



Successful Operational Transformation

Using Inclusive Change Techniques

 **Algorithm**
CONSULTING

INTRODUCTION

From Re-engineering to Transformation

If we hear someone say “**Transformation**” then for the more battle-scarred amongst us it brings back the cold sweats and facial tic developed when we were on the receiving end of disastrous change programmes in the past. And there have been quite a few!

So what does it really mean, do we have to continually suffer from *Transformation Fatigue*, or is there a better way?

During the 90's, Hamer's 'Re-engineering the Corporation' was in vogue; a radical approach to operational design. If I paraphrase a whole approach (apologies to messrs Hamer and Champy) then basically it involved throwing out what you have now and starting again before it all goes belly-up anyway.

Gradually this 'baby with the bath water approach' lost its shine, world economies improved, and 'evolution' rather than 'revolution' became more accepted as companies looked to trim their excess fat. This approach was supported by various methods like lean and six sigma, all basically trying to make the existing process as slick as possible, and pulling from the success Deming had achieved some time before using statistical analysis.

But in the background many organisations became increasingly at risk; failing to develop sound strategic management processes, and the gap between their organisational trajectory and the path necessary to maintain survival started to widen.

But why should that happen?

In no particular order, these are the main reasons why some organisations do not develop those sound strategic management processes. (You can tick the ones that apply to your own area if you like... I'll not be collecting the paper back in afterwards)

Excuses for avoiding Strategic Management

- Delusion of Leadership about the organisation's position. Unfortunately, the ability to hear what someone says and not filter it through your own biases is more of an instinctive ability than a learnt skill, and is sadly missing in many leaders. The paradox is that this delusion can happen when the team is closely knit, and therefore re-interpret any unpleasant information that does not fit with their view of the world.
- A lack of awareness by leadership of the organisation's true situation. This may be due to poor information, or that it's a lot easier just to place your hands over your ears when being told the truth by those who have listened to the evidence, and understand! Unfortunately the better listener you are, the less people want to listen to you, and some organisations do not tap that potential.
- There are powerful individuals with a vested interest in maintaining the existing status quo for their power and status. As Charles Bukowski said, "the problem with the world is that the intelligent people are full of doubts while the stupid ones are full of confidence".
- Leadership is too pre-occupied with everyday operational issues to take a strategic perspective, in other words '*hero management*' or '*fire fighting*' take priority, neither of which are traits to celebrate in a mature organisation.

- Past success is clouding the current situation and preventing a move from the 'tried and tested' path.

- Any change is perceived as failure of the existing state, and so those currently responsible will resist moving the organisation in a different direction

- Leadership cannot identify what they do well, so are scared to change anything in case that was the only good part!

So for any one of these reasons, or any combination, the organisation finds itself in a bit of a pickle (to say the least), with no operating framework in place, adrift from its intended trajectory, and under ever increasing internal and external pressure to sort it out.

This is when the '**Transformation**' shout goes out.

The next section looks at the potential outcomes of an attempt to transform an organisation, based on three possible scenarios.

TRANSFORMATION APPROACHES

So let's look at the different approaches that organisations may adopt towards Transformation and compare their respective paths through set up, change and eventually to ongoing operations.

Firstly, some core definitions are necessary:

Operational States

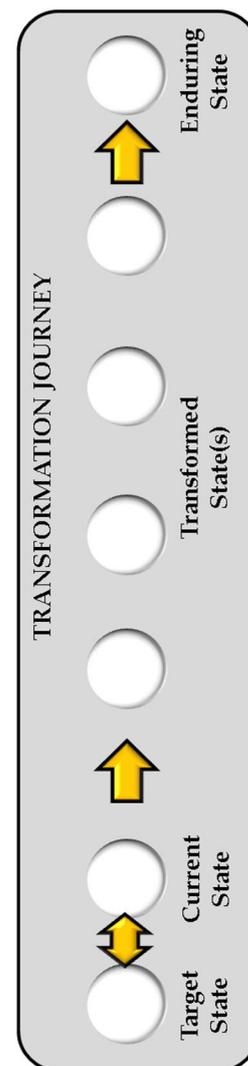
'Operational State' is the common view that both leadership and general staff have, detailing how the organisation is currently operating, or proposes to operate. The fact that it is a 'common view' is important, as it provides the foundations to deliver ongoing unity of purpose between both parties.

Enduring State: the ongoing model once the formal Transformation activity has stopped and the organisation reverts to a new 'current' state.

