

Sustaining organizational change

by Raj Phalpher, P.Eng., MBA

When we talk about effecting change, it is assumed to be a positive step, or change for the better. For companies, getting better often either involves increasing revenues or reducing costs, or a combination of the two. Most companies strive for continuous improvement over time. The magnitude of improvement sought depends upon several external and internal factors, including the

Maintaining the status quo or undergoing enterprise-wide reengineering are not healthy options. To be sustainable, organizational change must be an evolutionary process involving process improvement and redesign.

organization's current profitability level, the opportunities and threats it is facing, and the nature and maturity level of the industry in which it is operating. The magnitude of improvement or change ranges from maintaining the status quo to revolutionary, enterprise-wide reengineering. Sandwiched between these two extremes are varying degrees of evolutionary change through process improvement and (re)design.

As figure 1 shows, the magnitude of improvement or change increases almost exponentially as we move from minimal change (or process control), through process improvement and (re)design, to enterprise-wide reengineering. If the relative magnitude of change through process control is 1 and process improvement is X ($X > 1$), then the magnitude of change through process (re)design is X^2 , and through reengineering is X^n .

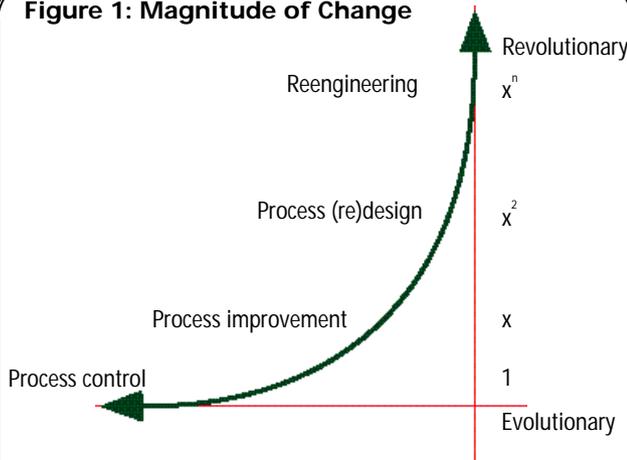
Changing at the right pace

Based on my personal experience as a consultant, I've found that the two extremes, process control and reengineering, are of limited use. Maintaining the status quo through process control provides little improvement over time, since there is no significant increase in organizational effectiveness. For example, implementing product quality measurements (defect rates, customer returns, etc.) or process measurements (orders shipped on time, service response levels, etc.) helps control current processes, and nothing more. Since no effort is being made to improve product quality or productivity, these measurements cannot be used to drive process redesign or reengineering efforts.

Enterprise-wide reengineering, on the other hand, is just too radical. Driven by the organization's strategic vision, mission and goals, etc., it requires the identification of key business processes, bench marking the organization's effectiveness measurements (e.g. customer satisfaction level, time to market) against those of other organizations, and redefining the processes involved. Reengineering is exhausting for the management team driving it and has a low success rate.

Several lists have been compiled on the reasons why reengineer-

Figure 1: Magnitude of Change



Definitions

Process control involves maintaining a desired or specified quality level. If the quality level worsens from the specified or desired level, an intervention is made to bring it back to the original level.

Process improvement is incremental improvement over time. It involves removing known defects or process deficiencies.

Process design or redesign is performed to satisfy the needs of stakeholders. It requires systematic translation of needs into process features. Whereas process improvement focuses on alleviating specific weaknesses of the process, process design focuses on designing the process from the ground up to satisfy the needs of various stakeholders.

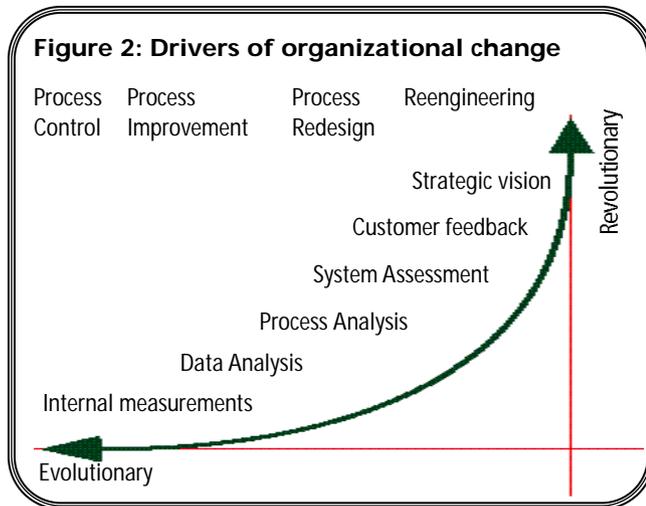
Reengineering involves identifying the organization's key processes and examining each process from a design perspective. Whereas process design examines and builds one process at a time, reengineering is an enterprise-wide examination of all processes and resources (people, materials, machinery and power).

ing efforts are not always successful. The most comprehensive list is the following one by John Kotter:

- ◆ allowing too much complacency;
- ◆ failing to create a sufficiently powerful guiding coalition;
- ◆ underestimating the power of vision;
- ◆ failing to communicate the company's vision effectively;
- ◆ permitting obstacles to block the vision;
- ◆ failing to create short-term wins;
- ◆ declaring victory too soon; and
- ◆ neglecting to anchor changes firmly in the corporate culture.

