Philip Atkinson and Malcolm Holden have synthesised best practice' from leading edge change management methodologies and designed a bespoke process for driving culture change. This flows strategically from the top of the organisation and swiftly results in implementing a process of breakthrough and continuous improvement geared specifically to the customer.

Customer Focused Strategy

A major threat to many organisations is the proposition that they will not be able to change fast enough to keep up with the expectations of their customers. This will have a profound effect on their business, If an organisation is failing to gain rapport and delight its customers - then its future is at risk. Preferred customer status is the very least any company should engender with its customers. By failing to forge a strong emotional partnership with customers the longevity of the business will be questionable. Ibis is even more critical in a competitive market where product differentiation is low and purchasing loyalty is founded on cost alone. However, if a business has focused strategies (designed to retain and acquire new customers) that are incorporated into operational plans and a Scorecard approach, then the future is bright.

We aim to inculcate the belief that at close of business every day any business is either relatively better or worse than their competition. The problem is people do not know if they have improved or fallen behind. They don't know because they either don't have access to, or have failed to design and monitor, the metrics that drive business performance. What we have established is a strategy to focus attention upon what enables business results to be achieved. By clearly delineating the cause from the effects we firmly believe organisations can develop a new focus on what makes a difference, instead of that which consumes time and adds little in terms of value to business results, customer and employee satisfaction and shareholder value.

Models of Change

We believe firmly that any model for change is based upon the flow of activities over time. We believe that change takes as long as a company wants it to take. An enthusiastic top team will achieve substantially more than the average business where the need to change is not realised or shared amongst senior members. By developing change acceleration strategies, it is possible to achieve desired outcomes in a more controlled manner and, most importantly, the change will be sustained.

Sustaining Change

Change is sustained only when people in the organisation take ownership. It is unlikely to happen by accident or default. The direction and reasons for change need to be bound within the culture so that change becomes the culture and is considered as healthy and natural. In too many instances people respond badly to change usually because it is imposed rather than discussed, shared, adapted and implemented by those most affected by it. The behavioural approach is the only one that works. For change to happen and to be integrated in the culture requires those who are most affected by it to welcome it and commit to implementing it in order to improve the internal processes that drive customer satisfaction and business results.

"The business culture determines the degree of business improvement and ultimately results?"

We believe it is central to any business to identify the events, the causes and the critical incidents that drive and enable business performance. Energy expended on those activities that ramp up customer and employee satisfaction resulting in increased business are activities which need to be identified. These variables are critical to driving business performance. They are a direct result of how the business culture has been shaped. This is not a matter of accident. Deliberate planned interventions have caused this culture to evolve. The modern day equivalent of the philosophers stone is to assess what magical ingredients have to be brought together in the Scorecard to result in the culture that breeds the desired business results.

Research into Organisational Cultures

We have found that there are too many assumptions made as to the possible linkages that exist between what we call cultural enablers and business results.
.

Unlocking the Secret behind the Balanced Business Scorecard

By Philip Atkinson & Malcolm Holden

We understand there are a number of independent variables that confuse cause-effect relationships. Our belief is that we can establish those activities and causes that will deliver enhanced business performance by adhering to a fairly simple methodology. If a methodology is too complex to understand, those who operate the business and support customer processes delivering to expectations will not be able to align with the approach.

"Adherence to a bureaucratic process does not build a flexible business"

Various models have evolved over the years that suggest adherence to them will result in the desired outcomes. We applaud the work and the inherent philosophy within the EFQM Excellence Model that is a derivative of Baldrige, Kaplan & Norton and the pioneering work of Deming. We believe that there are very useful tools and processes within Investors in People and the various ISO standards, but we believe that these have evolved into a complex, bureaucratic auditing process that is far too complex for the average organisation to understand and apply to their special circumstances.

We have difficulty understanding how a complex scoring process inherent in many business models can actually be taken on board by senior management and successfully and seamlessly eased into the business. This makes even the most basic change intensely complex to implement. We also understand the complexity and diversity of business in all sectors and would further advocate that special situational factors further complicate the enabler-results relationship presented in current models.

