# TREATY
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Business Optimization: Building a Performance Culture
Step 3 – Systems & Tools

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# Abstract

Business Optimization is an important business technique required in the ever-increasingly competitive global market. In order to optimize business performance and improve top-line and bottom-line results, a performance culture must be constructed. The Treaty Consulting Group, LLC (TCG) model for business optimization is a systematic process that enables organizations to build a cohesive leadership team with clarity of vision and to execute on that vision of performance excellence. The TCG model is an iterative 6-step process that creates and maintains a performance culture. Steps 1 and 2 have been presented in previous TCG Ezine articles. This article presents step three, which focuses on how to select and instantiate new or upgraded systems and tools.

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**About Treaty Consulting Group**

Treaty Consulting Group, LLC is a global management-consulting firm that specializes in business optimization to improve top-line and bottom-line performance.

We help businesses of all sizes optimize by constructing a performance culture that aligns Mission, Vision, Strategic Objectives, and Operational Excellence. We use the combination of proven organization behavior and operation management tools and techniques that provide immediate results while establishing an enduring optimization culture.

We build strong connections with executives, middle managers, supervisors, and individual contributors to develop a rich view of the people, tools, processes, and organizational arrangement that are truly used to accomplish the firm's mission versus those that are purported. We pride ourselves on forming strong bonds with the entire organization to provide one-on-one coaching of the techniques that will influence employee behavior, empower performance, and instill permanent change.

We are adept at creating formal and informal communication strategies that will build support for organizational efforts and facilitate organization optimization. These aptitudes enable us to diagnose the leverage points that enable quick performance increases and to lead functional and cross-functional teams in developing an operational system that fosters long-term improvement through inter-departmental cooperation.

We facilitate the development of systems thinking that recognizes the structures cause its own problems, not environmental factors or individual gaffes.

We are experts at system optimization and are professional BlameBusters™.

Business Optimization: Building a Performance Culture – Step 3 Systems & Tools

Step 1 in building a performance culture concerns creating alignment and vision, and step 2 focuses on bringing into line processes and procedures. Step 3 concentrates on the systems and tools used to execute the processes. When we discuss systems and tools, it is important to understand what I mean by the terms. Generally speaking, there are two major categories of systems: Hard Systems and Soft Systems (Checkland, 2000). Another name for soft system is human activity system. Hard systems differ from soft systems in that a hard systems output is determined by the starting state, while soft systems are impacted by the free will of the people within it and the same final state can be reached from different starting points and in many different ways. An organization is a soft system and when I dialogue about business optimization, I am speaking about soft system optimization. In step 3, we are focusing on hard systems and how to instantiate them, although these systems will ultimately be used by people and thus be part of a human activity system. Systems and Tools are really the same thing with systems just being used to describe tools that are more complicated. Systems & Tools used to execute work can range from complete Enterprise Resource Planning (ERP) systems or complicated CNC milling machines to simple checklists or hand drills. They can be database programs to software compilers to spreadsheets (manual or electronic) to word processing programs to typewriters. Literally, the systems and tools we use to accomplish our work are endless and continues grow in an expedited manner, and being able to select those that support our processes and to make use of them in an effective and efficient manner is becoming more complicated. Thus, we must have an first-rate approach to doing so. The following paragraphs present such an approach.

**Why the importance of processes excellence first.**

The former CEO of Marshall Industries, Robert Rodin stated, "if you automate a broken process, you get an automated broken process" (as cited in Spitzer, 2007, p. 162), and it is because of this point, we, at Treaty Consulting Group, focus on building process excellence before selecting the tools and systems that will be used to automate those processes.

The systems and tools exist to help us execute the processes that we use to perform our work. Sadly though, many executives, manager, supervisors, and employees led by consultants peddling this system or that tool have come to believe that the system or tool will define the process. However, this approach is disastrous; but unfortunately, it is repeated year after year in every industry. It is why the vast majority of Information Technology (IT) infrastructure projects are delivered behind schedule and overrun in cost. A large number of organizations have wasted millions of dollars as a result of failed system implementations (Lall & Teyarachakul, 2006).

