

# Making Your Organization Change-ABLE

Based on

*Change-ABLE Organization: Key Management Practices for Speed and Flexibility*

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Alan Greenspan, Chairman of the United States Federal Reserve, in Congressional testimony, noted that the speed of economic change will continue to increase:

Since the dawn of the industrial revolution there has been a significant shift in the nature of the goods and services we produce to increasingly more intellectual, conceptual products. Advancing technology, with its profound implications for the nature of the economy, is nothing new, but we may be in the midst of a quickening of the process. We can envisage a significant pickup in overall productivity in the United States as we move out toward the beginning of the 21st century. I think that we have got to address the issue of making the work force sufficiently skilled to deal with this. If we are going to confront this technological structure ... [private enterprises] are going to have to start to look at their human capital in a way which they have not looked at people in the past.

The generally accepted paradigm for the past half century has been that technological advances will replace many physical tasks and significantly speed up intellectual processes. Much of this vision has come to pass as technological advances have improved our personal and business lives at the same time quickening the pace of change in the management and operation of every aspect of the private and public sectors.

However, over the last decade, it has become increasingly clear that such dramatic advances in productivity will not continue — overall productivity will slow — unless the people equation is dealt with directly. Again the testimony of Chairman Greenspan:

The hypothesis that advancing technology has enhanced productivity growth would be more persuasive if national data on productivity increases showed a distinct improvement. It is possible that some of the frenetic pace of business restructuring is mere wheel spinning, changing production inputs without increasing output, rather than real increases in productivity. To be fully effective in achieving potential productivity improvements, technological innovations also requires a considerable amount of human investment. Firms and employees alike need to recognize that obtaining the rewards of the new technologies will require a renewed commitment to ... on-the-job training.

The human factor is the balance point by which private enterprise in the United States will define itself well into the next century. While education and training are the cornerstone to a more productive workforce, Greenspan testified that private enterprise management must be accountable for its human assets and their development on-the-job. Management no longer has the luxury of taking people *offline* for training and education. The demands of the marketplace do not allow it. Rather, new methods of on-the-job training — *online* education — must be employed to address the pressing need for skilled workers at every level, but especially managers, from first line managers and team leads to senior executives.

This transformation is easy to isolate intellectually — as can be noted by all the management books on the subject — but is hard to implement. Yet this on-the-job, *online*

learning Greenspan recommends is a reality for a number of small and large corporations today! Our consulting work with thousands of managers and individual contributors, over twenty plus years, in every segment of private and public enterprise, across the industrialized world, has proved this conclusively. We have come to believe in the power and resilience of a management structure working in what we call *Change-ABLE organization*.

### **The Five Practices of the Change-ABLE Organization**

By observing corporations that can grow at 20% or more — revenues, profits, and infrastructure — for more than three years, we have identified — and implemented in scores of companies — the core practices of high performance. There are five such practices which, when undertaken in concert, support continued growth and increasing productivity. These five core practices are:

1. **Linked Teams.** The management hierarchy operates as a system of Linked Teams — groups of overlapping managers form the channels of communication by which the organization governs itself.
2. **Performance Plans.** The planning system requires every team of managers, every individual manager, and every individual contributor to have a Performance Plan — planning coordinates every individual's performance throughout the organization.
3. **Work Reviews.** Management teams in the hierarchy systematically and frequently focus on Work Review — managers work together to evaluate and control each other's organizational sections.
4. **Rational Decision Making.** Management teams use rational group decision making processes — group intelligence allocates and controls the use of organizational resources.
5. **Breakthrough Systems.** Individual contributors are in Breakthrough Systems at the base of the hierarchy — they manage their own behavior with reliable feedback systems and immediately and accurately report what has been accomplished.

Each of these five practices can be found — to varying degrees — in every organization. However, the application of each practice (i.e., conceptual framework and practical utilization) may not be stable enough to produce consistent results. Moreover, the fact that many organizations are applying some, but not all, of the practices guarantees inconsistent or poor results. While a detailed examination of each of the practices is not possible, an overview of each — as installed in high performance organizations — will be helpful.

**Linked Teams** have four key attributes. First, the focus of performance objectives is on team results rather than handling actions on a one-on-one basis (i.e., there is an admitted dependence). Second, there are regular one-on-one and team meetings. Third, the team recognizes and understands that it is linked into the organization's formal authority. Fourth, the team recognizes it is linked across the organization to other task force and cross-functional teams.