In honesty, what started out as a noble purpose (in the models stated) by focusing upon improving overall business performance for the vast majority of organisations, has resulted in rigid templates over which people can overlay and benchmark the right and only way to do things. The intention behind these initiatives is extremely positive, it is just overly complex. The approach cannot be argued with - it is 100% positive in terms of enabling organisations to develop a competitive edge - we just think that the process is becoming so complex that many organisations have been put off from starting on the journey in the first place.

Change that works

Our experience tells us that the following issues are critical in driving change.

❑ The changes implemented must lead to improved business results. If there is not a straightforward linkage and cause-effect relation ship, the results will never be achieved and the change initiative will flounder.

❑ There is too much confusion on the linkage between dependent and independent variables and the relationships between the components that create a business culture that will in turn yield the desired business performance.

❑ There is insufficient clarity on how to initiate, create and review subsequent strategy for creating a powerful business culture.

❑ There is a requirement to establish the links between and the relationships between Vision, Values & Culture, Strategies, Behaviour,

Structures & Relationships and Key Performance Indicators.

❑ Once the above have been clarified a simple, but holistic, MANAGEMENT PROCESS is essential for locking together all the critical business processes which underpin the organisation and support a sustainable culture geared to creating a climate of continuous learning & improvement.

De-mystifying the Balanced Business Scorecard

Kaplan and Norton in their groundbreaking article in 1992, produced a Balanced Scorecard approach that was very attractive in some ways. In their articles published by the Harvard Business Review, and subsequent book they outlined a complex methodology that would enable organisations to differentiate enablers from results. By moving away from focusing entirely upon Financial Results (which are historical in nature and only reflect what has happened) to a more strategic view, they are able to outline performance improvement along a number of dimensions. Kaplan and Norton identified four major components of the Scorecard:

❑ Financial

❑ Customer

❑ Internal processes

❑ Learning & Growth

From Kaplan & Norton's work, others have contributed their views on the core components of Scorecards. Some organisations have designed the Scorecard around only three variables leaving learning and growth outside their model whilst others add components such as a strict HR dimension thereby totalling five components on which to measure performance. Some organisations use the Scorecard strictly as a forward planning tool prescribing a strong strategic focus, and others apply it strictly for monitoring operational results. Other organisations have decided the best way to introduce the tool is on a divisional or SBU focus concentrating upon those areas and linkages which initiate and constantly interact with the customer, consumer or end user. Initially, the purist approach focused upon clarifying strategic direction and defining measures that fell outside the traditional financial analysis of the business. What is important here is the Scorecard has to be fit for purpose.

What is admirable about the research on the scorecard was that people were finally recognising that the culture could have a direct impact upon results and that by designing a culture that works and is self sustaining, it is possible to grow the business along all dimensions noted above. However, there was also a movement underway to create a Scorecard approach which would have instant feedback to the management group about what was working and what was not hence the desire to overly bureaucratise the Scorecard and automate it so that it is possible to track inputs and outputs as if one were navigating a sophisticated flight deck with enablers and results available at the touch of a button. Of course, it is possible to create this degree of control but this will only happen when the simple stuff happens first.

Philip E Atkinson MSc is a consultant specialising in strategic, behavioural and cultural change. He consults in the UK, Europe and US and. has written five business books and published many articles as well as speaking at conferences and running workshop sessions.

He can be contacted on 0131 346 1276 or by email at Philip@transformations-uk.co.uk or www.transformations-uk.co.uk

Malcolm Holden B.Comm FCA has extensive experience of change management at Director level within Bass, Britvic and many other blue chip companies. Malcolm has led a number of Finance, IT and Cultural Change initiatives and with a background which includes Director of Quality Management as well as Finance and IT has refined and implemented company wide methodologies for change. Malcolm can be contacted on 01332-383303 or by email at Malc@malcolmholden.freeserve.co.uk

Both Philip and Malcolm have developed innovative approaches to effective change management and would be pleased to present to senior teams who are interested in pursuing a simple and effective model for change.