For example, I worked with a large communication company that was bringing together several legacy systems. These systems were very different in nature and the people who used them had very different cultures. Despite my recommendation to the contrary, the leadership of this company chose to select specific software systems and use those systems to drive the new processes. Early into the change, their organization started to experience significant problems in the simplest of activities and these problems continued to get worse over-time. This impacted their customers immediately and directly, which drove their customers to look at ways to transition other communication providers. At the same time, the software vendors and the IT implementers were complaining that they were being asked to develop the processes versus implementing the company's processes into their software systems. Three years after beginning the implementation, the company still did not have the systems working and were forced to

perform many activities outside the automated system. They were effectively running two systems: the manual one and broken automated one.

This is why at Treaty Consulting Group we focus on getting the processes working well first before turning our attention to systems and tools.

**Develop or buy and why.**

However, this does not mean that systems and tools should necessarily be develop or heavily customized to align perfectly to the current processes. On the contrary, systems and tools should rarely be developed internally, or externally for that matter, to meet specific needs of the organization, and customization should be limited to the minimal level necessary. This may sound contradicting, but it actually is not. In order to improve any process, you must first stabilize it. That is, the techniques of Statistical Process Control (SPC), which are used extensively in programs like Six Sigma, can only be implemented once the processes are in statistical control. It is only when they are stabilized that single-loop and double-loop improvements can be made. Single-loop learning is improving the way current work is performed and double-loop learning is using new processes that deviate from the current thinking. Regardless of the type of improvement or learning desired (single or double), it cannot be measured if the system is oscillating and if it cannot be measured, it cannot be improved. Additionally, specifically developed or heavily customized systems and tools make upgrading to new versions in the future much more difficult, which effectively locks you into the status quo. Thus, it is best to 1) purchase whatever tools and systems are required and to customize as little as possible, and 2) do this after the processes are stabilized so improvements can be measured and effected. Adhering to these two axioms will set a solid place from which to instantiate the new system.

**How to instantiate.**

There are two approaches to system instantiation: 1) an evolutionary approach and 2) a revolutionary approach. They both have their pluses and minuses, and the specific one used depends on many different factors. Regardless of the approach chosen, training, involvement, practice, and participation by all are the keys to success.

The primary arguments for the evolutionary approach are there is less risk and you can start small. The primary arguments for the revolutionary approach are there is less distraction and the costs can be minimized. Both approaches require:

1. Due diligence in selecting the systems and tools

2. Valid expectations of return on investment and performance enhancement

3. Involvement of all key stakeholders and appointed leadership

4. A defined approach to encourage dialog and adequate support to learning

5. Understanding how the effort fits within the culture and technology of the greater organization

6. Determining how measurement will be selected, collected, and used.

A growing consensus exist among system implementers that selecting an inappropriate system is a major reason for instantiation failure (Lall & Teyarachakul, 2006). Thus, a consistent and robust method should be used for system selection. Lall & Teyarachakul (2006) suggest that Data Envelop Analysis (DEA) can be used for systematically selecting systems. Charnes, Cooper, & Rhodes (1978) presented a way to apply linear programming to measure and compare the relative efficiencies of decision-making units (DMUs). The approach they developed and presented was called DEA and it has subsequently been used in many areas for measuring physician practices, suppliers, schools, banks, hospitals, courts, etcetera  (Lall & Teyarachakul,

2006). Treaty Consulting Group, LLC recommends this approach because it is systematic, consistent, quantitative, and most importantly, focuses on the inputs and outputs (the interfaces) that are the keystones of systems thinking.

To ensure your investment in technology is successful, it is important to understand what the organization expects to gain in performance improvement and anticipates the return of the investment will be (Spitzer, 2007). If clear expectations are not fully understood, the organization may become disenchanted with what is delivered, or worse yet, the organization may not use the delivered system in the optimal manner.

