

Modifying Organizations for Improved Performance

Applying the ALPS Model to Successfully Implement Change

A Kaufman Global White Paper

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Introduction

Everybody in business knows that “organizations are important.” Every executive who has ever given a speech has solemnly intoned that his / her organization is variously striving to be more effective, progressive, productive, dynamic, and most popular of all in the last few years), “a learning organization.” And why wouldn’t such a desire be universal? All endeavors other than sole proprietorships are conducted by organizations. All other things being equal, an organization possessing the above executive wish list of qualities is bound to be more effective than one of its less fortunate brethren. Given this truism, one would suppose that organizations of all types would be aggressively and successfully working to improve their overall effectiveness as an organization. Alas, such is not the case.

Organization change / improvement is given lip service (how can you argue with the desired outcome?) but not much of any use is accomplished. In fact, most organizations that are subjected to what passes for carefully planned, formal change initiatives are severely wounded and require many quarters, if not years, to recover. Any successes that follow such changes are usually achieved in spite of the planned changes and not because of them. Ironically, the most successful organization change initiatives are almost always those that are done in an emergency mode to avoid pending catastrophe (such as the Lou Gertner-led IBM makeover). The reason why many emergency changes often work out better than the typical “corporate mandated programs” will be discussed later in this paper.

The mechanism behind this apparent paradox is lost on the majority of so-called “change experts.” Worse yet, it is not appreciated by senior executives who act as if organizational change can be achieved by moving boxes around on org-charts. This mechanism holds the secret for truly effective organization change. Best of all, the implementation methods for taking advantage of this mechanism are easy to understand and straightforward to apply. Be forewarned, however, straightforward here does mean “easy to do.” Any meaningful change effort, personal or organizational, requires focus, energy, resources and discipline.

This white paper discusses the elements of organization change and the mechanisms that both challenge and enable such changes. A reader who completes this white paper will:

1. Understand how and why organizational change efforts succeed or not
2. The reasons why so many organizations seem to have the same problems in leading change (and dealing with resistance to change)
3. Required management actions in order to implement and maintain successful organizational changes

What Is an Organization?

At first glance, it seems fairly easy to define an organization. One common definition is “an organization is a body of people that is focused on accomplishing certain tasks.” There is nothing wrong with this definition but it does not provide any insight as to how and why organizations behave as they do. A good definition should help you understand something about the basic mechanisms of the object being defined.

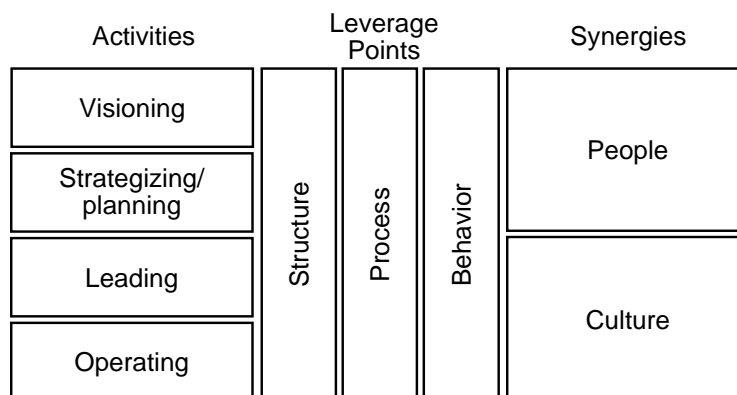
An organization is more than people and processes. It is more than org-charts and facilities with people wandering around among them. An organization is a living (and sometimes dying), evolving, learning (some fast, some slow), adaptive (some more than others) system. Organizations are comprised of people and can be influenced by them but organizations exert tremendous control over the individuals that belong to them. This control is not always obvious or visible but everyone in the organization is aware of it. Organizations generate their own energy and maintain their structure even as people come and go. Organizations are, at the same time, incredibly complex but also very predictable once you understand their dynamics. And, they are always difficult to change. In short, an organization is a great deal like a person. Many things are visible but much is hidden. Some intentions are straightforward and easy to understand while others appear paradoxical. A good definition must give you some flavor of what you are up against when you must drive an organization change.

The ALPS Model

Kaufman uses the ALPS Model to evaluate, design and implement organizational change initiatives. Whether the change is a new EIS installation, new product introduction, facility relocation or an aggressive move toward Lean manufacturing or Office Kaizen, the ALPS Model provides a clear, applied conceptual framework for organizational change planning and implementation. Figure 1 presents the basic components of the ALPS Model. There are three dimensions to the ALPS Model. They are:

1. Activities – These are the ongoing functions that an organization must conduct in order to survive over the long-term and sustain itself day-to-day. Essentially, they are the principle categories of behaviors performed by an organization.
2. Leverage Points – These are the control surfaces that can be modified to change an organization. The success of an organization change effort is determined by the extent to which these controls are successfully manipulated at the right time and in the right context.
3. Synergies – These are powerful, interactive forces that result from changes in the above two components. They cannot be directly controlled because they are both “leading edge” indicators of the present / past organization and “trailing indicators” of the success of all new change efforts.

Figure 1 – Elements of the ALPS Model of Organization Change



The Four Activities of the ALPS Model

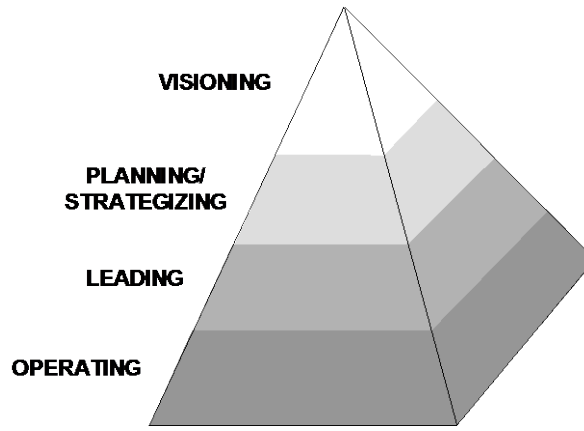
There are four main categories of activities. These activities are “what organizations do” as they go through life. They are, essentially, the business of being an organization. The four activities are:

1. Visioning – This category of organization behavior consists of activities that develop, sustain and defend the organization’s personality and self-concept. Often, many visioning activities are conducted subconsciously by organization members and leaders. Organizations, like people, have a perception of themselves as they are in the present, as they were in the past and as they would like to be in the future. This perception is not always accurate and it is not always explicitly stated or understood. The vision that is fostered by the organization is not always the one that will best serve the organization’s future success. To a large extent, it is the forces emanating from unacknowledged but very powerful visions (and supporting planning and leadership) that make so many organizational change efforts difficult. Most organizations do next to nothing to provide a living, explicitly stated vision for themselves.
2. Strategizing and Planning – These activities are the efforts of the organization to develop a future path that will lead to success. Strategizing involves market, segment and customer identification, asset management, the identification and evaluation of key success factors, acquisition / divestiture approaches and major initiative identification and prioritization. Planning is the detailed decomposition of the selected strategic elements into schedules, roles and responsibilities, deliverables, budgets, cost-benefit studies and so forth. Most organizations do a very poor job of strategizing and a fair to poor job of planning (mainly because visioning activities are so impoverished and / or incorrect).
3. Leading – These activities are those employed by the organization to compel and encourage the organization members to perform behaviors that will move the organization. The most common manifestation of these leading actions is compelling organization members to enact plans and achieve goals. Where the organization is already moving smartly in the direction where it should be going, leading is not difficult; inertia keeps things on track and past successes are duplicated with only passive leadership. When the environment changes rapidly, the organization must change what every one of its members is doing. In this situation, leading must be active and overt. Most organizations are extremely good at passive leading and extremely poor at active leading.
4. Operating – These activities are those that are required to maintain the organization day-to-day. They include everyone from answering phones to making products to delivering services to paying bills to placing orders. They are not individual behaviors but rather the summation of many behaviors that operate in concert (or conflict). Most organizations do a fair to good job of operating in a stable, unchanging environment. Most organizations do a low average to average job of operating in a changing environment.