**Performance Plans** have five attributes. First, there are seven or less objectives. This makes the plan memorable and memorizable (i.e., it can be communicated in three minutes or less). Second, the total Performance Plan represents 80% or more of the individual manager's job responsibilities (i.e., the plan is comprehensive). Third, the objectives are outcome-oriented and

metrics-based. Fourth, key partners (i.e., those individuals across and outside the organization that are crucial to accomplishing the objective) are aligned with the identified outcome. Fifth, the objectives are prioritized over 100% of the individuals intentions (i.e., time, energy and importance).

**Work Reviews** have four key attributes. First, the Review compares results against the Performance Plan. Second, the focus of the Review is exception-based (i.e., issues- rather than status-oriented). Third, the Review of each objective and results is represented graphically in an easy-to-understand format. Fourth, the review is action-oriented (i.e., each issue is followed by a recommendation for team action).

**Rational Decision Making** has four key attributes. First, the team selects and utilizes a rational decision making process (i.e., consensus or consultative decision-making). Second, regular meetings have a decisive, pre-defined agenda (i.e., Pass Downs, Work Reviews, Recommendation Reviews, and News). Third, all members of the team "advocate and inquire" in all peer interactions. Fourth, team members "disagree and commit to actions stemming from rational decision making.

**Breakthrough Systems** at the Individual Contributor level has three key attributes. First, each individual contributor has clear expectation, aligned with the team leader. Second, each individual contributor has their own feedback system to regularly (i.e., every few hours) check progress toward their objectives. Third, each individual contributor has the resources they need to accomplish their expected results.

In our consulting practice, we have had the privilege of working with companies desiring to move from their current slow or low performance — what we refer to as “stuck” — to high performance. No management book can guide such a shift in culture, and we have not attempted to prescribe what we believe are oversimplified solutions. Our experience is that there is no one way to move an organization from a stuck culture to being Change-ABLE. There are many ways. The organizations that were Change-ABLE before we met them had varied histories. Some came to the key practices through trial and error, others started out with the whole system as a requirement of their early leaders. We have had some success in getting stuck organizations to become Change-ABLE, and we have used a variety of approaches depending upon the organization’s understanding of its immediate needs. Sometimes we’ve started out working on strategy with the executive team; at other times we have started at the bottom of the organization working with first line managers and individual contributors to implement Breakthrough Systems.

### **Unprofitable Approaches to Becoming Change-ABLE**

We’ve also been a part of efforts that didn’t cause anything to happen. As a result, we know that there are at least three ways that don’t work very well.

One approach that doesn’t work is the “turn-around” artist. Though almost everybody says they know better, most of us still hope we will find a “quick fix.” We want some obvious method that we can learn quickly and that will yield immediate results — so we go for the dramatic “turn-around”. Such leader-dependent efforts at organizational change almost never have a long-term beneficial effect on organizations. The quick results are often gained at the expense of employees and customers. After a couple of years, the organization is in worse condition than it was before the turn-around began. It often seem as if the turn-around leader

came into the organization, removed half of the resources (i.e., people, capital or budget) and told those remaining to now produce twice the results. Costs are temporarily reduced, but the actual result is a crippled organization.

Approaches that take people offline for very long don't seem to work either. Today's organizations just don't have the time to sit around and think about their practices. When being stuck has brought the organization into crisis, the idea of stopping to think about it is especially unacceptable. It's difficult to find the time for training programs about goal setting, or team building, or organizational culture when you feel the organization is about to lose some of its biggest customers or fall into chapter 11. It is also unlikely that the organization will tolerate massive programs that operate as separate, parallel organizations. This has often been the way total quality or reengineering has been attempted, which might explain why Michael Hammer can state that 70% of reengineering efforts fail. There seems to be a pattern with such program where they run into a wall in about three years. They are not seen as essential, but rather as competitors for the organization's vital resources and a distraction from the organization's real work. These efforts at change often seem like diversions where employees are working hard, but not on work directly linked to the organization's goals.

A third approach to organizational change that fails is to give attention to only part of the key practices. Just getting everyone to write a Performance Plan won't cause an organization to become Change-ABLE. All by itself, Breakthrough Systems for individual contributors will not make a stuck organization govern itself intelligently. There are many organizations that are doing one or two of the five practices very well, but that isn't enough to get the swift and flexible performance that is needed. Any one of the practices by itself is not new or effective. Only when all five of the core practices are adopted does a stuck organization become something altogether new.