Business Management Model
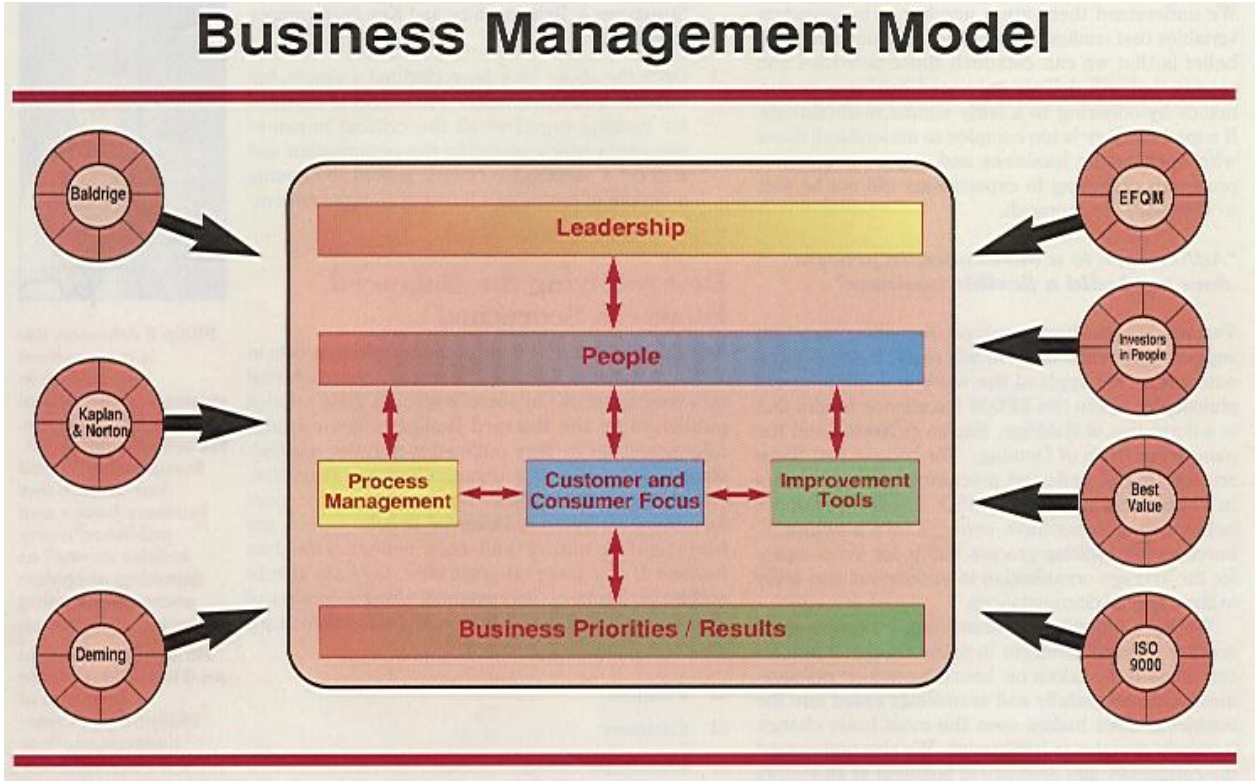
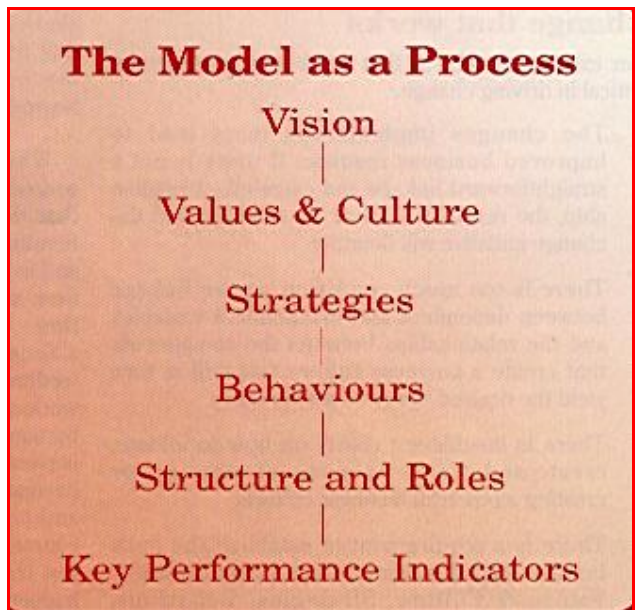## Other Non Scorecard Approaches: Corporate Culture