The ALPS Model best communicates the complexities of the organizational change challenge when it is viewed as a pyramid. Figure 2 displays the ALPS pyramid as we have discussed it so far. Each of the four required activities is shown as a separate level of the pyramid. As we continue to introduce the ALPS Model, we will further elaborate the three dimensional

perspective. You will soon begin to appreciate why organization change is the toughest challenge an executive faces.

Figure 2 – The Four Actions of the ALPS Model of Organization Change

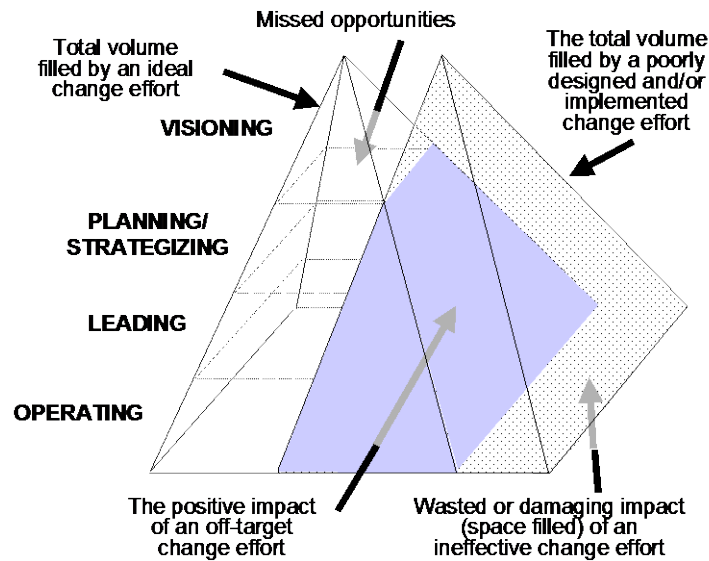


A successful organization change of any kind is one that “fills in” most of the pyramid. In statistical terms, a successful change effort accounts for all of the variance represented by the pyramid. As you can see from Figure 2, the biggest share of the ALPS pyramid’s volume is accounted for by operating actions. This makes intuitive sense, as the bulk of the resources of most organizations are consumed by its day-to-day activities. If a change is not successfully implemented among the people and processes that perform the “turn-the-crank” work, the change will fail. Yet, pure volume (or variance accounted for) is not the whole story.

Picture the pyramid as moving through space and time (“Greetings, Rob Serling”) in the direction of the point; organizations are guided towards future success (or should be) by a vision. Whether they know what it is or not, organizations generate energy that makes things happen. If they are lucky and / or well led, organizations actively pursue a future state. A good vision aims them at a prosperous future state. Even if an organization consciously desires not to change at all, it must. Remaining unchanged in a changing world requires an organization to modify itself a great deal and exert tremendous energy in order to counterbalance external influences. The folly of this type of static vision is represented by the collapse of the communist economies that attempted to completely stonewall capitalistic influences. They worked harder and harder not to change and were then shaken apart when external forces overwhelmed them. A more effective vision for these organizations would have been one that selectively pursued some changes in order to hold the line on others. This appears to be the vision (if it not just a random result) that is being pursued by the People’s Republic of China and perhaps Cuba.

The vision is transferred to a blueprint through strategizing and planning actions and then made reality via leading actions that engage the operating activities. Thus, the top three levels of the model steer the entire organization towards the future. If are not properly “aimed”, the bulk of the operating activity (and those of the other three levels) will occur “outside” of the volume occupied by the pyramid of the desired, necessary change. This situation is shown in Figure 3.

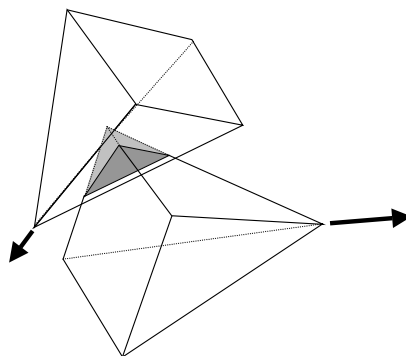
Figure 3 – The Small Positive and Large Negative Impacts of a Poorly Designed and / or Implemented Change Effort



As Figure 3 shows, even a moderate “miss” in the placement of the ALPS pyramid will create a change effort that will fail to achieve its goals. Its will not adequately fill in the ideal pyramid (that is, it will not achieve the best conditions for a successful change effort). Even worse, the misguided change activities (the shaded pyramid on the right of Figure 3) will interfere will countless other organizational activities by working at cross-purposes, wasting vital resources and confusing employees.

Of course, the miss shown in Figure 3 is idealized. There is no reason to expect that any change effort will be on the same plane or moving in the same direction as the ideal pyramid for that change. In many cases, little or none of a change effort’s pyramid shares volume with its ideal pyramid. This is represented by Figure 4, in which the ideal change pyramid and the pyramid for the implemented change are not only moving in different directions, they are moving in different planes. There is little chance for any cost-effective positive changes to occur in the organizational change effort shown in Figure 4.

Figure 4 – The More Typical Small Overlap of a Poorly Designed and / or Implemented Change Effort and the Ideal Volume for the Same Change

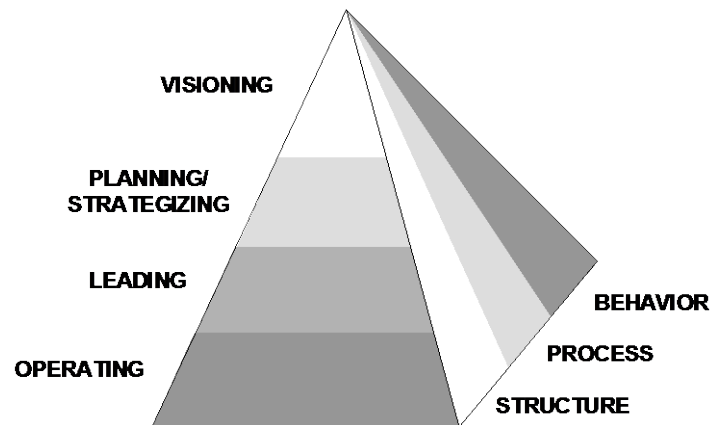


The Three Leverage Points of the ALPS Model

The three leverage points are the primary categories of things that can be changed in order to move an organization from one point to another. They are best conceptualized as a surface of the pyramid that is rotated 90 degrees from the four activities. Figure 5 presents this view. The three leverage points are:

1. **Behavior** – Every behavior consists of four elements: a physical action, accompanying thoughts, concurrent emotions and physiological changes. A behavior is only successfully changed when its thought, emotion and physiological response are all changed to support the new action. The only element of behavior that is clearly visible and non-ambiguous is action. And this is the only element of behavior that can reliably be manipulated. Many leaders make the mistake of trying to change behavior by focusing on emotions and / or thoughts. While an occasional “burning bush” phenomenon can change behavior as a result of a startling new emotion (relief after surviving an automobile crash) or a thought (“Yes, tofu is the answer to my nutrition problems!”), it is rare.