### **Profitable Approaches to Becoming Change-ABLE**

An effective effort at becoming Change-ABLE has to have all three characteristics: 1) wide spread participation; 2) immediate applicability; and 3) all five core practices.

Management cannot "do change" to the organization. People control their own behavior. They may allow themselves to be coerced into changing their behavior. But coerced behavior is usually slow and awkward, based as it is on latent resentment and fear. Involuntary behavior doesn't have the flexibility and precision that makes up the practices of the Change-ABLE organization. What is needed is the quickness that comes from a person who understands and is committed to the organization's purpose, and who knows that the organization expects and will appreciate anything they can do to better accomplish that purpose. The change-ABLE organization is made up of participants, not rule makers and rule followers.

An effective change effort ought not to start with too much time-out for talking about it. Since the change ultimately has to happen online (i.e., in the midst of people doing what it takes to make the organization effective), it is a good idea to start the change effort online. If the effort has to begin with talking about it, let's interrupt the talk that is perpetuating the current ineffective performance and start talking about solving the problems for real. Since the change requires people to alter their own behavior, request different behaviors that are relevant to solving the problems their current behavior causes. Since the change will require the use of all the organization's political and other forms of social power, get into the organization's politics and power plays right at the start.

Getting online to change the organization is not difficult: join its regular meetings. Weekly staff meetings are an especially effective place to start — there's plenty of time available there for doing something more useful! Other regular meetings may be important as well: the quarterly work reviews, even if they are ineffective, or the annual planning sessions even when they seem empty of meaning. Also look for the "informal" meetings that are being held regularly because they actually get work done. These meetings are often cross-functional meetings being held at lower levels of management, often including a mix of managers and individual contributors.

After extensive observation of regular meetings, it has become clear that they are the way an organization reinforces its current culture. If you change these meetings, you can leverage change all over the organization. They are the windows to the organization's culture. They are also the classrooms in which that culture is taught ... over and over every week.. No training-room program can ever over-ride what is being taught in these real classrooms. Change the organization by changing what its regular meetings display and teach!

Finally, commit from the beginning to all five of the key practices. In isolation, none of these five practices are new or unique. Most organizations do at least one or two of them exactly as we have seen them done in Change-ABLE organizations. But the results are very different when only one or two of the practices are in place. The swift and intelligent performance of the Change-ABLE organization requires all the practices being done in unison. The practices are not new; doing them simultaneously is altogether new

As we noted above, there are as many ways of moving an organization as there are organizations. However, in our experience, one scenario that we have employed successfully over the years has series of steps:

### **Linked Teams**

Start by "rostering" the organization that reports to the manager who wants to champion the transformation. Rostering is simply getting out the organization charts and finding out who is supposedly reporting to whom. Usually, the charts don't actually tell the true story of how the organization is operating. In reality, lots of people have been more or less consciously promoted-, demoted-, and even terminated-in-place. Look at what regular meetings are being held and who attends them. The structure reveals itself as the operational reality through the leadership and attendance in the regular meetings. Pay attention to how the meetings link to each other through their leaders and members. Where they are linked in this way, you have the beginnings of an effective hierarchy. Where the linkage breaks down, usually because meetings are not actually being held, there is a need for structural repair (i.e. convening the missing meetings).

Don't even consider restructuring the organization! Any action will be a source of confusion and create the potential for a covert power play. Let the real operational reality come into view as the bright lights of decisive regular meetings focus on structural inefficiencies. If no regular meetings are being held — a rare case — then convening them as defined by the current organization chart. State the purpose of the meeting as a chance to talk about how the work is getting done.

## **Performance Plans**

In each of these meetings, initiate a process to form a management team. Draft the leader's Performance Plan. Make sure the draft is a model of all the essential characteristics of a good Performance Plan. Then make it the main agenda of one of these regular meetings. Ask the members to consult with the leader until the plan is one they all feel states the results they should be accomplishing together as a group.