Transformed State(s): the final position on completion of the Transformation, or multiple views if changes are released to the organisation in stages

Current State: a model of what really happens now, how is it organised, structured and managed, ideally supported by performance metrics

Target State: a view of what the organisation should look like, where it is heading, what needs to be in place.



Abdicated Transformation

The first example of Transformation can be identified by the abdication of leadership in delivering the change.



Current State	Unknown
Target State	Unclear
Transformed State	Undefined
Enduring State	Uncontrolled

Scenario

This is how Transformation goes for those companies...

- Create a vague target or vision, and sell the benefits to the staff (the carrot), as well as the consequences of not changing (the stick). This is usually accompanied by the 'times are hard and some of us may not make it' speech to deflect the blame for any earlier mismanagement.
- Don't be too detailed, so that inevitable difficult questions can be batted away with the standard line "the detail is still being worked on".
- Keep the real reasons to yourself and blame the economy/global warming/the French (only choose one, as citing all three will look suspicious).
- Don't bother with understanding the 'what do we do now?' bit, as it will all change anyway, and it will take too long to find out.
- Create a new organisational structure that is "necessary to meet our customer/client/stakeholder expectations", even though they haven't been asked what they want.
- Delegate the activities to teams of 'volunteers' in the new org to get from the *Current State* (which is still unknown) to the *Target State* (which we only have a rough idea of). These teams are 'empowered', but rarely have either the time or authority to achieve much.
- Fanfare a success when a team launches any initiative, however banal. There is one that I see time after time, without fail, and is usually titled "transformation team successfully delivers new processes". I open the link with the expectations of a small boy on Christmas morning, only to find that the process which had changed relates to internal expenses, usually for the worse.
- Very little in the way of improvement follows from that high spot

- Don't put in place any longer term controls, or feedback framework, that will just add to the confusion by letting everyone have a say.

Now to justify all the running around some benefits need to be found, and there are two ways to do this:

People: the new vision somehow needs less people (they always do amazingly) and a re-jig of the organisation charts justifies that. This is hard to prove against, as we didn't know what was done in the first place, but certain roles 'disappear' along with the incumbent.

Projects: a governance process is introduced that ensures that x% of projects are pulled under the heading of 'brave decisions' or 'doing the right thing for the organisation' despite investment to date being substantial. This is a win:win as it can also contribute to staff reduction!

The Leadership subtext...

"We don't know currently where we are, and we don't know how to find out, but we think it is bad. We have a grand vision on what we want to be, now it's up to you to try and work out what that vision really means. You'll need to put it in place as well as your day job, but do it with less people, and with no technology changes either. After that you're on your own...so good luck, and off you go."

Enforced Transformation

This second form of transformation tends to feature in consultancy-led change, or where a new dictatorial style of leader arrives. It is based on a set goal that will be delivered regardless, as the contractual penalties or personal implications of failure are fixed at the start.



Current State	Unknown
Target State	Inflexible
Transformed State	Inflexible
Enduring State	Unknown

Scenario

In a similar way to abdication, enforced transformation has no interest in the current state, but is more due to arrogance towards the existing culture, rather than apathy trying to understand what the organisation is already good at:

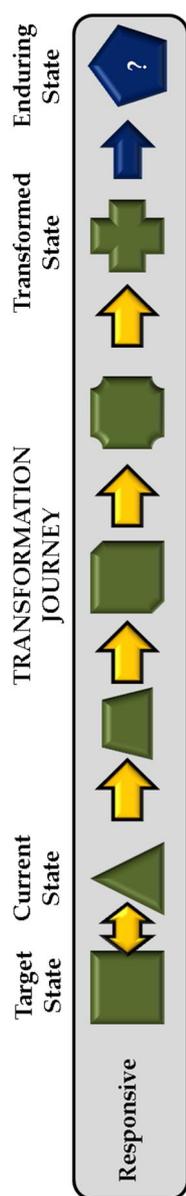
- The target state is defined and fixed. But as there has been little in the way of wider consultation, discussion or adjustment, no-one really buys into any of it. There is nothing personal about this approach; it is a clinical execution.
- The transformation journey is clear...to deliver the target regardless. To do that formal change projects are created and managed with precision. It is like a large (but very expensive) jigsaw, in the sense that the pieces are assembled to match exactly the picture on the box
- The result will look like it should, but only from a distance. So there will be a new org structure, a new leadership team, and a subsequent reduction in headcount. The strategy will be well written with a generous helping of buzzwords, and the area will be re-named (as will its component functions) to distance itself from the previous set-up. But closer inspection shows that under the covers nothing has really changed, and the staff muddle on trying to keep it going.
- As another demonstration of power, this approach is usually marked by the bizarre activity of staff applying for their own jobs, and sometimes then failing to get one. When they go, so does the knowledge of that part of the organisation. A lot of existing intellectual capital is lost with this approach, and usually lost very quickly.
- After the Transformation the remaining people find massive gaps in their understanding of the new model. Without a framework to help them, they revert to what they know, how they did it before, and before long the enduring state returns to the previous status quo... but still with gaps.