Figure 5 – The Three Leverage Points Shown with the Four Activities of the ALPS Model



Most behavior changes occur as a result of action changes. After a period of performed new actions, an individual almost always begins to line up his / her emotions and thoughts to support the actions. This is done to reduce the stress that people feel when actions, thoughts and emotions do not support each other (termed cognitive dissonance by psychologists. This is the mechanism behind most “self-help” methodologies. An insightful change agent incorporates as many small, compelled (if possible) and easy to perform action changes as possible into his / her implementation efforts.

2. **Processes** – These are strings of inputs, events and outputs that get things done. There are basically three levels of processes: mega, macro and micro-processes. The only “real” processes are micro-processes as these are the building blocks of the others. Such things as soldering a connector, completing a financial statement and processing an engineering change are micro-processes; they happen at the level of one person and they are fairly easy for a trained eye to understand. Macro-processes are recruiting, selecting a supplier or designing a new part. These macro-processes are really just name for a collection of micro-processes. A macro-process can’t be dealt with as a single entity when you wish to change it because it involves many people in many different areas. The situation is even more complicated with mega-processes such as engineering, investor relations,

manufacturing, the “XYZ division” and so forth. Mega-processes are names for hundreds, if not thousands, of macro and micro-processes. If you wish to change a macro or mega-process, it must be done at the level of the individual micro-processes that comprise it.

3. Structures – These are the formal and informal associations, authority channels, expectations, norms and allegiances among and between individuals, functional areas (customer service, engineering, manufacturing, and so on), processes, suppliers, and customers. The most obvious indication of structure is an organizational chart. However, such charts are no more representative of actual operating organizational structures than the word tiger is equivalent to being locked in a cage with a real one. Structures are the actual conduits and operating rules along which power, information, direction, energy, confusion, problems, solutions, products, services and confusion travel. Structures are not what the organization hopes or claims they are; structures are the mechanisms that guide and channel everything that happens day-to-day. They mandate who can do what, with / to whom, when, why, how and how often. Many of these structures are obvious and explicit (e.g., the CEO is the boss, finance approves budgets). Many others are never spoken of but are implicitly known by all (e.g., there can be no argument with corporate mandates; play along and say nothing until the next flavor of the month arrives). Others are hidden and only vaguely perceived but are tremendously powerful, nonetheless.

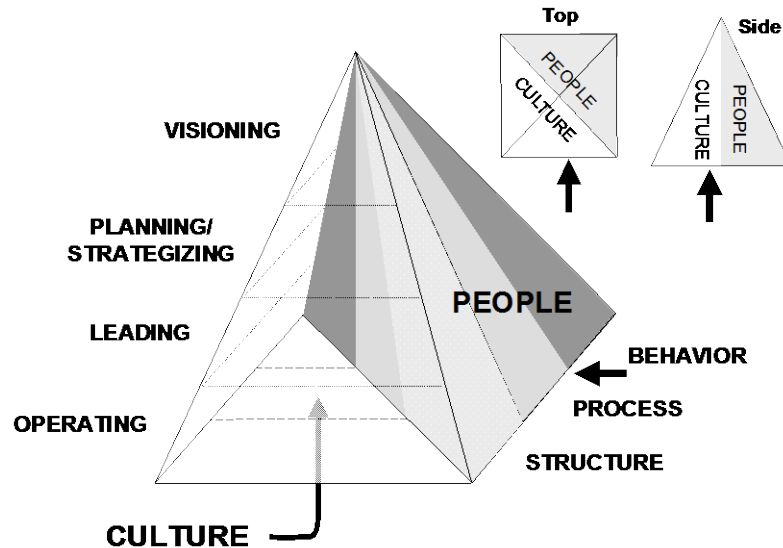
Insofar as most organizations have little or no idea as to the true nature of their structures, it is a very dangerous endeavor to attempt to manipulate structure as a whole in order to change an organization. It is akin to requiring an English speaker with no flight training to take over the controls of a damaged passenger jet that whose cockpit controls are labeled in Chinese. He / she wouldn't know anything about the plane, what to do, when to do it, how to do it or why. The plane will crash. Most leaders have no more understanding of their organization's true structure than the untrained pilot has about the plane's controls. Yet, because they believe that org charts are structures, they often attempt to change organizations by manipulating the org-charts. You can draw a picture of yourself with a gun but it won't help you if you are locked, unarmed in a cage with a hungry tiger. That is why all organization changes designed and conducted at the structural level alone must fail.

The Two Synthesis Components of the APLS Model

The complexity of organization change appears in its full glory / terror when the final dimensions of the ALPS Model are considered: the two synergies of people and culture. The synergies of the ALPS Model are the result of the interactive, additive effects of the activity and leverage points dimensions. They are results that are also more than the sum of the components that constitute them in that they also generate additional changes in leverage points in ways that are not explicit. The people and culture synergies are end products, not actionable leverage point in themselves. Many people speak of culture and people synergy as leverage points but they are not. They cannot be modified by discrete actions.

Figure 6 presents the ALPS pyramid with the synergies displayed. Each is represented by one-half of the pyramid when it is bisected diagonally across the bottom. While the shape of each half is identical, their structures are not. In Figure 6, people synergy is represented by three-dimensional solids and culture synergy is represented as a clear outline (so that the shape of the people synergy can be seen).

Figure 6 – Space Occupied by the People and Culture Synergies of the ALPS Model



A more detailed description of each of the synergies is:

People synergy is the average of the internal energy, attitudes, dedication, knowledge, feelings of loyalty and power and identification with the organization that is resident in each person within the organization. This synergy is continually reassessed, reinforced and / or attenuated through interactions with other members of the organization. People synergy is generated within each person as a result of his / her assessment, sometimes conscious, most often subconscious, of the organization milieu. The total people synergy in an organization is the impact of the average of each person's people synergy. This force resides in each person and people are not usually aware of changes to their own people synergy. Only a small portion of people synergy is directly observable by others (as when an employee decides not to point out a problem with a product). People synergy acts within each individual to orient their likely responses to events or information. People synergy can be good or bad. When employee satisfaction surveys demonstrate "poor morale", it is an indication that employees are expecting the worst and will interpret happenings in that light (a negative self-fulfilling prophesy). There is an awesome reservoir of potentially good, powerfully additive people synergy available to any organization if it can provide its people with the involvement and achievement necessary to create good people synergy.

Culture synergy is the expressed (through behavior) set of expectations that is generated and supported by members of the organization. Culture synergy is the unspoken "way it is." It emanates from individuals but exists independent of them. That is, cultural synergy maintains the norms and standards of the work environment even when there is high turnover. Of course, in a high turnover situation, the maintained cultural synergy is usually counter to a productive and challenging work environment (or people would not be

leaving). When two or more people interact, culture synergy takes over part of the driver's seat in a silent but inexorable manner. It is very resistant to change unless many elements of the organization are concurrently addressed.