Fundamentally, the Scorecard per se, is not the answer for every business. What is important for all businesses is distinguishing enablers from results. The answer in many cases is to deliberately grow and nurture a learning culture. This is perhaps the greatest way of ensuring competitive advantage for all businesses. Everyday we are either better or worse than others in the marketplace. A first step is defining the type of culture we need in order to learn and implement best practice. Focus must also be on anticipating and structuring to meet customer expectations. Ideally, we want managers and staff at all levels to adopt the mindset of what actions will 1 commit today that will lead to an increase in retention and the acquisition of new customers? Our goals must be firstly to develop strategies to improve customer satisfaction and, secondly, for those who don't meet or contact external customers provide seamless and error free service to those who do.

Culture drives Results

Companies which have mastered such a strategy include the US conglomerate General Electric. They have created such a powerful culture in all their businesses that year on year record results are a natural outcome of living the 7 Core GE values. The GE Work-Out process and Change Acceleration strategies result in a flow from work on the Vision and the Values to how people actually behave. Obey have linked cause-effect relationships and have created an incredible investment in their culture.
Just read their Annual Report or access their website
www.GE.com to examine the profound effect they have created simply by generating the right culture. Customer loyalty is profound, as is their Return on Capital Employed (ROCE). Year on year for the past 16 years their profitability has retained double digit status. Now generating revenues of $100 billion dollars with record profitability their approach to culture driving results is firmly established and used as a benchmark against excellence.

Model for Change

To synthesise our thinking, we have articulated a simple model for change based upon the original work of Kaplan and Norton and best practice benchmarking, together with our experience of working with a large number of organisations such as GE. It will come as no surprise that we are both committed to developing the corporate culture that will speedily deliver results. This also means developing an approach to learn from methodologies such as EFQM and others and incorporate what works but at the same time disassociating from that within the same models that has little credibility in delivering to expectations. Each of the six stages in the model below has a number of discrete activities that deliver core elements, which create the foundation for a high performance team driven culture. Tools have been specially developed to assist the movement from each phase.

The Model as a Process

Vision

Values & Culture

Strategies

Behaviours

Structure and Roles

Key Performance Indicators

Vision

It is wise to start with the end in mind and for this reason we start with Vision. Many organisations can claim to have a strong Visio of what they wish to become but we always want to test for under- standing and during top team sessions we can soon understand that a shared vision is not always apparent. At this stage we nee to outline and clarify the direction in which the organisation is focused and ensure that the energies of the top people are share and all pointing in the right direction. We utilise a number o strategic models and diagnostic tools for assessing the extent to which the future desired Vision is tangible and concrete an then assess where the business is currently positioned. Only b examining the future and current positions can we define strategies to close the gap.

Values & Culture

Although direction is incredibly important we also believe that we have to ensure that the values and culture are such that they facilitate and make the Vision a certainty. There has to be tot alignment with the values which people exhibit.
We value what we do and we do what we value sums up the importance of articulating the values and ensuring that the culture is in place to enable the ease of delivery of the desired future state.

Strategies & Goals

Strategies follow naturally from values and culture, which tell us how we will achieve the Vision. Strategies and goals tell us about the methods we will employ as a business and across functional/ process boundaries that will result in achieving the Vision. Strategies and goals are driven both top-down and flowing upwards through empowered individuals & teams and communication channels. Cross-functional working on processes is critical to ensure that Vision is apparent, real and tangible with the operational means whereby results will be monitored and achieved.