Tools for achieving sustainable change

In my work as a consultant, I've found that organizations that embrace evolutionary change through process improvement and redesign achieve sustainable change. As shown



in figure 2, the most common tools for driving process improvement and design in ascending order of magnitude of change are:

- ◆ data analysis, which leads to initiation of process improvement teams;
- ◆ process analysis, which leads to mostly process improvement and some process (re)design activity;
- ◆ system assessments, which result in both process improvement and process (re)design activities; and
- ◆ customer feedback, which is an effective vehicle for driving both (re)design and reengineering activities. The type and desired level of change required will determine which of these tools or processes an organization should use. Here's how they work:

DATA ANALYSIS. A large number of organizations collect product and process

measurements. As long as these measurements indicate that product or process quality is within acceptable limits, no further action is taken.

Progressive organizations, however, perform rudimentary analysis of the data collected to identify problems and form problem-solving (or process improvement or quality improvement) teams. Some organizations go a step further and conduct a more detailed analysis of the data. However, the end result of this detailed analysis is the same: identification of a problem and initiation of a team to rectify it.

PROCESS ANALYSIS. Whereas data analysis focuses on the outcomes of the process (product quality, process measurements, etc.), process analysis requires careful examination of various elements of the process to ascertain its effectiveness. Process analysis comprises the following steps:

1. developing a high-level flow diagram of the process and establishing its boundaries;
2. documenting each step in sequence and in detail, which is reviewed for completeness and accuracy, usually by those who are most familiar with detailed steps of the process; and
3. reviewing the detailed documentation of the process for rework loops (in which a worker inspects work

done by others and fixes defects), non-value added steps, waiting periods, etc. It is this review that reveals process weaknesses and opportunities for improvement. In most instances, the process of flowcharting itself reveals several loose ends in the process and leads to process improvement activities.

Outcomes of process analysis vary from organization to organization. In some organizations, the task of developing a high-level flow diagram and defining process boundaries itself becomes so overwhelming that a decision to discard the current process and redesign it from ground up is made. In others, even detailed process flow diagrams do not reveal any major weaknesses. In these cases, analysts should dig deeper by estimating the time required to complete each task versus the total elapsed time, to identify waiting periods that can be eliminated. They should also calculate the cost

of quality (i.e. costs associated with product or process failures), to identify opportunities for improvement.

SYSTEM ASSESSMENT. Whereas process analysis focuses on only one process at a time, system assessment requires examination of the entire organization. It involves an assessment of organizational effectiveness using one of the several models or criteria available, including the Malcolm Baldrige National Quality Award, the Canadian Award for Excellence and the organization's internal award criteria (usually the president's quality award or something similar). These system assessments determine the organization's effectiveness by assessing such attributes as leadership, customer and market focus, and business results.

Although these models have varying criteria and assign different relative weights to various attributes, they are generally equally effective in identifying weaknesses. These weaknesses are more systematic in nature, usually span more than one functional group and require the redesign of a process to alleviate a specific weakness. Cross-functional teams usually address process redesign by ascertaining stakeholders' needs, translating these needs into new features or attributes and building a new process that has them.

Some organizations have successfully identified opportunities for redesign as a result of their regular process audits to comply with ISO 9000 registration requirements. These are not short-term corrective actions, but rather long-term preventive actions required to meet ISO 9000 standards. Some software development organizations have even used the capability maturity model (CMM) to identify systematic problems and initiate system design. The CMM was developed by the Software Engineering Institute in Pittsburgh for process assessment of software development organizations.

CUSTOMER FEEDBACK. Data analysis focuses on outcomes, process analysis on the whole process and system assessment on the whole organization. Customer feedback goes a step further to examine organizational effectiveness from the standpoint of the most important constituent, the customer. The jingle from the early eighties, "We do it all for you at Macdonald's," applies to all organizations. Customer feedback in the form of both complaints and customer satisfaction surveys

is one of the most effective drivers of organizational change.

Forced versus voluntary feedback

The source of a complaint is a *proactive* customer, whose needs have not been addressed satisfactorily by the organization. Thus, customer complaints make the organization's job easier by pinpointing opportunities for improvement. Successful organizations capitalize on this by using customer complaints to initiate process improvement teams. Repeated complaints about a certain product or service often lead to redesign of the product or process.

Unlike complaints, which are voluntary, customer satisfaction surveys are solicited feedback and, in many instances, *forced* feedback. Their effectiveness in identifying and driving improvement within an organization depends on how the survey is designed, who is surveyed and how the data is analyzed.

Survey responses are usually distorted to

some degree. For example, they are usually from existing customers and address issues deemed important by the surveying organization—not the customer. Written surveys are often filled out by staff who are not the actual recipients or users of a product or service. In telephone interviews, although respondents fall within a wide range of satisfaction scores, extremely satisfied and extremely dissatisfied customers tend to be over-represented.

There is also room for improvement in the way the data collected is analyzed. Some organizations go no further than a cursory examination of customer satisfaction scores. Depending on the results, they either pat employees on the back or reprimand them.

A better driver of organizational change based on customer feedback is "customer loyalty analysis," since it relies on customer behaviour, instead of a survey response. Loyalty analysis zeroes in on the attributes important to the customer rather than the organization. It focuses

on the subset of customers who have become so dissatisfied that they have taken some or all of their business elsewhere. This enables organizations to use customer behavior expressed as lost business to select and prioritize improvements that will directly impact the bottom line. It results in some process improvement, but mostly process redesign and reengineering activities. ♦

References

1. Kotter, John P. *Leading Change*. Harvard Business School Press, 1996

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