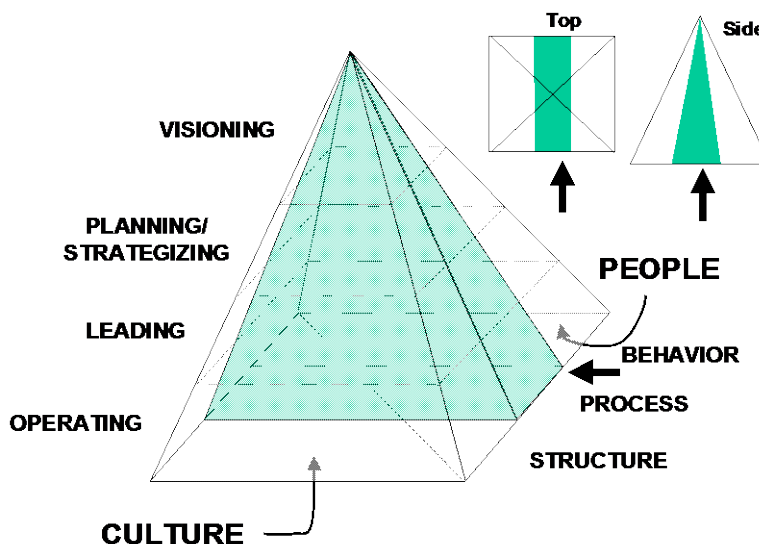
The Discrete Actionable Volumes of the ALPS Model

To recap, we have seen that organizations perform four main activities: visioning, strategizing / planning, leading and operating. There are three leverage points that can be manipulated in order to make changes on these activities: structure, process and behavior. In addition to changes in activities, organization changes also generate either good or bad (for future organizational success) people and culture synergies. The changes in these synergies act to reinforce or ameliorate desired changes. As you might expect by now in this paper, things are not quite that simple.

As we discussed earlier, the objective of any organizational change is to “fill in” as much of the “ideal change” ALPS pyramid as possible. It would be convenient if a single action (or narrow set of actions) on a leverage point such as process could impact all four activities. This is akin to filling in the entire height of the ALPS pyramid from top to bottom along the process volume. This result is shown in Figure 7.

While the extent of the change displayed in Figure 7 is highly desirable (the entire height of the pyramid along one leverage point – all four activities of the organization), it cannot be accomplished by means of a single action (or narrow set of actions). It is not possible to manipulate a leverage point and create substantial, positive changes in all four activities by doing “one thing.” The process leverage point can easily be manipulated to change operating activities. The process leverage point can be also be adjusted to impact strategizing / planning activities. However, additional, different actions other than those used to impact operating activities would be required to manipulate the strategizing / planning activities.

Figure 7 – Volume Occupied by the Process Leverage Point in All Four Activities

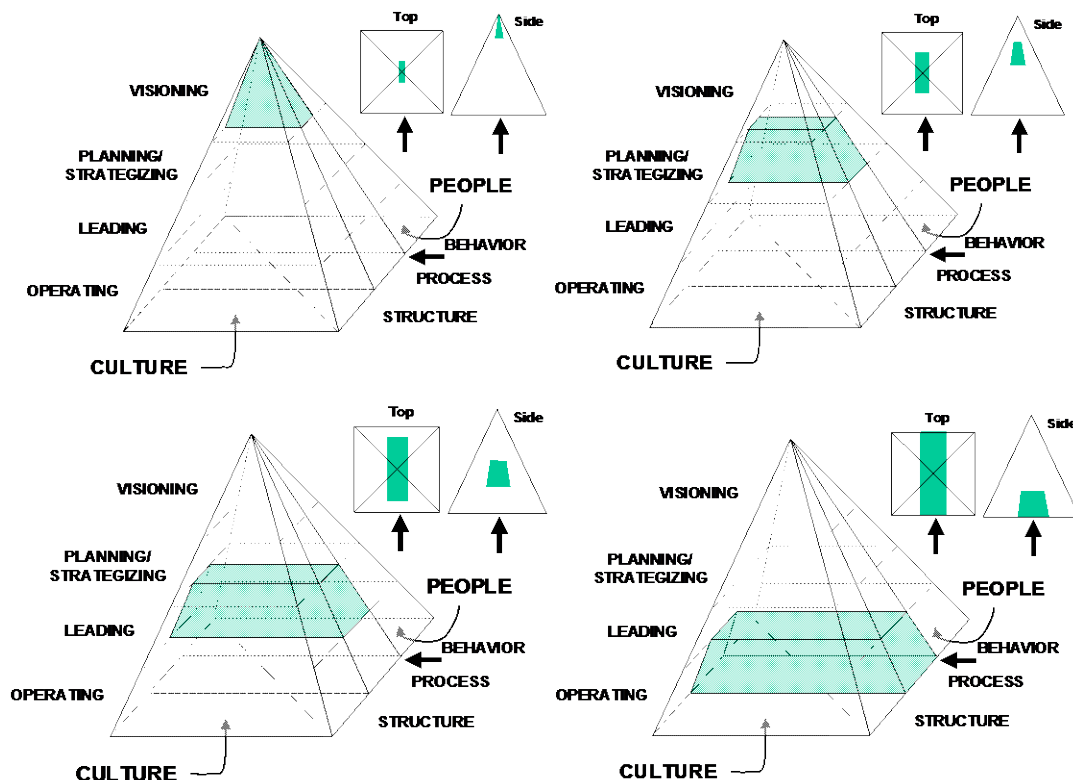


It is almost impossible for an action (or narrow set of actions) to simultaneously have a positive impact on more than one of the four activities to a significant amount at the same time. This is why the four activities are separate; they involve different dimensions of the organization, different processes, different groups of employees and different time frames. Of course, there is always some impact on all activities by any change. The cross-pollination effect is usually minimal compared to the direct impact on a specific activity.

For example, let's assume that a new annual planning system is installed at a site. Further, let's assume that management actually uses it (rather than simply giving it lip service). Such a change represents a manipulation of both the process (changing the planning process to incorporate the new program's requirements) and behavior (doing the planning actions) leverage points. The most apparent positive impact will be a subsequent improvement in the strategizing / planning activity. To be sure, there will likely be some improvements over time in operating activities if the plans are properly led. To do so, however, will require a least some manipulation of the behavior and process leverage points within the leading and operating activities.

In other words, to successfully change an organization, the overall change must be conducted by addressing separate "chunks" of the ALPS pyramid. Each of these chunks is the volume circumscribed by the three dimensional intersection between the activity and the leverage points volumes. They volumes are called, in the ALPS Model, Discrete Actionable Volumes (DAV). There are the largest pieces of the organizational volume that can be reliably and discretely addressed as a whole in order to drive a change. Figure 8 displays the DAV for the four activities within the process leverage point.

Figure 8 – The Discrete Actionable Volumes (DAV) Occupied by the Process Leverage Point in Each of the



Four Activities

An action (or limited set of actions) cannot address all three leverage points of any one of the four organization activities (an entire horizontal slice of the pyramid such as that shown in Figure 9). Similarly, a limited set of actions cannot address all four activity levels of one of the leverage points (a vertical slice such as that shown in Figure 7. The bottom line of successful organization change is that each DAV must be addressed separately and a successful change demands that all of the DAV be addressed.

