

Organizational Renewal

Using an Asset Discovery Approach for Evidence-based Planning

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Introduction

Renewing an organization's passion and commitment after a downturn in business is an inside job. No matter how beautifully written, an edict from senior management cannot rekindle the magic of a turned-on workforce. It takes a concerted effort to tap into the hearts and minds of the enterprise first.

Collecting and translating the voice of the enterprise into meaningful action is one of the most challenging aspects of large-scale organizational renewal initiatives. Often a great deal of effort and energy is expended in group meetings, task forces, surveys and/or interviews, but the translation of that information into actions and outcomes generally falls short. We believe that there are several causes for this phenomenon.

- The renewal effort becomes an activity on its own, separated from the "real work" of the business or clear connection to metrics that the renewal effort should help the business achieve.
- Organization renewal is an invitation to hope once again. An invitation perceived as perfunctory or political by a change-weary workforce will not be believed.
- Every organization is a system of conversations. An organization's inner dialogue – "the things people say to each other in small confidential groups that are undiscussible in official forums of organizational business," (Bushe, 1998) -- stabilizes a system against change, much like a rubber band that snaps back to its original position. New conversations and experiences are required to alter old beliefs.
- Many renewal efforts fail because they focus on actions and results without visiting the netherworld of beliefs and values. Because managers are not taught to manage the

subjective world of thoughts, emotions, beliefs and culture, they tend to live in the world of the "hard stuff:" systems, financials, rules and processes. Making the connection between the two worlds is often difficult because the practitioners of one world often don't speak the language of the other.

- Managers are often unwilling to change themselves first. Peter Senge points out in *The Dance of Change* that when senior managers are unwilling to shift their own attitudes, ways of being and patterns of behavior – they uphold the very culture that needs to be changed. This is never more important than in the turbulence of inventing a new way of doing business. (Senge, 1999.)

This article describes an approach to translating the voice of the enterprise into action that we believe can provide a roadmap for planning and implementing organizational renewal projects.

Our client is a €4 billion European multi-national manufacturer (we'll refer to as ExCo). The target group for this project includes nearly 700 customer service professionals across North America. Although ExCo maintains market leadership in terms of share, reputation and longevity, its market is experiencing a perfect storm of aggressive competition from Asia on both price and technology fronts, currency valuation shifts, and high single-digit shrinkage in overall market size and demand for their products, which can remain in service for 10 years or longer.

ExCo's response to this intensifying downward pressure on revenue and profitability is consistent with firms in other mature, shrinking markets: workforce reductions, facility consolidation, process reengineering and de-emphasis or divestiture of non-core product lines to improve margins and shore up its market capitalization. While these changes are certainly not revolutionary or unexpected, the strongly European-influenced workforce culture in North America has been severely impacted by the changes necessary to stay ahead of eroding market conditions. Morale is perceived to be at an all-time low, and resentment at the loss of traditional job security among the field customer service professionals has bred a certain degree of mistrust, frustration and anger that threatens to undermine the company's position as the premier provider of its products and supporting services. While measurement of customer data over the prior three years pointed to *increasing* levels of satisfaction, senior management was convinced the growing distemper in the organization would manifest itself through lost business in the foreseeable future if not addressed in the current financial year.

In addition to the more tactical responses, senior management has revised its strategic vision of the role that ExCo's people play in restoring the company's greatness and has aligned its Balanced Score Card (BSC) with this vision. Key elements of the BSC include the fostering of a "Passion for Service" attitude within the customer service operation and improved customer loyalty through service excellence.

The Balanced Scorecard

The concept of a balanced scorecard originated in a study group of 12 companies that met throughout 1990; and continued with several companies, including FMC Corporation, Brown & Root Energy Services, Mobil and CIGNA, to create scorecards and use them as a systematic means to implement new organizational strategy.

Since its introduction in 1996, by Robert S. Kaplan and David P. Norton, the BSC has been adopted by nearly half of all large companies in the U.S. and Western Europe and continues to evolve from its origin as a performance measurement approach to its current role as a comprehensive, integrated strategic management system.

The Executive team could not quantify the attributes of a "Passion for Service," but were clear in their desire to improve morale and motivation. They believed they could better equip field service professionals with the mental tools that would allow and encourage them to make good decisions – decisions that would delight their customers, be financially favorable to ExCo, and allow them to keep promises made without putting themselves in untenable positions.

