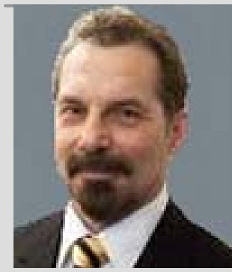

Performance Improvement

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The Process-Centered Organization: Oh, For a Crisis

In our last Column we discussed process-centered organizations (PCO) that take a slow, gradual route, describing the risks of such an evolutionary approach and its long-term potential benefits. This time we will focus on organizations that become process-centered because they are in deep trouble.

Organizations in crisis are sometimes ideal for introducing a transformative change at the scale that a PCO requires. When the need for change is real, when many if not all of the company's key leaders recognize the crisis, when the pathway to restoration can be seen…good things can happen rapidly. Unfortunately, even when a company is suffering a crisis, all the variables are not necessarily lined up in favor of rapid change. We will explore what critical elements need to be in place in order for a stricken organization to move ahead to recovery, and describe two different organizations that have gone down the PCO path because of an initial crisis. The first example is from the distant past but still offers some valuable lessons; the second example is from today's headlines.

The Classic Case

Motorola in the 1980's is still the classic example of a company that transformed itself because of a crisis. (Never mind its current travails—it still stands as one of the best examples of an organization that became process-centered on a grand scale and was the inspiration for countless other companies.) Poor product quality and Japanese competition in the late 1970's were the twin drivers for change, causing CEO Bob Galvin to announce the goal of ten-fold quality improvement, spurring a decade-long effort to improve that completely reconfigured the company, earned it the first Malcolm Baldrige Award and made it an American icon. We have written before about how the change was accomplished at Motorola (Ramias, 2005), so here we will merely summarize its major stages:

1. Initial efforts were focused in manufacturing, where quality circles were created and training in what we today would call lean techniques were employed. Improvements were achieved but were scattered and way down at the task level, not addressing end-to-end processes. To provide the training, Galvin authorized the establishment of a corporate training organization, which became the famed Motorola University.
2. In the second stage, engineers were trained in Statistical Process Control tools and techniques and began to apply them to whole processes, initially confined to manufacturing but then gradually spreading to product design, supply chain and other areas. At the same time, Geary Rummler entered the scene and co-developed a process improvement methodology that did address end-to-end business processes. With these developments, large gains in quality, cost reduction, cycle time and reputation began to take place, largely inside the product divisions where manufacturing and engineering

resided.

3. In the third stage, the improvement efforts became widespread in Motorola, with virtually every department having some training in improvement techniques and formal goals and programs. The umbrella label of "Six Sigma" was invented to encompass all of the efforts, and Motorola went public, hosting endless benchmarking visits by other companies.

In the first stage, recognition of the crisis was paramount. CEO Galvin saw it but not all of his executives did, and the result was a swift trimming of naysayers. Galvin had the courage the top leader must possess, and it is the variable that matters most in stage one.

The other necessary variable is having in place the means to make the change. Galvin did this by bringing in Bill Wiggenhorn to create the corporate training organization. Motorola University became Galvin's change agent. He provided funding and political cover as MU spread the quality gospel throughout the company. All of the major tools and ideas came from outsiders like Rummler, Joseph Juran and Dorian Shainin, and they were brought in via MU curriculum. Training does not necessarily have to be the change agent, but something is usually needed to give a company both the push towards change and the tools, ideas and mechanics. Companies in crisis often get there because they lack critical skills or ideas, so improvement from inside is not going to happen.

In other cases, the chief limiting factors are the panic and hesitation triggered by the crisis itself—people may have the potential to change their circumstances but they are paralyzed by fear and self-doubts.

Once the improvement efforts began in the product divisions, the driving factor came from the division heads. Not all of them, of course, at first had the foresight or courage, but there were a few capable of operating like Galvin on a smaller scale—pushing for change, describing a different future, supplying the means, and providing political safety. They led the change and others lagged but eventually imitated the leaders.

There is a key lesson in how this happened: it is wise not to try to make the change everywhere at once, but instead to concentrate on a few places where the need is clear, the leadership is ready, and the results can demonstrate the value of the effort required. Motorola didn't think this through, of course—it just kind of happened, but the lesson is clear.

The Current Case

Our second example is a bank that has suffered through the catastrophic economic downturn of 2008 and its aftermath, and is now attempting to right itself by becoming process-centered. For reasons that will be obvious, we cannot name this institution but will describe its PCO journey to date.