The intuitive reader has no doubt begun to appreciate one of the key insights of the ALPS Model: a successful organizational change demands specific, planned and focused actions in each of the 12 DAV in order to completely fill in the “ideal change” pyramid’s volume. Is it any wonder that so many change efforts fail? Most of them do not even begin to address more than two or three of the 12 DAV. How many “quality” change initiatives have floundered (and squandered immense resources and customer good will) by addressing only the vision-behavior and operating-process DAV? How many changes of all types fall short (or die in the starting gate) because none of the leading leverage points were addressed? We have all been subjected to, observed or been impacted by such disasters.

Do not be misled into thinking that addressing all 12 DAV is essential only for grandiose and wide-ranging organizational changes. Every change initiative must address all 12 DAV in order to achieve maximum positive impact. There are no exceptions. Of course, many small change efforts (such as those conducted within a single work group) are successful without anyone doing any formal planning or even being aware of the ALPS model. This is always the result of fortuitous circumstances that just happen to address many of the DAV without formal planning. This doesn’t happen often and cannot even logically be considered as an exception to the rule – it is simply the rule being following informally. The factors that results in DAV being addressed in a change initiative without a structured approach are:

1. The leader instinctively knows how to get everyone involved and most of the DAV are accounted for informally.
2. There is a culture in place that compels consideration of most DAV by other means. This is true in high performance work groups using Lean techniques such as the Lean Daily Management System® (See the Kaufman Global White Paper: “WIn-Lean Manufacturing”).
3. The change is very narrow and very technical (somewhat automatic). In this case, the absence of overlap between the ideal and actual change volumes does not impact the group. This might occur, for example, when a new accounting system is put in place and any specific work group has to make only minor changes to their actions in order to accede to the requirements of the change. Of course, the overall installation of the new system in the organization (within the “home functions” that own the system) would demand fairly high “filling” of the ideal pyramid in order to get the project done on time and on budget.

Figure 9 – A Non-actionable (As a Whole) Horizontal Slide of the ALPS Pyramid

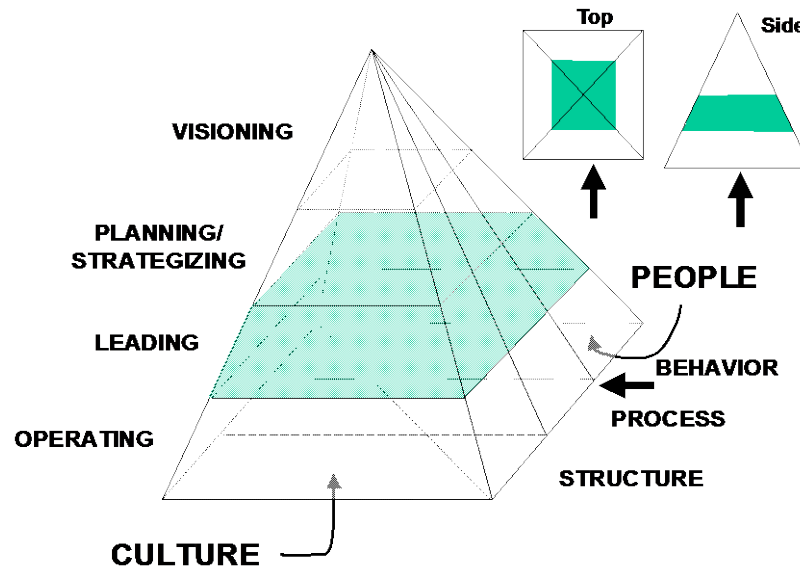


Figure 10 presents a table of the characteristics and the focus of change actions for each of the 12 DAV. The term RACI used in Figure 10 is an acronym for “responsibility, authority, consult and inform.” A person who has an “R” is responsible for an action, meaning that he / she must do the actual hands-on work. The person who has the “A” (there can only be one “A” for a specific micro-process task) is the individual who is accountable to a higher authority for seeing that those with the “R”, “C” and “I” complete their assignments. The “C” identifies those who must be consulted before action is taken. An “I” identifies those who must be informed after action is taken. A RACI analysis consists of breaking down an initiative, project, job or effort into small, micro-process tasks and then determining the R, A, C and I allocations for each element.

While RACI assessments of both of the current, “as-is” process and the desired, “to-be” process should be a standard part of every process design, reengineering effort and / or evaluation, a RACI exists whether one is explicitly constructed or acknowledged. It may not be consistent or productive, but the current “as-is” state of every process possesses a RACI of some sort. Even for formal job assignments, it is not surprising to find that the “as-is” RACI displays gaping holes and confusing or contradictory duties.

The Elements of Successful Change

Earlier, it was mentioned that emergency, “fire drill” change efforts are often more successful (statistically speaking) than typical, grandiose, corporate-led initiatives. Now that we have discussed the APLS Model, it is easy to see how this can happen. When the ship is sinking, there is a clear message from top management that change is critical. If leadership is active and wise, they support their message by actions that reward those who make things happen.

In that sort of environment, many people begin to work on many different elements of the change at once. Lots of things happen. Some are accurately focused on key issues and others are poorly coordinated. There is conflict, confusion and mistakes. Even as more aspects of the change are launched (or others cancelled), corrections and adjustments to the on-going efforts

are made on the fly and the system lurches, albeit painfully, to a higher level of performance. What is going on that enables this type of chaos to succeed more often than you might expect? And, conversely, why do so many elaborately planned change initiatives fail?

Figure 10 – The Characteristics and Manipulation Actions / Events of Each of the 12 Discrete Actionable Volumes (DAV)

DAV-1-VS	Visioning	Structure
Characteristics: The "As Is" RACI for visioning		
Change Actions: Develop the "To Be" RACI and create formal assignments and expectations based on it		
DAV-2-VP	Visioning	Process
Characteristics: The inputs, events and outputs that assess, create, conduct and modify the vision		
Change Actions: Develop formal and detailed actions, schedules and procedures to create/assess the vision		
DAV-3-VB	Visioning	Behavior
Characteristics: The individual actions conducted to conduct the vision process		
Change Actions: Create "buy-in" and coach participation in realizing the structure and processes of the vision		
DAV-4-SS	Strategizing/planning	Structure
Characteristics: The "As Is" RACI for strategizing and planning		
Change Actions: Create assignments/expectations based on the "To Be" RACI for strategizing/planning		
DAV-5-SP	Strategizing/planning	Process
Characteristics: The inputs, events and outputs that create, conduct and modify strategizing and planning		
Change Actions: Develop actions, schedules and procedures to conduct strategizing and planning		
DAV-6-SB	Strategizing/planning	Behavior
Characteristics: The individual actions conducted to perform the strategizing and planning task elements		
Change Actions: Coach/teach behaviors that conduct the "To Be" RACI of strategizing/planning		
DAV-7-LS	Leading	Structure
Characteristics: The "As Is" RACI for proactive, explicit leadership		
Change Actions: Create assignments and expectations based on the "To Be" RACI for leadership		
DAV-8-LP	Leading	Process
Characteristics: The inputs, events and outputs that conduct the day-to-day "To Be" RACI for leadership		
Change Actions: Develop actions, schedules and procedures to conduct active leadership		
DAV-9-LB	Leading	Behavior
Characteristics: The individual actions conducted to enact the leadership structure and behaviors		
Change Actions: Coach the daily behaviors to realize the "To Be" RACI for leadership		
DAV-10-OS	Operating	Structure
Characteristics: The "As Is" RACI for running the day-to-day business functions of the organization		
Change Actions: Design the "To Be" RACI for running the day-to-day business processes and behaviors		
DAV-11-OP	Operating	Process
Characteristics: The inputs, events and outputs that conduct the day-to-day business of the organization		
Change Actions: Create/conduct the RACI and install the Lean Daily Management System		
DAV-12-OB	Operating	Behavior
Characteristics: The actions of the micro-processes that run the day-to-day business of the organization		
Change Actions: Coach performance of the "To Be" RACI for running the day-to-day business functions		

