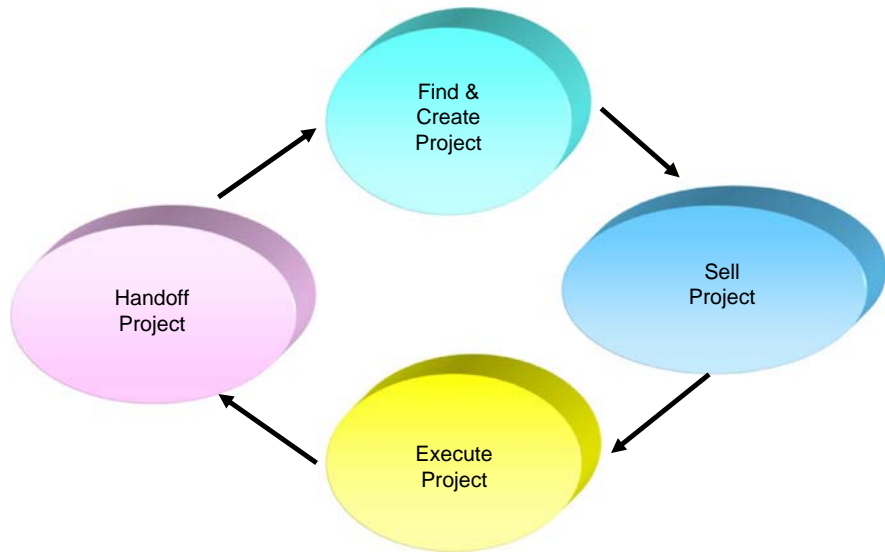- find and create a project;
- sell your project;

Note: The Wow Project by Tom Peters, Fast Company.com, 30 April 1999

- execute your project;
- handoff your project.

In Section Need for change management we saw globally only 30 percent of change programs succeed. One of the reasons why change management fails is due to ineffective project management.

Figure 9 shows software project failure statistics (Galorath, 2012). Figure 10 depicts worldwide cost of information technology (IT) failures (Krigsman, 2009).

As shown in Figure 11, the project leaders can overcome a crisis of silence by asking Grenny *et al.*, 2007):

(1) Are we planning around facts?

(2) Is the project sponsor providing support?

(3) Are we faithful to the process?

(4) Are we honestly assessing progress and risks?

(5) Are team members pulling their weight?

Finally, as shown in Figure 12, your project productivity is a multiplier of: Planning × Promotion × Personal touch × Persistence.

Now we will address excellent talent management for successful change management.

3.5 Excellent talent management
Figure 13 shows three most important aspects of organizational excellence. They are:

- delight the customer;
- excite your employees; and
- improve your processes.

(The Standish CHAOS Report , UK–1990, 2000, and 2009
Seer Galorath, June 7, 2012)

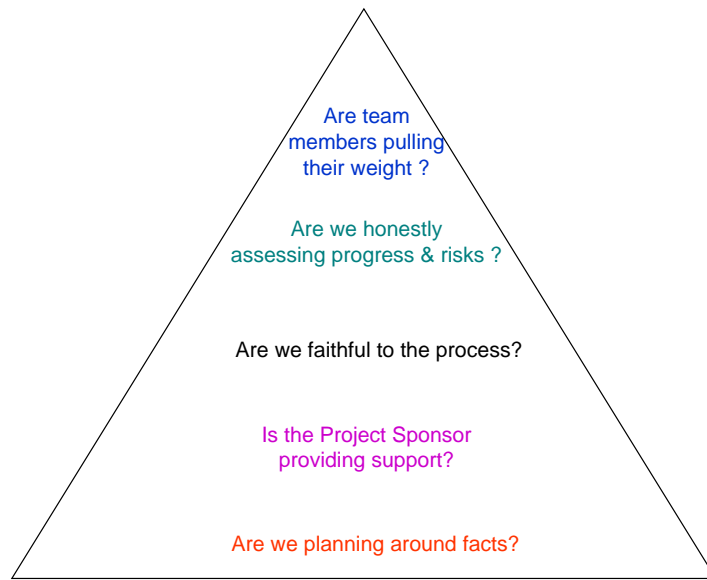| Year	1994	2000	2009
Succeeded	16%	28%	32%
Failed	31%	23%	24%
Challenged	53%	49%	44%

