

Taking the Next Step:

Reaching Higher Levels of Organizational Performance

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Abstract

Many executives lead organizations that are performing well. In order to reach greater levels of success, they search for ways to unlock the full capability of their people. By taking a whole system approach, accelerating organizational change and focusing on results, leaders can achieve dramatic, tangible improvements in performance in short periods of time.



Rick, the president, had a challenge that grew out of the success of his team. His division of a corporate giant in the building industry had grown to become a quarter billion dollar business, achieving growth, customer satisfaction, and profit targets for several consecutive years. Yet Rick was convinced the division could still improve significantly. He believed in his managers and wanted to further develop their potential, while targeting specific operational areas for improvement. His yearning was to have the management team as a whole share his passion for continued improvement, embrace ambitious performance goals and drive the execution of the plan that emerged over the coming year.

Targeting the Opportunities to Improve

Once Rick and Dave (his chief operating executive) had engaged our firm to help tackle the challenge of moving to the next level of performance, we set out to help them take a fresh look at the business dynamics and the capabilities of the management team. In addition to reviewing their plans and financial information, we interviewed managers at all levels and in all functions, individually and in groups. People within an organization typically know what the issues, challenges and opportunities are, so our job was to draw this information out and help put the pieces together.

The division was organized functionally and most key processes crossed functional lines, requiring multiple handoffs and extensive communications. It became clear from the interviews that each department (Land Development, Construction, Sales, etc.) was highly dependent on the other departments to accomplish most key tasks. Although the group was already highly successful, breakdowns that were occurring in the processes were a source of concern, and were adversely impacting costs, timing and customer satisfaction. We found that many managers had a limited understanding of what other functions did and how they did it. There was frustration and a tendency to blame among the managers.

At the completion of the data collection process, we collaborated with Rick and Dave to think through and frame these issues in the context of the overall business situation, and then prioritize where they could get the greatest value from pursuing targeted improvements. We spent time talking through the current situation to develop a common understanding of where they stood as a business, and what issues would lead to the greatest source of progress and payback on their effort and investment in consulting. The building market was very strong at the time, and their positioning and strategy were well defined. What became clear in these discussions was that better cross-functional process execution in their core operations was the key to increasing customer satisfaction, quality, and profitability. We reached agreement with Rick and Dave to initiate a planning process with the management team to focus on these areas together.

Taking a Whole System Perspective

Rick and Dave had initially planned to gather the top 12–15 managers at an off-site meeting. However, we believed that involving a larger group of managers in this planning process was important for three reasons. One was that it would enable a “critical mass” of the decision makers in the organization to develop a deeper strategic understanding of the business. Second was the importance of having contributions from all functions, and from the front line managers along with the more senior managers, to identify the best ideas and actions. Finally, including a larger group would lead to a greater number of individuals who would understand and feel committed to needed changes, and this would enable greater success in implementing resulting plans. Rick and Dave decided that the entire management team (28 people) would participate in the planning process and off-site retreat.

The whole system perspective was extended to the retreat preparation. A design team that represented a microcosm of the entire management team collaborated with the consultants to develop an agenda that effectively addressed the division’s issues in a comprehensive and practical way.

Working with this group, a highly interactive off-site meeting was planned, with sufficient time to really tackle the challenges, develop thoughtful action plans, and participate in team building activities. The meeting agenda was shaped to become the launching point for a sustained performance improvement effort by the entire management team.

Once the team gathered off-site, a whole system assessment became the foundation for the focus on process execution. Early in the meeting the entire group worked together with the consultants to create a high level map of the end-to-end business processes. The approach allowed for extensive explanation, questions, and discussion of each area, and it was clear that learning occurred for all of the participants. Significant time was spent discussing handoffs between the departments and the impact each functional group had on each of the other functions, and on overall operations. This created a big picture perspective of the business rather than the familiar “silo” or functional view of how the business works. The resulting process map was a product of the team and set the stage for a follow-up assignment to create a detailed timeline that identified the hundreds of actual steps to successfully complete each building project. The timeline that emerged following the retreat, along with the cross-functional, collaborative process used to complete it, became a foundation for the performance improvement effort.

Building Collaboration and Minimizing Resistance to Change

An additional benefit of the whole systems approach is its inclusiveness. By enabling greater numbers of people to participate in the assessment and planning, a greater number of people wind up buying into the direction that emerges. Sometimes, however, additional steps are needed to build collaboration.

As the managers could see how the business worked more clearly and contribute to improvement plans, there was a need to focus on

strengthening relationships within the team and to address areas of conflict and friction. In a working feedback session that was part of the off-site meeting, each department provided written feedback to all other departments. The feedback focused on interdependencies. Intact work groups wrote notes to other departments, requesting behavior changes they felt would help them to perform their functional tasks and contribute to achieving their common division goals. Each department group (and the executive team) then made public commitments to one another regarding changes they agreed to make in response to the requests that they had received.