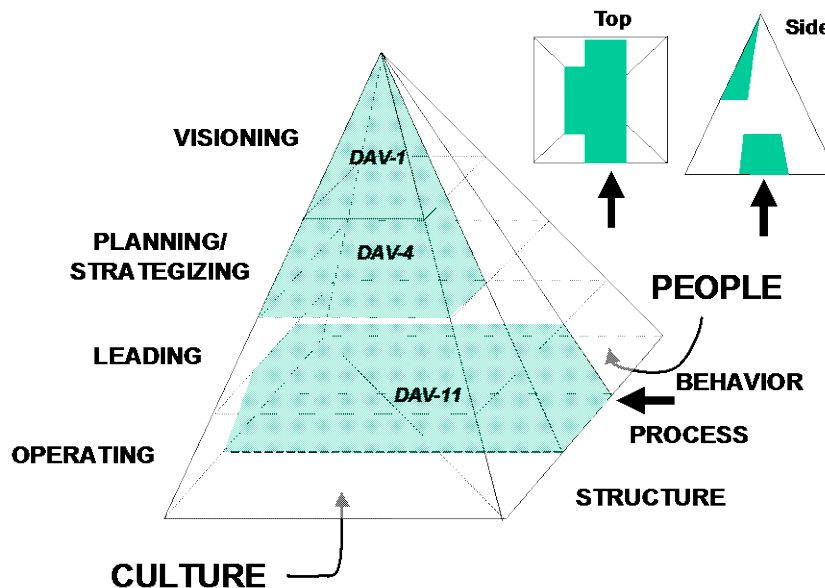
Quite simply, when many parts of an organization are energized to attack a bold initiative many DAV are simultaneously addressed. Different groups, cells, departments and teams, task forces and so on, leap into action to produce results. Many of the foci of the individual groups (that is, the DAV they are manipulating) may be off base, duplicated or working at cross-purposes but they are addressed. If management stays focused and provides active leadership, the conflicts are rapidly addressed and an adequately integrated change effort is completed.

Of course, most “fire drill” change efforts are not successful. This is because there is no active leadership to continually drive the reassessment and readjustment of conflicts between the different efforts. Without leadership, the conflicts continue until management becomes disillusioned with the initiative’s lack of results and / or cost. At the same time, the employees grow weary of the frustration and conflict and stop pushing for change.

The reason many “carefully planned” initiatives fail is because of the above lack of leadership and employee frustration and the fact they address a limited number of DAV. It is common for most “grandiose, planned-for-months by corporate” organization change efforts to focus only on a few of the DAV. Most deal explicitly (and not very well) only with the structure of vision (DAV-1-VS), the structure of strategizing / planning (DAV-4-SS) and the process of operating (DAV-11-OP). Figure 11 shows the maximum “fill” of the ideal change pyramid volume that can be attained by these three DAV. Maximum assumes perfect overlap of direction, vision and so on. As we saw from Figures 3 and 4, extensive overlap is rare.

As Figure 11 clearly demonstrates, the typical change initiative is sorely lacking in pyramid volume. There is no focus at all on the behavior leverage point at any of the four activity levels. At the same time, all three of the leadership DAV (7-LS, 8-LP and 9-LB) are completely ignored. Is it any wonder that these initiatives fail?

Figure 11 –The Ideal Change Pyramid Volume Accounted for by The Typical DAV Addressed by Most Planned-from-the-top Change Initiatives

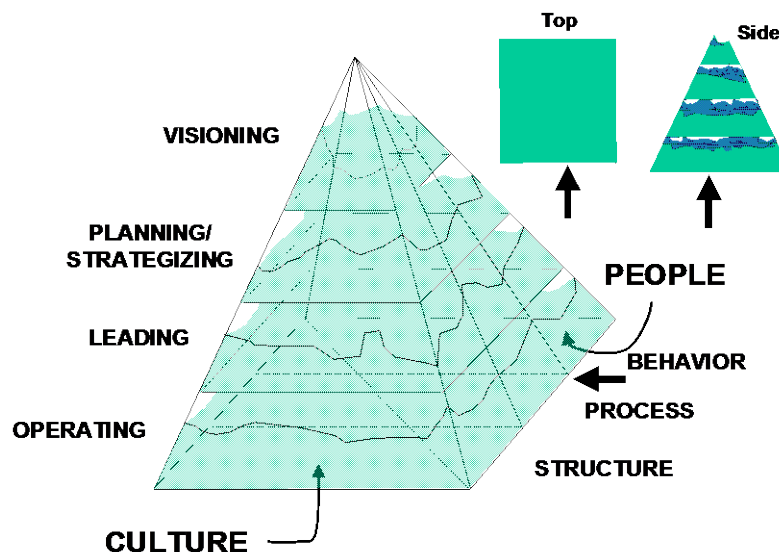


Rather than attempting a doomed change effort with the gaping voids shown in the Figure 11 change effort pyramid, it is far more effective to have at least some volume in each of the 12 DAV. This is exactly what happens in a successful “fire drill” change initiative; there are conflicts, gaps and duplications but at least part of most of the DAV is addressed. A “best case” pyramid of a “fire drill” change initiative is shown in Figure 12. While Figure 12 is not perfect (i.e., complete volume fill), it is dramatically better than the more typical change initiative depicted in Figure 11. This “jagged” volume is solely the result of management creating a sense of urgency and providing active, explicit leadership at all levels.

What Is the “Organization” in Organization Change, Who Leads It, and How Is It Done?

It’s often a shock to many managers and change professionals to discover that organizations are not what they seem, at least insofar as change leadership is concerned. This is where the clean, sterile building blocks of organization charts and logic part company with the messy but inexorable imperatives of human behavior part. The ALPS pyramid appears as if it can be snapped into place over any part of the organization or the whole thing. In other words, the discussion thus far might lead many readers to conclude that the 12 DAV could be addressed as part of a single effort for a massive systems integration project in an international conglomerate or for a productivity improvement initiative in one small department of an insurance company. This is absolutely not the case.

Figure 12 – The Ideal Change Pyramid Volume Accounted for Aggressively Led “Fire Drill” Change Initiatives



In terms of organization change, the largest element of an organization that can be addressed by a single ALPS pyramid is the Maximum ALPS Addressable Volume (MAAV). A MAAV is a site, location, plant, program or department that is viewed by its workers as completely separate from the larger organization in terms of explicit goals, objectives, leadership and identity. A MAAV’s members view their MAAV as an organization unto itself. It is critical to appreciate that perceptions, practices, culture and behavior define a MAAV. A MAAV is the reality of how an organization is structured and how it operates. The organizational space that a MAAV occupies is correlated only moderately with the space defined by the formal organizational structure (i.e., organization charts, job descriptions, executives’ beliefs, and / or business unit names).