Next the leader requests each team member to draft their own Performance Plan, in the same format as the leader's. They should be encouraged to test their plans both privately with the leader and with the members of their own regular meetings. Having accomplished this, the management team should set a date — usually about two weeks in the future — when they will use another regular meeting to align their plans with the leader and all the group members. This alignment meeting will look for overlaps and disconnects between the plans. Plans will be revised until they integrate in such a way as to identify the roles each member is supposed to fulfill so that the results stated in the team's Plan (i.e. leader's plan) will be achieved.

Start this Performance Plan alignment process with a positive attitude — that it can be done in a couple of weeks. Sometimes it can! And don't be discouraged when it takes two months. Big attitudinal and behavioral changes are taking place in this process if you are working in a stuck culture. This is the right focus of attention — the right set of issues to be talking about — while you challenge the organization's basic assumptions. Be prepared to see the group quickly identify and solve some problems long overdue for attention. These real world solutions are the early successes that build confidence in the new practices.

## **Work Reviews**

As alignment of Performance Plans nears conclusion, begin doing Work Reviews. Don't do Performance Plans without mentioning that they should be specific enough to use in Work Reviews. Get people doing Performance Plans as preparation for the Work Review. And don't wait for perfect alignment of plans before starting the Work Reviews. The effort to keep plans aligned is never going to cease — it will always be an underlying purpose of every regular meetings. As soon as the group accepts one of its members' Performance Plans, schedule that member for a Work Review.

Work Reviews should begin as an agenda item in the regular meeting. Set some of the meeting's time aside to review the work of one or two members. Often these first reviews will take up to an hour each. The group will discover that the metrics for measuring progress are inappropriate, or that the data being displayed is inaccurate. Over a period of a few months, each members' Performance Plan and Work Review will come into focus. Eventually, they will be able to meet the criteria of displaying the status in four minutes or less, and getting their critical issues addressed in about fifteen minutes. Then the team will be able to make a complete round of all its members' Work Reviews within a couple of weeks — as part of two regular weekly meetings. But this is the mark of mature teams. It may well take awhile — maybe even a year.

Don't be impatient. Not a minute of this time is wasted. Every word, every correction, every small step in the direction of a more current and valid presentation of the issues affecting the organization's performance is significant progress toward becoming Change-ABLE. Getting regular meetings to focus on Work Reviews and the associated decision making is the hardest of the practices to get in place. It is, however, the core requirement for management as we proceed

into the 21st century: are we going to share purpose, goals, resources and accountability ... or not?

### **Rational Decision Making**

At every step of the way, apply rational group decision making. The leader of each group must insist on consultation from the team members on every decision, starting with the five practices:

- Should we adopt these five practices?
- Is the leader's plan right?
- Are the members' plans right?
- Are the metrics correct?
- Are the graphics helpful?
- Is the data valid?
- Do we think the performance being reported should be approved, corrected, or supported in some other way?

While these decision are being made, the leader teaches the group to check for understanding — not agreement. By model and explanation, the leader teaches the members the importance of inquiry — asking questions to make sure you understand each other and are understood by others. The leader models and teaches team members not to argue until there's mutual understanding — understanding of how much actually disagree exists. Only then can we intelligently explore the disagreements. Disagreement must be made not only acceptable but desirable. And finally, the leader needs to deliberately follow up in these meetings to make sure the members are exhibiting the behaviors of commitment. Check to see that decisions are being correctly explained to the rest of the organization, and that compliance is defined through the focus of the organization's resources.

By the time these practices are in place, the organization will already have felt one or more jolts that put it into a more rapid and intelligent level of performance. Don't be fooled. Moving into high gear has not yet taken place. Not until the fifth practice is in place.

### **Breakthrough Systems**

Once a "critical mass" of managers — about half of the management meetings — are doing Work Reviews, implement Breakthrough Systems. Begin by putting the idea on the agenda of meetings where the members are first line managers (i.e., people who manage individual contributors). Let it be on the agenda as a recommendation for review. Get the first line managers to consult with their leaders about whether or not or how the implementation should take place.

Several different ways of introducing Breakthrough Systems have been effective. Workshops for teams of first line managers and their direct reports (individual contributors) can provide a quick start. In the manufacturing setting, such workshop usually introduces the idea through simulations — exercises that let the teams experience working with Breakthrough

Systems. Then the teams can spend time deciding how to put Breakthrough Systems in place for their own work ... usually the next day.