Addressing teamwork and performance issues in the context of common business challenges and goals helped create a high degree of collaboration, and real commitments to change in ways that matter. For Rick and Dave's management team, the feedback session cleared the air and contributed to a mood of optimism as the team moved to develop a performance improvement plan for the coming year.

Translating Long-Term Improvement Goals into a Series of Short-Term Targets

Off-site events often produce a burst of energy and optimism. To ensure this energy carried over and sustained itself in the hectic day-to-day environment, the management team followed a disciplined planning process. First, they built consensus around a limited number of the most important issues for division-wide focus. Cross-functional groups worked on five priority initiatives and developed thorough plans. For each priority area, a goal was established with measures of success, detailed action steps and a lead person for each action. The team refined the large goals into a series of smaller challenges. Two-year targets were broken down so that it was clear what must be accomplished in the next 3–6 months. This was intended to enable them to achieve more and to do it faster. During the remainder of the year following the off-site meeting, action plans were implemented and results were tracked through a handful of key measures. Midway through the year,

the team conducted a follow-up meeting to review all of the plans and address outstanding issues.

By defining clear accountability for results, members of the management team were mobilized to effectively tackle the most pressing process improvement targets. In addition, these plans provided a tool for the senior management team to monitor and nurture the ongoing improvement work throughout the coming year. Results improved on a number of levels through this effort, with outstanding financial results and improved customer satisfaction. Managers were pleased with the success they had achieved, and Rick and Dave were quite upbeat about the process.

Sustaining Momentum

The truth about “taking the next step” to improve performance is that it is an ongoing process, not a one year assignment. Rick and Dave decided to continue the approach to performance improvement and take the team through the entire cycle of activities over a second year. The data collection and interview process once again led us to develop a shared view of what areas needed to be the focus of the next year's improvement efforts. While the overall results for Rick and Dave's team were excellent, there was frustration over lack of progress in a few areas, and these became the priorities to address.

The plans they developed in the second year confirmed that process improvement was at the heart of the company's opportunity to achieve excellence. The business process map that had been developed the year before had been helpful in increasing teamwork and improving handoffs. The team wanted to make it even more useful by adding another level of detail and building in time frames. Following the off-site planning meeting, they got together to develop the detailed steps and timeline for one new building project to be started in the coming year. This tangible application enabled everyone to focus on critical hand-offs, agree on specific performance requirements, and establish real dates as time commitments. The team now had a template that could be adapted and applied to all future building projects, and commonly refer to this new tool as their “process

timeline.” As in the previous year, specific action plans were developed with clear accountability for results, but in the second year a new level of rigor was applied in holding regular progress reviews. This proved to be critical for sustaining momentum.

So what have been the results of this intervention? Over the two-year period, sustained improvements in several areas have been achieved, and a disciplined process for planning, executing, and monitoring performance has been established. Customer satisfaction increased to the highest level the division had ever attained, and the division was awarded the company’s highest-level customer satisfaction award. Costs were reduced significantly, handoffs throughout the construction process occurred more smoothly and with less rework, and the schedule of house closings was smoothed out, leading to substantial working capital savings. Rick has been promoted, taking on additional operating and corporate responsibilities, and Dave is now the president.

Taking The Next Step

Targeting the Opportunities to Improve

Look objectively at all aspects of the business. Avoid the temptation to try to tackle all of the issues. Instead, think about the 80/20 rule and seek the small number of areas where the greatest potential lies for making progress in the near term. In most cases, people within the business know what areas to work on, and so the key is tapping this knowledge and organizing the insights effectively.

Taking a Whole System Perspective

Systems thinking is critical to understanding how organizations function. Including people from all functions and all levels makes it possible to see the whole system perspective, and to do assessment and develop plans that represent the best thinking of the organization.

Building Collaboration and Minimizing Resistance to Change

Highly participative approaches generate greater levels of commitment and buy-in to future plans and actions. Strengthening working relationships between organizational groups can be accomplished in structured environments where common goals unite people to work through their differences.

Translating Long Term Improvement Goals into a Series of Short Term Targets

The journey of 1000 miles really does begin with a single step. Breaking down large initiatives into incremental steps forward helps overcome inertia and generate forward movement. Making the actions results focused and measurable and assigning clear accountability for each step helps tap the natural desire of individuals to succeed.

Sustaining Momentum

Perhaps the least glamorous aspect of performance improvement is the reality that it requires stamina and staying power. Quarter after quarter, year after year, managers harness the full capability of their organizations only by working hard to keep the process of defining and achieving new goals fresh and alive. This discipline is what often distinguishes the most successful leaders.