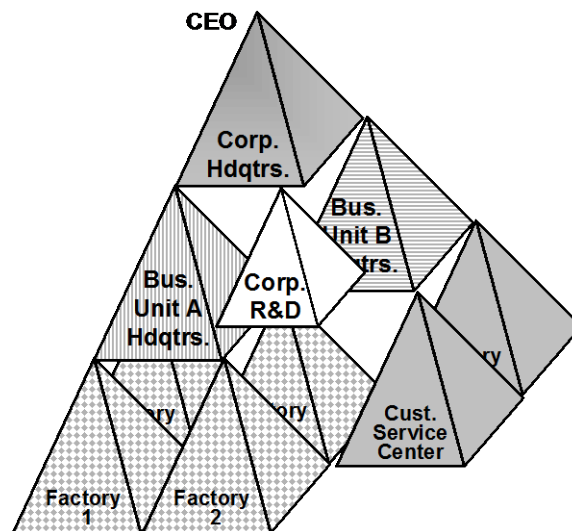
The most influential determinant of whether a portion of an organization must be dealt with as a MAAV or not is location. A plant or office building separated from other organizational locations is almost always a MAAV, even if management thinks that two or three sites in a city or town are one unit. A MAAV could be one large production facility that resides on the same campus with other facilities. Even though many other facilities might be nearby in terms of

distance, if the workers in a specific element of the organization view their site as “theirs”, it is a MAAV. Each MAAV must have its own plan to address the 12 DAV of the ideal ALPS pyramid.

A part of an organization need not be physically separated from the rest of the organization to be a MAAV, although it usually will be. Strong local cultural practices and leadership can sometimes create a MAAV within what might appear to be a MAAV to an outside observer. An example would be a program office within a division of a defense contractor. If the office has great status and power due to its sales acumen and relationships with powerful customers, the program office can sometimes be almost immune from events that drive change in the larger organization. This can occur even if the program office is co-located within the same buildings and dependent upon the larger organization for support processes (payroll, IS services, HR support and so on). In these cases, and the analogous ones in non-defense industries, a successful change initiative demands that the discrete MAAV with the MAAV be addressed with its own plan to address the 12 DAV.

Figure 13 shows how MAAV might be partitioned in a large, geographically dispersed corporation. Let us assume that the change initiative is a corporate-wide effort at Mega-Francais to become more competitive through the application of Lean manufacturing, Office Kaizen, process reengineering and related world-class approaches. Mega-Francais has a large corporate headquarters located in Paris. It has two separate business unit headquarters operations, A and B, located in New York City and Berlin, respectively. Each of the business units has a number of factories and / or office sites scattered about its region of operation. In addition, there is a corporate Research and Development Center located in Mieux, about 10 miles outside of Paris.

Figure 13 – An Example of MAAV Partitioning in a Large Corporation



It is tempting (and many, many organizations have succumbed) to believe that a single ALPS volume could be dropped over the entire organization of Mega-Francais. This would mean that a single set of objectives, metrics and plans could be developed in Paris and distributed to each location and mandated for implementation as policy. This never works because it defies the ways in which complex systems change themselves and the ways in which human beings behave.

Mega-Francais has no choice. If its executives wish to be successful in their quest for excellence, they must mandate that the management team of each discrete MAAV design its own change plan. There must be a separate ALPS pyramid / plan that addresses all 12 DAV for each different MAAV (denoted by variations in shading in Figure 13). While there will be many common elements between the various MAAV, there will be unique differences that could be effectively addressed by a single plan mandated from corporate.

Why Do MAAV Exist?

The reason for having to manage change in MAAV “chunks” has nothing to do with logic or need. The cause lies in a number of social forces that operate in all human beings. One is called propinquity. This concept describes the strong compulsion of people to feel friendship, commitment and loyalty to people who are like themselves on various dimensions. Stated religious and political beliefs, observed speech patterns and dress, expressed interests, race, gender and the type of vehicle one drives can influence propinquity. By far, the strongest driver of propinquity is distance. People feel better about and more loyal to those who work or live near them.

Another key factor that makes successful change leadership from afar impossible (not just difficult – impossible!) is the relationship between involvement and commitment. This is shown in Figure 14. The more involved people are in any task, the more committed they are to seeing that it is completed, nurtured or maintained. This is true whether or not they enjoy, like or approve of their involvement. The more they are involved, the more they will be committed.

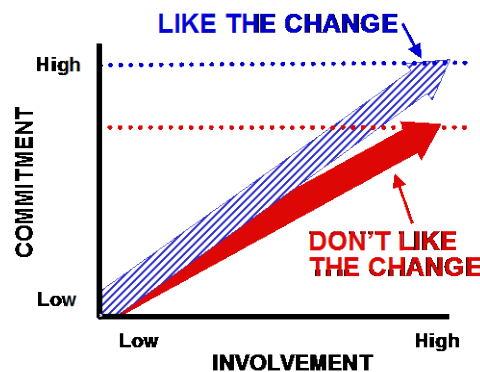


Figure 14 – The Relationship between Involvement and Commitment

If people from a MAAV (and sub-groups within the MAAV) do not have significant involvement in a change initiative *in a manner that is meaningful to them*, they will have minimal commitment to the effort. This is true even if they logically understand that the change is necessary and agree that it should be done.

There are a large number of additional social-psychological factors what work against change in general and poorly led changes in particular. A more lengthy discussion of them is beyond the score of this white paper. The book, Lean Leadership: From Carrots to Chaos to Commitment, by William Lareau, discusses a number of them in some detail. This book may be ordered from Amazon.com.

Successful change management mandates that each MAAV have meaningful involvement in every change that impacts it. This does not mean that each MAAV should be free to determine all of its own priorities for, say, installing its portion of a corporate-wide payroll system. Conversely, it does not suggest that leadership above a MAAV has no important responsibilities for change management within each MAAV. The change management role of management is fourfold:

1. Requires that each MAAV pursue assigned objectives
2. Requires that each MAAV employ a change management approach that comprehensively addresses all 12 of the DAV
3. Provides resources that enable each MAAV to pursue changes with energy and enthusiasm
4. Assures that MAAV leaders are sufficiently enlightened and motivated to lead changes in an effective manner

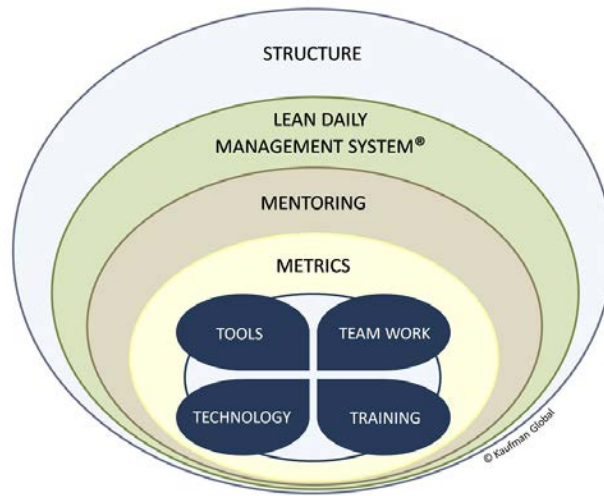
Very few corporate or divisional leaders adequately enact the above four duties. In our experience, it is common for MAAV to be left to their own devices to pursue vague objectives. The typical management team of a large, division-sized MAAV has little or no understanding as to how to effectively lead changes in a structured manner.