The project described herein, aimed exclusively at the customer service organization, is perceived by ExCo senior management to be one component of an overall umbrella approach to ongoing company-wide self examination prior to all material decisions about human capital management, resource allocation and training investment. The original mission of this project at the organizational level was nothing short of solidifying their position as the true market leader as measured by market share and by customer perception of every interaction with an ExCo sales or customer support professional.

It began eighteen months prior, and well into the downturn in market conditions, when ExCo's North American Group embarked on a journey of self-analysis that included a rigorous assessment of skills and abilities of its sales and service professionals. The leaders believed that organizational renewal was

more a process of *restoring* greatness than seeking to emulate an *external* standard.

Developing an analytical approach that meets business objectives and fits the culture

As we were thinking through our approach, we were cognizant that traditional consulting approaches to organizational renewal can be fraught with peril. One school of thought called "Human Performance Technology" has achieved notable success using tools and methods to carefully diagnose and quantify problems, then selecting a range of interventions to address the problems, thereby improving business performance.

However, where organizational renewal or reinvention is the challenge, problem solving gets frustrating and unproductive because the "set-point" is unknown. A set-point here means an internal mental model of "how things should be around here." When an organization is humming along, everyone makes all kinds of adjustments to maintain the existing set-point. The standard operating procedure is to identify problems that are deviations or deficits in relationship to the set-point, and then take actions to return to the set-point, in the same way that we unconsciously make small and large corrections to keep the front of our car in a certain relationship with the side of the road.

As an organization responds to rapidly changing market conditions through resizing, refocusing and realigning, the set-point is inherently altered, if not dissolved. Soon one problem sets off a chain reaction of new problems. New solutions are invented at a furious pace but are mostly doomed to failure because they seek to reinforce a set-point that is no longer congruent with the environment. Because it's so difficult to see the dynamic of the organizational change that is needed, leaders can easily default to blaming the people. As the bullets fly, people in the organization tend to fall into a reactive and self-protective operating mode.

One of the promising solutions to large-scale organizational change is to turn the traditional problem-focused approach on its head and begin by looking at assets and strengths. Instead of looking for and dissecting all the problems, *asset-based change* begins by uncovering examples of organizational assets, strengths, and what the organization does best. By first looking deeply into what conditions foster the things that work and then collectively extending our understanding of the positive core into a new image of the preferred future (or set-point), the likelihood of sustainable change is greatly increased.

We believed this approach would be a good fit with this organization because the leaders already believed that the future success of the company could be described by the enterprise. They knew the seeds of their past greatness could be encouraged to produce a path towards a profitable future. And while the concept of leveraging past experiences to create the future state may seem counterintuitive to an evolving business model in a mature market, Executive Management at ExCo ultimately found that individuals were already finding the path. Despite market conditions or company troubles, the top performers were delighting customers through improvisation and innovation that did not originate with Executive Management, R&D or Sales and Marketing.

Linking an asset-based approach to the BSC

Our customer service project faced a significant challenge. How could we apply a rigorous enough methodology to identify the drivers of strategic success in an organization that has traditionally been characterized as entrepreneurial, where its formidable reputation of intertwining informal and formal processes has helped it achieve unparalleled customer satisfaction?

Secondly, executive management was clear that failure to achieve their BSC measures for this customer service group would result in a downshift from being market leaders to merely surviving. Although nearly half of all large companies in the U.S. and Western Europe have implemented some form of Balanced Score Card, only half of those companies describe their strategy using a sequential cause and effect relationship¹. The other half simply employs the BSC as a performance measurement system based on intuition and best guesses about what causes good performance. A study published in November of 2003 shows that companies that have adopted non-financial measures and then established a causal link between those measures and financial outcomes produced significantly higher Return on Assets and Return on Equity over a five year period than those that did not².

In order to achieve the BSC goals, our approach had to make the connection between the every-day tactical efforts of field professionals and both financial and non-financial business results. Once the connection was clear, the executive team could confidently make appropriate investments in human capital and systems.

So our ultimate challenge was to combine what we knew about successful BSC practices with what we knew about successful asset-based change. One of the most promising approaches to asset-based

change is called Appreciative Inquiry (Cooperrider, 1987). Appreciative Inquiry provides a simple, often self-managed process of using positive questions in organization-wide interviews to discover the positive core of strengths, capacity, and successes that can be a source of continuity. Based on this, and other well grounded Organizational Development principles and practices, we designed an interview process that would be used by our field consultants to engage the 72 field technicians and managers that made up our representative group from the customer service function at ExCo.