Figure 9.
Software project
failure statistics

(Annual cost of IT Failure: $6.2 Trillion, M. Krigsman, September 30 2009)

Region	GDP (US Billions)	Annual Cost of IT Failure (US Billions)
World	69,800.00	6,180.48
USA	13,840.00	1,225.47
New Zealand	44.00	3.90
UK	2,260.00	200.11
Texas	1,250.00	110.68

Figure 10.
Cost of software
project failures

Figure 14 highlights the employee-customer-profit chain from Sears, the USA, a
department store (Rucci, 1998). The leadership must understand needs and wants of
their internal customers (employees) first. Once the internal customers are satisfied,
they will improve processes, and delight the external customers. The Southwest
Airlines values employees more than their customers. As a result, employees set many
of the operational policies and make the airline profitable.

Are team
members pulling
their weight ?

Are we honestly
assessing progress & risks ?

Are we faithful to the process?

Is the Project Sponsor
providing support?

Are we planning around facts?

Source: Grenny *et al.*, MIT Sloan MR, Summer 2007

Figure 11.
How project leaders can
overcome crisis of silence?

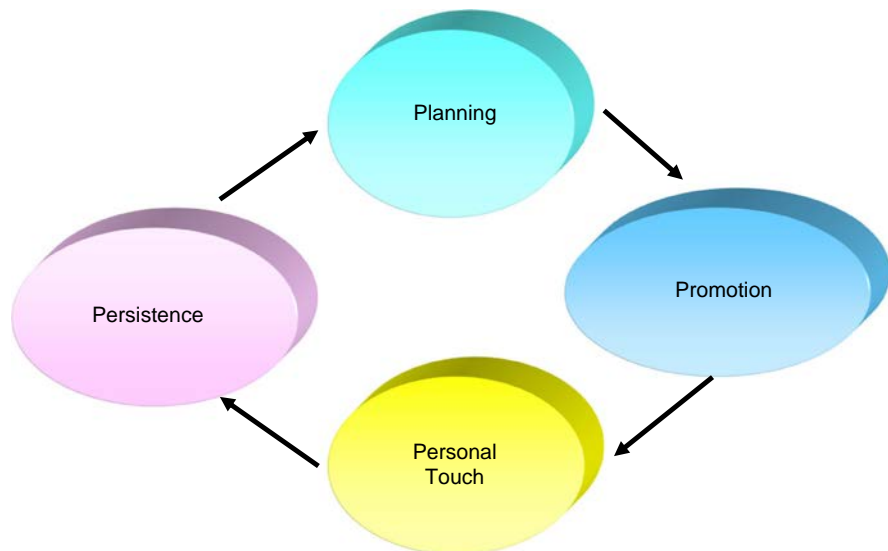Planning

Promotion

Persistence

Personal
Touch

Figure 12.
Productivity model (4Ps)

Figure 15 shows Employee Excellence Model for excellent talent management (Vora, 2005). The key to employee engagement is participation, motivation, and development.