Like its many brethren in the financial industry in middle of the last decade, this bank overextended itself, in particular making commercial loans that went bad when the economy tanked in 2008-9. The situation was so dire that after conducting a review, the FDIC almost closed the bank's doors. Instead it was given a brief period to recover, some new leaders were brought in, and we were invited to conduct a review of processes and operations.

Ironically, because of this bank's location and clientele, one of its more promising areas of business was mortgage lending. So we then conducted a classic process improvement project, using the well-known Rummler Process Methodology. This effort was deliberately formulated to be "a tip of the spear"—that is, instead of attempting to transform the whole bank, we concentrated on one of the few areas where there was some promise of measurable results if the improvement happened. And just as important, the goal was not just to address the mortgage lending process but to raise employee *esprit de corps* by engaging them in something they *could* change, by demonstrating how to work across functional boundaries, by producing a design that could, if implemented, have a positive impact on both the workplace and on the customer.

The implementation of this design is now underway, and, as expected, it has revealed the need for a comprehensive makeover of all lines of business, all key processes, all jobs and functions and the governing management system. The effort on this systematic transformation is currently happening. Once it has been put in place, it will be a model for the other banks in the larger constellation of banks owned by the parent company to undergo their own transformations.

So another organization in crisis, triggering an improvement effort with the longer-term outcome of being a PCO. The success variables are much the same as at Motorola: a clear need for change, in this case coming from outside (i.e., the regulators and the parent company); a set of key leaders in this case deciding that a transformation is required and providing the necessary means; assistance from outside to both understand the problem and propose solutions; a careful effort to demonstrate the value of this way of designing and running an organization before trying it widely. A crisis can be a great trigger for change, but it doesn't automatically happen—other variables must be in place or the opportunity can be squandered and the organization could join the long list of companies that have gone under because of inertia.

Lessons Learned

So what can these two cases, separated by decades, teach us about successfully implementing BPM and becoming a process-centered organization?

Both cases demonstrate that a crisis can indeed be a golden opportunity to make changes that otherwise an organization may be too complacent to undertake. Both scenarios required a burning-platform issue, a strong leader willing to assume a "benevolent dictatorship" managerial style for at least a while, both required assistance from outsiders, and both needed a methodology for change.

But there are differences between the two cases. At Motorola, the entire effort took nearly ten years; despite there being a major driving force for change, Motorola's progress was not actually that different from the slow companies we described in our last Column after all. In large part, that is because much of what was attempted was experimental. Galvin did not tell his subordinates how to change the company; his approach was to "let a hundred flowers bloom". Some ideas really did create great improvements while others failed or worked only for a time. A case in point was the use of quality circles, which at Motorola was called the participative management program (PMP). Its centerpiece was an incentive system that gave everyone a bonus when businesses made a profit. Much propaganda was used to try to link the PMP program to the improvements that the quality circles made, but there was little valid linkage. Some divisions did well and got bonuses without doing any improvements; others were pioneers in reinventing themselves but results were slow in being realized. This all came to an end when the company became unprofitable for a time during the mid-1980's; and as the bonuses went away, so too did the interest in improvement. In fact, the "six sigma" program was in part a rather desperate attempt at reviving the mentality for improvement because PMP had effectively died.

At the bank, the timeframe for change is already much briefer, and will be even when the improvement methodology is spread to other banks in the system. The methodology being deployed had its origins at Motorola but has been vastly expanded and refined over the decades, so it is no longer experimental.

The leadership at the bank has a better sense of how to create and manage organization change. Its "tip of the spear" tactic is quite deliberate, as opposed to the accidentally learn-while-doing approach that happened at Motorola. And the leaders recognize that every element of the organization has to be altered to create a fully functioning, integrated high-performance system.

So, after thirty-some years of learning about how to harness BPM to an existential crisis, some variables remain the same: strong, courageous leadership; assistance from outside for many, if not all, companies; a methodology and means to create and support the required changes; and a demonstration of value before attempting a broad scale of change. Those are the variable that can turn a crisis into a transformation.

The new lessons are that BPM can indeed be the means for effecting broad organizational transformation, and now, with enough organizations having undergone the journey, the pathway can be planned at least in its broad stages.

In our final Column of this series on PCO's, we will explore the unique challenges and benefits of a PCO effort driven by a support function—our example being an IT department in the driver's seat.

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