The interview protocol followed a five-step flow designed to begin with the individual's role in the prior success of the company and end with their self-described role as a transitional change agent to achieve the desired state.

We began questioning by exploring first impressions when the participant had joined the company. This question helped us understand the lens of the participant and their view of the set-point when they first arrived. As the set-point and positive core begin to surface in the interview, stories were solicited that provide examples of exemplar experiences of service excellence. In many cases the participant acknowledged the loss of the original set-point and a tarnishing of the positive core, but presented cases where they were recovered, sometimes briefly, in order to achieve a positive outcome in a customer situation. Quite often the examples of innovation and improvisation described a potentially revolutionary change in thinking about how the company engaged its customers.

While some examples were not repeatable either because of their uniqueness or because, in some cases, they created a minor breach in cultural acceptability, the many examples that represented real passion for service served two important purposes. First, we saw evidence that the decisions and the subsequent actions that were chosen *could* be done. Second, we could clearly identify the cost associated with the activity and relate it to the outcome in a cause-effect manner.

These stories, when assimilated, also very clearly described the knowledge base, skills, competencies, and standards that were required to achieve service excellence in the target industry, within the company's culture and under current market conditions.

As these experiences were captured in the course of the interview, the process allowed the interviewers to document the conditions that either supported or inhibited the experience. These were generally work-group level conditions like peer interaction, management support, systems support, boundaries

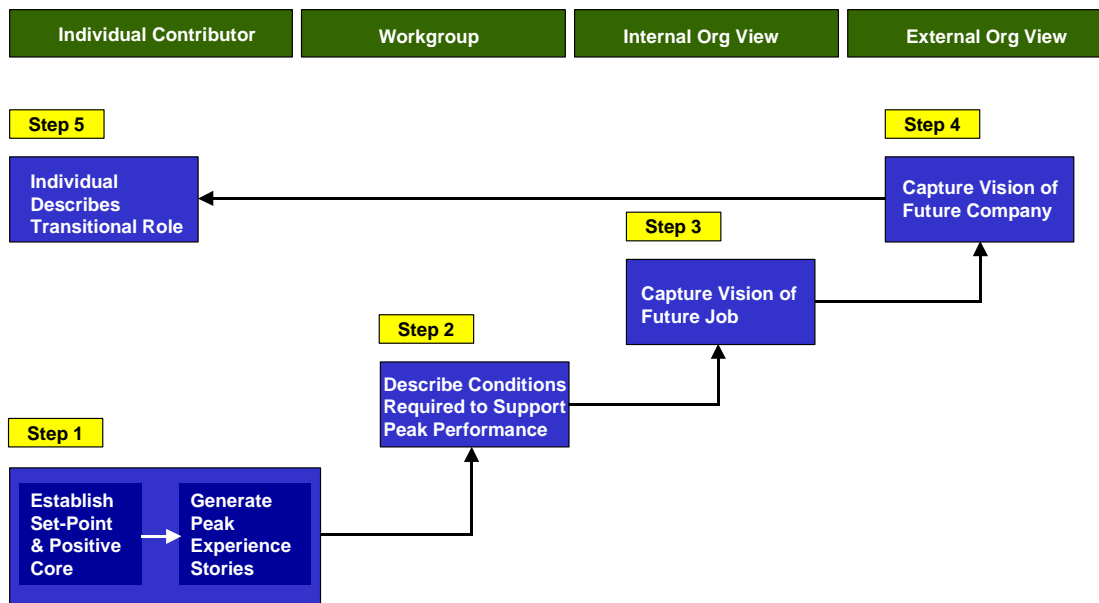


Figure 1: SkillMeasure Interview Process

and standards that limited or supported decisions, and measurement systems.

Some instances served to illustrate the desire to return to the pre-existing set-point while some were brilliant in their innovative qualities. As these conditions were collected, and as examples of service excellence were reviewed, each had to pass a set of criteria in order to remain "in play" through the analytical process.