- participation (effective teamwork – Lencioni, 2002, meeting management – Lencioni, 2004, mentoring, and orientation);
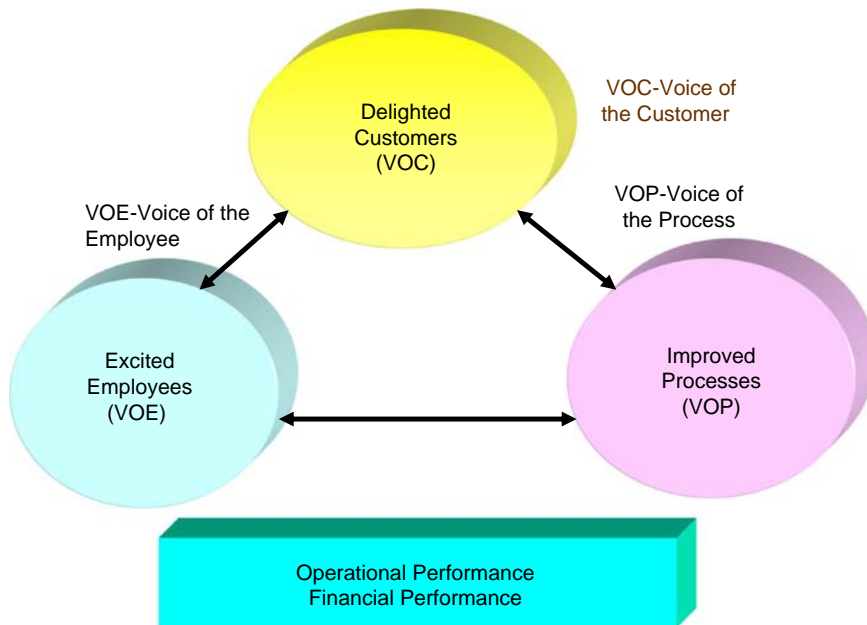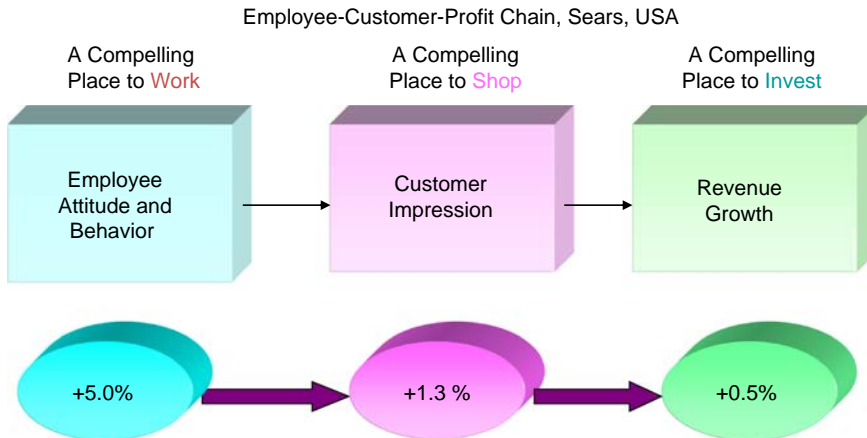
Figure 13.
Organizational excellence
model

Employee-Customer-Profit Chain, Sears, USA

Source: Rucci *et al.*, Harvard Business Review,1998

Figure 14.
Employee-customer-
profit chain, sears
department store

- motivation (recognition, employee suggestions, and the Theory of Strength); and
- development (effective education and training, performance management, employee satisfaction, and coaching).

The hard skills are easy to acquire, however, the soft skills are hard to build.

Now we will look at several sustainable change management practices from various sectors.
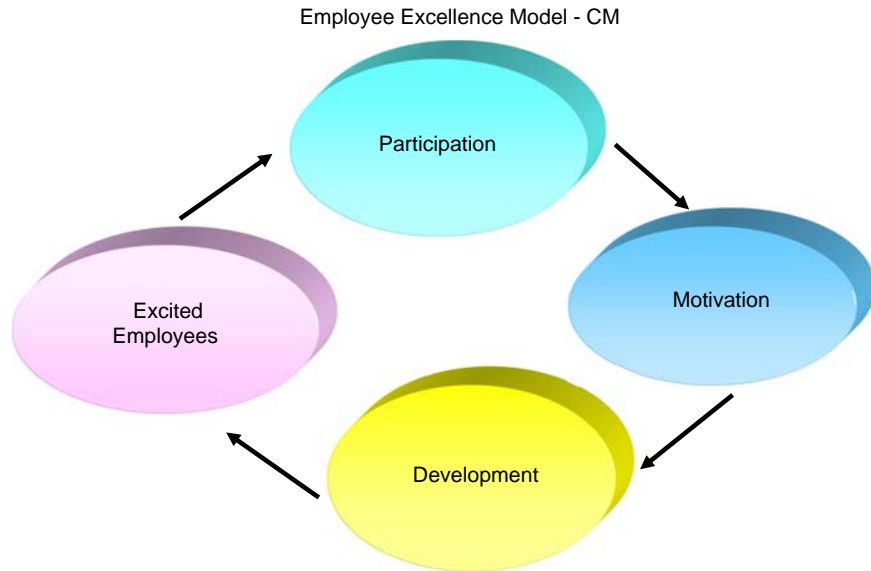
Employee Excellence Model - CM

Figure 15.
Employee excellence
model

3.6 Sustainable change management practices

(1) *Education sector* – established in 1908, the Harvard Business School (HBS) has grown into a teaching, research, and publishing focussed global enterprise:

- HBS was founded on the idea of helping people make a decent profit, decently;

- In current time, their mission has changed to educate leaders globally who make a difference in the world;

- HBS pioneered Case-method research (1920), Deep research impact on practice (1911), Publishing outreach (1922), Faculty from diverse backgrounds (1920), Technology-friendly (computers in 1966, 1980 second school in the USA to issue computers to all students), Globalization (enrolled foreign students in 1909), and Remarkable leaders as alumni (pride in its alumni and their extraordinary achievements); and

- HBS is poised to start its journey of Second 100 years.