The Leadership subtext...

“We say our new way is better, even though we don’t really know what the old way was. We have a strategy on what we want to be, or more possibly what we have been told we want to be, and will force that change over a very short period at great expense and with massive disruption. To justify those costs, and because it’s expected, we have committed to 20% less people and we will manipulate the system to ensure we get that result. But once the big important clever stuff is done you’ll have to work out how to carry on, by finding and eventually filling the gaps. But think yourselves lucky if you’ve still got a job... now get on with it ”

Responsive Transformation

The last Transformation scenario looks at a situation where the strengths of the existing operation are acknowledged, and where there is a framework responsive to change.



Current State	Known
Target State	Defined
Transformed State	Responsive
Enduring State	Maturing

Scenario

Responsive Transformation reflects the existing trajectory of the organisation, and rather than destroying the existing culture it harnesses the latent power within its people. It is a modern, collaborative, incremental and iterative approach, responding to a constantly changing environment.

- The existing operation is understood, either from established knowledge or from being gathered and collated. From this we know what we do well, and not so well.
- An Operating Model framework is developed early in the process. This establishes the configuration management necessary to control the release of changes, both during the transformation and for continuous improvement once the programme has ended. It is the reference point for how things are done.
- The target position is not just expressed as high level statements of intent, but broken down into meaningful components that can be assessed against the current position to define the initial set of change initiatives.
- This is still a transformation programme, so it retains an element of centralised control, but as ownership and delivery accountability is established at local level ('local' just meaning the lowest level of decomposition) then the central control is through a virtual PMO (vpmo) that includes the Operating Model Centre of Excellence.
- Feedback and metrics are available to the Operating Model Centre of Excellence to review progress, but also assess changes to the external environment that will re-shape the target position and re-define the change initiatives.
- Organisation changes are driven by the Operational demand not the other way round, so whilst headcount reductions do not drive the change activity they may still be an outcome.

The Leadership subtext...

"Organisational Change is a long journey and whilst the transformation activity is there to help set you up for that journey, it is not the journey itself. As leaders we have a current view of the right direction for the organisation, but we know that will continue to change so we will create a dynamic framework to help control the Operating Model, both during and after the transformation. We cannot guarantee that there will be no impact on staff levels, but as we respect the existing level of knowledge in the organisation you will be part of the decision process through the Operating Model Centre of Excellence."

SUMMARY

If we learnt anything from the global financial crisis, it was that structural weaknesses are caused by constantly pushing for short term gains. Organisations are once again looking for longer term strategies, and not rewarding until the benefits are truly embedded.

Transformation is not just about impressive posturing, table thumping and powerpoint overload. And neither should transformation be rewarded when a failure to understand the existing organisation, a failure to adapt the strategy, or a failure to create an enduring framework... ends in failure.

So here is one final checklist that, if you were in any doubt, helps to summarise why **inclusive** change is the only approach acceptable for the modern organisation, and that **enforced** change is something that should now be committed to history, along with its main beneficiary... the industrial revolution!

Check List for Success

- The facilitated approach creates a culture of internal change driven by ownership within the organisation itself.
- Changes across the entire Operating Model are aligned (e.g. staff reductions match process efficiencies or automation/outsourcing).
- Step changes in the maturity of the organisation ensure that people are carried with the change as they understand the rationale for the progression.
- The pace of change can be varied to match the ability of the organisation to adopt new practices.
- Performance dips are minimised (in both depth and duration), retaining the areas that work well, identifying those that don't, designing new areas to develop, and parts that are no longer necessary.
- The effect of changes are embedded, reducing the risk of reverting to old practices, and effective continuous improvement is established with metrics and feedback.
- The focus of transformation automatically adapts to the changing direction of the organisation.

If you have found this paper helpful, then you may like to contact Algorithm Consulting for further reading on subjects from Programme Recovery to Operating Model Design