We had to be sure that company policy and strategy would allow the conditions and behaviors to be replicated and amplified. The second litmus test asked the question: What is the organization really ready for, and what capacity and skills are available? Like Daryl Conner's proverbial "sponge" (*Managing at the Speed of Change*), the organization would have to be able to absorb all that would be asked of it in order to effectively execute actions critical to its renewal. And finally we had to gauge the cost required to maintain the condition and support the future state behaviors - in some cases the "best" ideas simply weren't replicable because of the degree of retooling that would be required to promulgate these ideas system-wide.

As the process continued to unfold in step four of the interview, we challenged the participants to formulate statements about the desired future state from their examples of the positive core and their own peak experiences stated as "wishes." Contrary

to popular opinion that this question might solicit responses either too expensive to implement or centered around parochial issues like compensation and benefits, well over 95% of responses focused on concrete ideas about work processes, internal and external customer satisfaction levels and measures, revolutionized offerings, product mix innovation, communication across the organization, an "eyes-open" definition of job security and true market leadership. Interestingly enough, they didn't equate market leadership with market share except as a natural result of innovation, thinking, commitment to and respect from the market place.

The future state was explored from internal and external perspectives. The external view might ask - What do we look like in the market in three years? The internal view describes the demands that must be placed on the organization to achieve the desired external perspective.

By now the participant had described a desired future state that would return the company to its leadership position in the market place. And, we know it's possible because we've collected evidence along the way and know the costs associated with the application of behaviors that achieve the desired state in real-life customer situations.

Our final step was to re-engage the interviewee as a participant in the renewal process by exploring the role he will play in movement toward the desired

state. As the individuals relived the positive experiences of the past, it was clear they were relieved and excited to be talking about something positive and new. We saw this optimism energize them to lead the way into the future.

Findings

Our goal as we absorbed the stories and ideas collected in the interview was to allow a “value chain” to emerge. We were looking for the links between human and process performance metrics and strategic business objectives. We had to devise a methodology that truly mapped tactical actions in the field to business measures spelled out in the BSC.

First we used a coding process to organize the data into perspectives, i.e. External, Internal, Work Group, Individual. We also utilized the peak experience stories to establish causal relationships and value links. The success drivers listed in Figure 2 formed the basic roadmap that was followed in mapping the value chain for ExCo.

Point 1 represents the external perspective of the company in the marketplace as described by company management. This is management’s view of the performance level as described in the

balanced scorecard that includes financial and non-financial measures by which the company’s success in the marketplace will be judged by its shareholders.

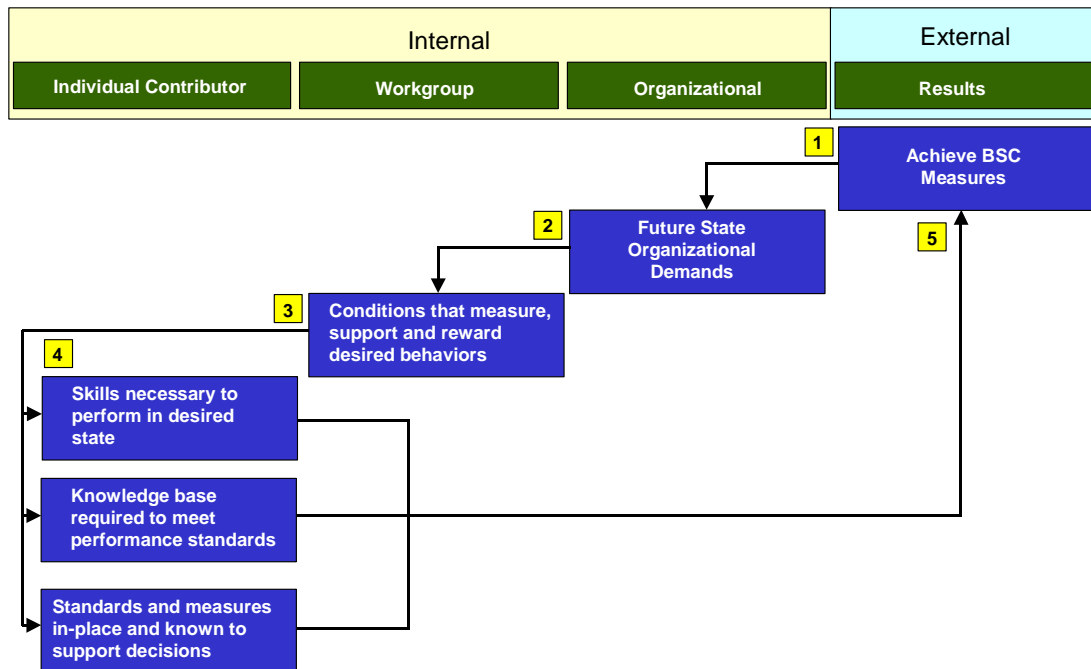
Clearly defined BSC objectives cause the organization (Point 2) to formulate a series of business objectives that can be described as the demands the organization must place on itself to achieve and sustain performance against its BSC targets.