Working with project teams the simulation may be different — often more directly focused on charting project tasks and critical path — but the outcome of commitment to Breakthrough Systems is the same. Everybody involved with the project — marketing, product design, engineering, suppliers, customers, sales and service, etc. — is invited into one big war room for one day to review, revise and authorize the plan: deliverables, schedule, management structure and change approval processes in as much detail as possible. The final result is a plan that has short cycle deliverables that establishing expectations that individual contributors can use for their self-management in Breakthrough Systems. At the end of the very next week, individual contributors attend their first weekly “Done/Not Done” meeting, a form of Work Review that is appropriate for their kind of work.

No organization we have worked with has ever failed to shock itself with the results of getting Breakthrough Systems linked up with the other four practices. This makes a difference that is a little frightening. Quickly, lots of things change. The organization seems to spontaneously begin redesigning itself for streamlined performance. Customer suspicions and doubts begin to dissolve and partnerships emerge. Suppliers go a little crazy as you become a more significant and more demanding customer. Competitors get scared and start using a larger caliber of ammunition. A new set of problems comes quickly into focus. They are real problems, but they are also the kind of problems you want: the problems of success.

This is only a high-level overview of one way to move an organization toward being Change-ABLE. The specific detail of all the forms of resistance that emerge and all the possible ways of dealing with that resistance are not being addressed. But it would be untruthful to represent any process we know of as being easy, quick, or certain. The complexity of organizational change is staggering — every individual goes through the process of significant role change in their own unique way! And not everyone makes the change. There is nothing sneaky about this process, however. Everyone is asked to reconsider the purpose of the organization, to decide whether or not to contribute to that purpose, and to continuously participate in deciding how to make their contribution. Some choose not to be a part of the new organization. Others find the change demanding, enlivening and uplifting.

### **Taking a step toward Change-ABLE**

The process we have described has all three of the characteristics we believe are required for any successful effort. The process involves everyone. It has immediate online application. And it ties all the key practices together.

The sequence we described seems logical: pull the organization’s hierarchy together as a system of meetings; align Performance Plans; start using the plans for Work Reviews; take each step using rational group decision making; and implement Breakthrough Systems. This apparent logic can help you choose to begin. And we are sure other sequences will work as well. The practices make up an interdependent system. We believe you can start with any one of them and work your way to the others in a variety of ways. As long as all the practices are adopted as soon as possible, the change effort should maintain its ability to prove its relevance and acquire more and more of the organization’s support.

We also believe you can start at any level in the hierarchy. Of course, the ideal start is with the highest level Executive team. Starting here makes the biggest difference in the shortest amount of time. But we have been part of other successful change efforts that have begun at middle or even the lowest levels of the hierarchy.

We have seen several large projects transform themselves into Change-ABLE organizations where the rest of the organization was either bureaucratic, entrepreneurial or autocratic. In such cases, after two or three years, the Change-ABLE organizations are usually cast off by the parent organization — sold or in other formal ways separated from the parent. We consider this result only a partial success.

Finally, we want to make it clear that we do not think organizations have to evolve through certain “stages” to become Change-ABLE. It can be argued that there is a historical progression from the association to bureaucracy to autocracy, but this does not mean there is a natural course of development that must be replicated in each organization. We believe everyone should go directly to the health and effectiveness of the Change-ABLE organization.

As Alan Greenspan pointed out in his testimony before the House Committee on Banking and Financial Services, we are in the “midst of a quickening of the process” of change brought about by technological advances. How we respond to the change — and how we manage it in the next *short* decade — will define our future ... and maybe the future of economic democracy worldwide. As Chairman Greenspan noted:

I think it is essential that we focus on this in a manner which addresses the fundamental causes of the problem — getting human capital, as economists like to call it, up to levels which enable the physical capital to function — but recognizes that, as difficult as technology is in many respects as we change the structure of our economy, it has propelled the United States to the highest standard of living the world has ever known. If we proceed in that regard, I suspect we are going to find that we will maintain that position well into the 21st century.

Driving productivity enhancement — process improvement and appropriate change — is the function of management, one which must be led through the a redefinition of leadership as resourcing the five practices of high-performance teams. Wherever organizational change has been participative, online, and aimed at adoption of all five practices, there has been a significant improvement in the organization’s performance and an acceleration in its growth. The organizations we have worked with have become noticeably more successful. So we grow in our confidence as we recommend to all managers and individual contributors, go for it! Get Change-ABLE!