What the organization expects needs to take into account all the stakeholders. When executing a program to deliver benefits to an organization it is important to conduct stakeholder management, which requires 1) planning stakeholder management, 2) identifying the stakeholders, 3) engaging stakeholders, and 4) managing stakeholders expectations (Project Management Institute., 2008). A primary step in developing a stakeholder management plan is conducting a stakeholder analysis, which requires understanding the culture, stakeholder attitudes, and communication needs. A good portion of this has already been gained in steps 1 & 2 of the TCG Business Optimization Cycle model, and revisiting the data and information gained about the organization and its stakeholders should be revisited at this point. This information should be included in a registry, which will provides a tool for managing the expectations of the stakeholders.

The core of a learning organization is based on personal mastery, mental models, shared vision, team learning, and systems thinking (Senge, 1994).  In order to instantiate a new system, we must create an environment where dialog is commonplace and learning is supported. This means as individuals, we must continue to improve our personal abilities through education and

experience, and be willing to challenge our current ways of thinking. As members of a team, it means we work together to gain alignment and shared vision of where we need to go, develop collaboration skills that permits the team to learn greater than any individual, and understand the forces and interrelationships that determine system behaviors.

An understanding how the instantiation efforts fit within the culture and technology of the greater organization can be greatly enhanced by understanding the foundations of systems theory. Systems theory or thinking is a holistic mental model for ordering reality. It suggests that the whole is greater than the sum of its parts, and that the interfaces and the interactions must be understood in equity to the component parts. Von Bertalanffy (1969) puts it this way:

It is necessary to study not only parts and processes in isolation, but also to solve the decisive problems found in the organization and [the] order unifying them, resulting from dynamic interaction of parts, and making the behavior of parts different when studied in isolation or within the whole (p. 31).

In creating this open system, von Bertalanffy's concept of "equifinality" must be accepted and promoted by the team's facilitator, leader, and its members. Equifinality is "the tendency towards a characteristic final state from different initial states and in different ways, based upon dynamic interaction in an open system attaining a steady state" (von Bertalanffy, 1969, p. 42). In open systems, the same final state can be reached from different starting points and in different ways (von Bertalanffy, 1969); thus, if a leader is to create a learning organization, he or she must encourage dynamic interaction through dialog, and facilitate growth in new and differing ways.

Success in implementing an IT solution requires determining how measurement will be selected, collected, and used (Spitzer, 2007). When selecting metrics, it is important to have a process that ensures stakeholders are adequately represented and metric attributes and continuous improvement are considered. It is ideal to collect metrics on a continuous basis since business run continuously; however, this may be cost prohibitive. Thus, the frequency of collection and the timeliness required needs to be considered. In any case, a balance between cost and usefulness will need to be considered. When determining how metrics will be used two saws should be followed. The first is the people who collect the metrics should be the ones to use them. The second is metrics should not be used to punish or reward, but instead be used to improve.

I personally have been involved in many process improvement efforts over my career, and they all required the use of metrics in order to know if improvement was actually being made or not. However, the key to ensuring successful improvement has always been getting the folks doing the work using the metrics and creating an environment that promotes honest evaluation and not fear of failure.

One of the most important attributes in selecting and using metrics in systems and tools instantiation is ensuring that they are easily modified. This permits molding the metrics to meet exact needs of the team and to permit change as strategies and the business environment changes.

**Conclusion**

Instantiating or upgrading systems and tools is best accomplished after ensuring robust processes have been developed and they are stabilized. Additionally, systems and tools should be procured and customized as little as possible in order to facilitate future changes. Lastly, a proven and formal process should be followed to instantiate the new or upgraded system.

Once the system or tools have been determined, the people and their skills need to be evaluated and training plans put into place to ensure the right people with the right skills are in the right places.

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