In order for these demands to be met, a series of conditions must exist at the workgroup level (Point 3) that supports the performance of individual contributors.

Point 4 describes the performance requirements placed on individual contributors as defined by and supported by workgroup management, organizational standards and practices and performance management systems.

In the final loop of the cause-affect relationship (Point 5), if individual contributors are meeting performance requirements across the board, then the company is seen as the premier provider of its products and services (external view by customers of the company) and both financial and non-financial BSC measures are met.

Figure 2: Value Chain Map



From the more than 1,300 discrete data points that resulted from the data collection process, relationships were mapped to two BSC measures along the value chain that resulted in:

- **Future state organizational demands.** We identified twelve strategic items like “Revolutionizing the customer support model” that are true to some degree in the current state, but must be expanded and sustained in order to achieve the future state business objectives.
- **Future state workgroup conditions.** Thirty three discrete conditions were uncovered that are tactical in nature and usually describe best practices among top performers that may not be recognized or rewarded by management in the current state, but must be formalized in the future state in order to consistently meet the new demands on the organization. An example of a workgroup condition may be a shift in measures that supports a statement like “Customer education is conducted at the field technician level.” While the current state may penalize an investment of time in transferring knowledge to customers, top performers have seen a positive impact on long-term equipment performance and a resulting shift in customer perception of the technician’s role from service provider to business partner.
- **Performance requirements to achieve the future state.** In our study at ExCo, we were surprised that most of the performance requirements necessary for the future state already existed. These 91 requirements that emerged can best be described as sets of standards, practices, processes, knowledge and skills necessary to delight customers and meet ExCo’s business requirements. Although we found that they existed in pockets, we now could show precisely how and why these requirements needed to be more formally adopted by the organization and consistently measured, supported and rewarded by field managers.

Outcomes

Once the value chain for this job group had been mapped, senior executives from within the function and at the “C” level of the North American division reviewed it. It became clear to them that prior to this exercise, these cause and effect connections from tactical actions in the field to achievement of strategic business objectives had never been documented in a relational manner.

The value of this relational view became apparent when discussing possible future actions to improve

the business. It was clear that any investment in improvement of business parameters affecting the future state had to be done in an integrated and balanced way to achieve strategic results.

The second, and more impressive conclusion they reached was that on the whole, among the top-tier performers in the customer support organization, the field’s view of the future state was aligned with the company’s stated business objectives at the strategic level. The mapping process provided the linkage that proved the alignment and allowed the executives to see the cause and effect relationships that would support or inhibit achievement of BSC targets.

Integrating Findings into the Business Model

With the value chain mapped and in hand, senior management at ExCo had validated our shared original thesis, that organizational renewal should and could come from within. The future state composite that emerged from the value chain mapping process once again described a true market leading company.

Two challenges presented themselves. First, how to cascade the future state that was being lived by the company’s top performers to the entire field customer service organization, and second, fostering recognition by senior management of the shifts in cultural thinking that would be required to create and sustain the future state.

While each of the 91 performance requirements identified in the value chain map presented themselves as possible starting points for the renewal process, the senior management team understood that renewal could only begin with a statement of the future vision and the engagement of the entire customer support organization. With this in mind, senior management, including the CEO of the North American division, made the decision to publish the value chain map to the entire division. This action, by itself, fulfilled one of the tenets of the future state requiring transparency of information.

It also sets in motion an employee-centered program temporarily dubbed “Voice of the Enterprise.” This program, based on the principles of asset-based change, will engage the workforce at all levels to affect positive change in each of the 91 performance requirements, which will ultimately create the conditions that allow the organization to achieve its BSC objectives.

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² *Ittner, C. & Larcker, D., Coming Up Short on Nonfinancial Performance Measurement, Harvard Business Review, November, 2003.*