(2) *Corporate sector* – IBM's First 100 Years (1911-2011):

- The "Big Blue" was founded in October 1911 by Thomas J. Watson Sr

- During its first 100 years, IBM introduced new technology from time clocks, butcher scales and coffee grinders: to punch-card machines and typewriters; to tape storage, mainframe and personal computers; to acquiring the consulting arm of PricewaterhouseCoopers; and now to smart social media.

- Through a rare blend of ingenuity, persistence, and a strict adherence to its core objectives summarized by its motto "Think," IBM survived not only the Depression and several recessions, but technological shifts and intense competition as well.

- IBM has an ability to move into new businesses without abandoning core tenets.

(3) *Public sector* – Figure 16 shows the Tipping Point Leadership model (Kim and Mauborgne, 2003). The success story highlights William Bratton's leadership through his three decades of public sector service in Boston and New York, in mass transit and police departments. The Tipping Point Leadership ensures overcoming four hurdles, which are as follows:

- cognitive hurdle;
- resource hurdle;
- motivation hurdle; and
- political hurdle.

(4) *Non-profit sector* – Figure 17 highlights the results for sustainable change at the American Society for Quality's (ASQ) Certification Process (Vora *et al.*, 1993). By systematically analyzing the entire certification process, a number of bottlenecks were identified and removed. As a result, the exam notification interval improved from 13 weeks in 1988 to three weeks in 1993. At the same time, the capacity nearly tripled without any additional resources at ASQ headquarters. Currently, the exam notification interval is only one week. This is truly a remarkable story of sustained change.

(5) *All sectors* – Figure 18 shows multiple winners in the Baldrige Performance Excellence Program. Winning once is a remarkable transformation journey. However, when they win multiples awards, it is like climbing the mountain, one more time again (Baldrige Performance Excellence Program, 2013-2014).
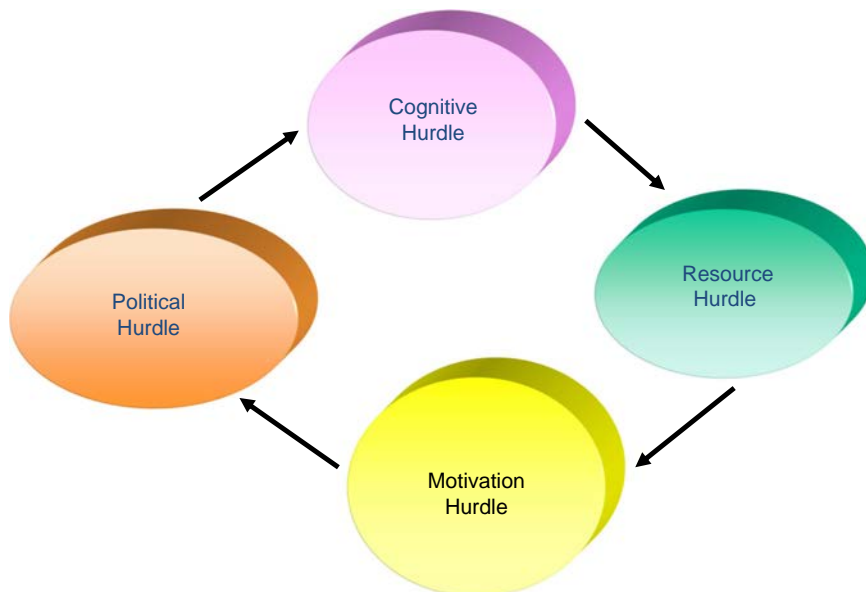
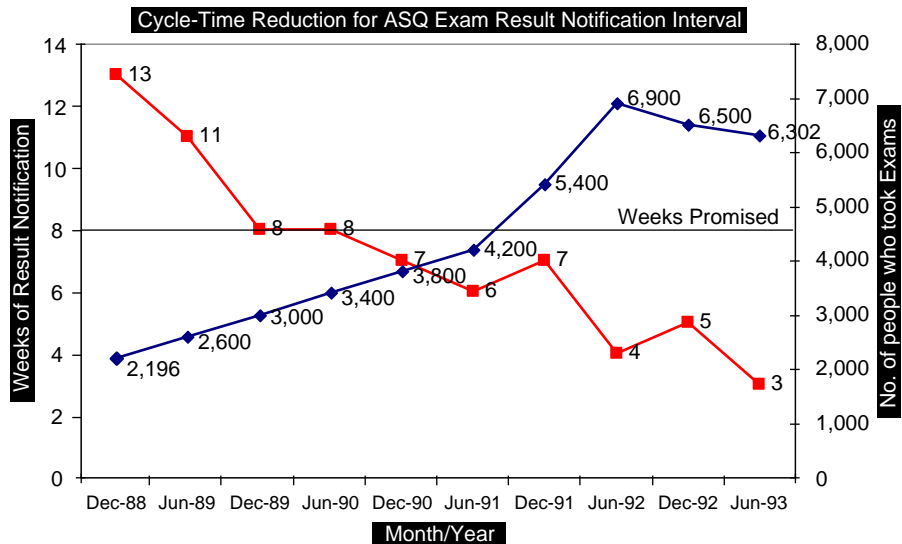**Note:** Kim and Mauborgne, HBR, April 2003