The Kaufman Approach to Implementing Change

Kaufman Global developed a change implementation model that meets the ALPS challenge – it can “fill in” a large proportion of the ideal change pyramid for an MAAV. This approach has been successfully applied in diverse industries and at various organization levels. This model, called SLIM-IT[®], is a MAAV-oriented methodology. That is, it is applied to each location, plant or office facility as a stand-alone effort. Of course, where multiple MAAV of a single organization are involved, a number of the objectives, mechanisms, schedule requirements and the like will be common to many MAAV (not to mention the commonality of the SLIM-IT[®] approach to change).

SLIM-IT is an acronym for **S**tructure, **L**ean (Daily Management System), **M**entoring (Coaching), **M**etrics, **T**ools, **T**eamwork, **T**raining and **T**echnology. Figure 15 displays the SLIM-IT Model. The SLIM-IT model assumes that there is typically more than enough teamwork potential, tools and training availability and technological capabilities in most organizations to do just about anything that needs to be done if the can be brought together in the right amounts in the optimum manner at the right time. In order to do this, the outer bands of SLIM-IT are employed to structure the overall change effort and drive the proper use of tools, teamwork, training and technology down to the micro-processes (behavior level) throughout the organization.

Figure 15 – The SLIM-IT[®] Approach for Managing Change



The basic elements of SLIM-IT and the DAV that each addresses, are:

1. Structure
 - a. Executive Steering Committee (DAV-1-VS, DAV-2-VP, DAV-4-SS, DAV-7-LS)
 - b. Work Stream Champions (DAV-3-VB, DAV-9-LB)
 - c. Work Stream Teams (DAV-5-SP, DAV-11-OP, DAV-10-OS)
2. The Lean Daily Management System[®] and Metrics (DAV-1 through DAV-12 at the work group level) which consists of the following elements:
 - a. Work group primary visual display (DAV 7 through DAV-12) that includes:
 - i. Key metrics
 - ii. Successive checks
 - iii. Attendance
 - iv. Skill-versatility (cross-training)
 - v. Safety
 - vi. 20 Keys[®] status
 - b. Daily work group (shift start-up) meeting (DAV-10 through DAV-12) for all work areas (offices and plant)
 - c. 20 Keys[®] action plan (DAV-4-SS and DAV-10-12)
 - d. Kaizen Action Sheet within-group improvement system (DAV-11-OP, DAV-12-OB)
 - e. Short-interval Coaching (DAV-7 through DAV-12)
3. Mentoring – Consultant Player-coaches (DAV-3-VB, DAV-6-SB, DAV-9-LB, DAV-12-OB)

A detailed discussion of the function and operation of each of these elements is beyond the scope of this paper. Please refer to the Kaufman Global White Paper, “Office Kaizen” in which the SLIM-IT model is presented in detail. The purpose of SLIM-IT is to develop, for each change

initiative in a single organization, an approach that deals extensively enough (perfection is not the goal; optimum results are) with each of the 12 DAV even though no one in the organization may have ever heard of the ALPS Model. Just as important as implementing the change successfully is assuring that gains remain in place. This is why the DAV devoted to the process and behavior leverage points are so critical. If these DAV are not addressed during the implementation, not only will the change initiative likely fall far short of expectations, it is almost a certainty that changes will endure.

A Few Examples Showing How Kaufman Global Has Applied SLIM-IT for Successful Change Management

The following real-life case studies demonstrate the scope of improvement that can be attained by applying the ALPS Model and its constituent methods.

Example 1: Kaufman facilitated the organizational redesign of a major healthcare delivery company that combined the operations of over 700 physicians in twenty-two specialty practices. The redesign involved issues such as organization and governance, compensation of professional providers, risk management, clinical standards, staffing / productivity, etc. The new organization competes successfully for healthcare delivery contracts and is enjoying increased profits in an extremely competitive environment.

Example 2: The world's largest business federation, representing nearly three million companies and 850 business associations, engaged Kaufman to reengineer internal customer processes (including subscription, billing, and membership services) prior to a complete IS system replacement. Results included:

- 45 percent reduction in the number of meetings and a 52 percent reduction in labor hours devoted to meetings)
- A 58 percent reduction in the number of hand-offs required to process a new member into the organization
- A reduction of 43 percent in information input

Example 3: A large, urban public-energy utility hired Kaufman to implement a major supplier rationalization and inventory reduction initiative. The organization had many ideas (from consulting companies) on "what they wanted to do" but no clear direction or experience on "how to get it done." Resistance within the organization had made previous attempts at implementation unsuccessful. Results of the organization change included:

- Reduced the total cost of each commodity / service by a minimum of 30%
- Inventory reductions of 70-90% for each new / renegotiated contract
- Formed six major commodity / service groups where none existed before
- Reduced number of contracts (from 12 to 1 in one commodity group) in every commodity group
- A one-time reduction of total inventory on hand of more than \$9 million
- Fully implemented processes are expected to reduce supply costs by over \$100 million annually

Example 4: For an automotive parts manufacturer, Kaufman coached an eight-person executive leadership team through the design, implementation rollout, functional reorganization, continuing communications, management style, reward / recognition and celebration components of a large-scale change project across eight plant locations in two countries. Results of the change included:

- Significantly and positively changed the organization's view of company leadership
- Benefits in excess of \$20 million annually resulting from work process improvements, including product flow, reduced changeover times, and implementation of a Lean Daily Management System®

Example 5: Kaufman implemented a comprehensive organization change involving all front and back office operations for 40 branches of a multi-national British building society. The project included implementing 16 new back office business processes, realigning roles and responsibilities for all branch positions and improving customer service and sales effectiveness. Results included:

- 100% improvement in sales of various financial products and services
- Reduction of mortgage approval cycle time by 75%
- Protected mortgage market share that had been under severe threat

Summary

Successful organizational change requires more than good intentions and objectives. Modifying the course of an organization is management's most complex and difficult responsibilities. Change is seldom handled successfully when it is approached as a routine management duty. Successful change demands focused leadership of key leverage points on several dimensions. Organization structures, processes and behavior must be concurrently addressed for the four main organization activities of visioning, planning / strategizing, leading and operations (doing the day-to-day work of the organization). The ALPS Model with its Discrete Actionable Volumes (DAV) provides a useful template for assuring that each of the critical components of change is addressed in a meaningful manner. If each of the 12 DAV is targeted with consistent leadership, a successful change initiative can be implemented.

About Kaufman Global

Kaufman Global is a proven implementation partner that focuses on accelerating performance. For 20 years we have worked with clients around the world to drive enterprise-wide change initiatives and cultural transformations. Leveraging Lean, Six Sigma and proprietary change management techniques, Kaufman Global delivers structured implementation and transformation projects that enable sustainable operational and financial results.

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