Figure 16.
Tipping point leadership

Figure 17.
ASQ certification process improvement

(Major Transformations – 1988-2012 $\geqslant$ 99 winners)

- AT&T–3 (1992 – Mfg.; 1992 – Service; 1994 – Service)
- Boeing – 2 (1998 – Mfg.; 2003 – Service)
- Dana Corporation – 2 (1996 – Service; 2000 – Mfg.)
- MEDRAD – 2 (2003 – Mfg., 2010 – Mfg.)
- Motorola – 2 (1988 – Mfg.; 2002 – Mfg.)
- Ritz Carlton – 2 (1992 – Service; 1999 – Service)
- Solectron Corporation – 2 (1991 – Mfg.; 1997 – Mfg.)
- Sunny Fresh Foods – 2 (1999 – Small Bus.; 2005 – Mfg.)
- Texas Nameplate Company, Inc. – 2 (1998 – Small Bus.; 2004 – Small Bus.)
- Xerox – 2 (1989 – Mfg.; 1997 – Service)

  www.nist.gov/baldrige

Figure 18.
Baldrige winners – multiple awards

4. Conclusion
Figure 19 depicts John Kotter's eight stages for successful change management (Kotter and Cohen, 2002).

Sustainable change management lessons to remember:

(1) understand AMA:

- ability determines what you are capable of doing;

- motivation determines how you do it; and

- attitude determines how well you do it.

(2) engage 3Hs:

- heart – emotions;

Stage	Action	New Behavior
1	Increase urgency among relevant people	People start telling each other, "Let's go, we need to change things!
2	Build the guiding team with credibility, skills, connections and formal authority	A group powerful enough to guide a big change is formed and they start to work together well
3	Get the vision right – create sensible, clear, simple and uplifting vision and sets of strategies	The guiding team develops the right vision and strategy or the change effort
4	Communicate for buy -in–simple, heartfelt messages sent through many unclogged channels	People begin to buy into the change and this shows in their behavior
5	Empower action by removing key obstacles that stop people from acting on the vision	More people feel able to act and do act on the vision
6	Create short-term wins by providing credibility, resources and momentum to the overall effort	Momentum builds as people try to fulfill the vision while fewer and fewer resist change
7	Don't let up by creating wave after wave of change until the vision is a reality	People make wave after wave of changes until the vision fulfilled.
8	Make change stick by nurturing a new culture	New and winning behavior continues despite the pull of tradition, turnover of leaders, etc

Figure 19.
John Kotters' eight stages
for successful change

- head – ideas and logic; and
- hands – implementation.

(3) provide leadership:
leadership is all about influencing, igniting, and inspiring ordinary people to do extraordinary things; and

(4) develop leadership ability:
to translate vision into action and actions into the next level of vision for sustainable change management.

"God, grant me the serenity to accept the things I cannot change, the courage to change the things I can and the wisdom to know the difference". – Reinhold Niebuhr

"We must become the change we want to see". – Mahatma Gandhi

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Further reading

Kurt Lewin's Freeze Phases", available at: http://changingminds.org/disciplines/change_management/lewin_change/lewin_change.htm (accessed July 1, 2013).

About the author

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