Behaviours

To what leaders pay attention is the driver that enables results to happen. For instance, if Directors talk of the importance of acquiring new business but demonstrate little adherence to this in their strategic focus why should anyone take them seriously. However, when business leaders demonstrate their intentions with behaviour to support their assertions, people take note and emulate the example set. We have to differentiate those behaviours that leaders, teams and staff in general need to excel at and display from those behaviours that are counter to business objectives. Without leadership there is no change is a powerful statement that reflects the importance of leading by example and without this component the formation of a culture to enable the achievement of objectives will never be optimised.

Structure & Roles

We have always believed that direction must be articulated before organisations structure their activity in terms of roles and responsibilities. Unfortunately, too many organisations take the structure as given and develop strategies around how people are organised rather than the other way around! We believe that successful change only takes place when the direction and the method for achieving the vision have been clearly debated.

So structure should follow on much later in the change process and be fundamentally shaped by where we are going and not where we have come from. This activity should always be geared to streamlining processes and providing seamless service to the customer and those who directly interact with the customer.

Key Performance Indicators

Finally KPIs complete the model. Too many organisations focus upon KPIs first rather than getting the bigger picture. KPIs are not drivers; they are the measures by which we can assess whether strategies and behaviours are in alignment and working. Obviously the process progressing from Vision to KPIs is a systemic process with multiple learnings evolving. For this reason we use a variant of a Rapid Improvement Strategy for instigating change. This change process focuses upon investing in prevention and frontloading a change initiative ensuring that staff at all levels:-

❑ Can understand the reasons why the organisation is articulating its Vision.

❑ Focus upon leverage points for getting the Vision KPI model to work.

❑ Are committed to the benefits of building the culture that enables results to take place.

❑ Take ownership of the measures by which progress can be assessed, measured and corrected when required.

It is very much like developing a sophisticated instrument panel monitoring those activities that enable results to be achieved with ease. It is no surprise that we focus upon creating a strong culture that encourages challenge and improvement. The culture reflected in the commitment to improve all internal processes results in behaviour that is geared solely to achieve and maximise customer delight, thereby guaranteeing a sound competitive future that will yield the results and will move the business inexorably forward towards its Vision.
Diagrammatically, this process can be illustrated in the boxed inset below. Many of the tools for leveraging change are derived from cultural interventions in which we have been engaged or from the EFQM Excellence Model and other business improvement models.
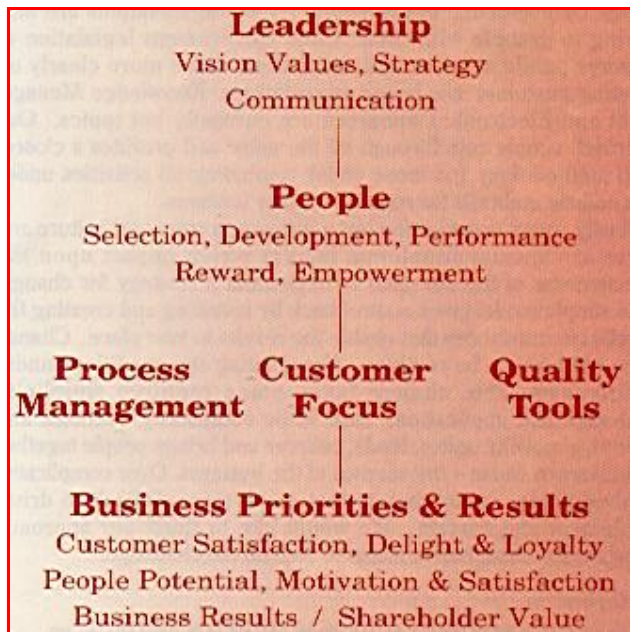
To explore the model takes little time and for each of the components comprehensive diagnostic tools have been developed to speed up the process. The culture and the drivers, which enable the results to be achieved, are discussed and a strategy for implementation agreed. This model is based upon best practice and allows an organisation to build a platform upon which those who manage the business and their people can see how their combined energies and actions impact upon the performance of the business.

Summary

Change can be confusing especially when managers and those who run a business are confronted with differing models for change. Often the top team are put off from committing to a particular methodology because they cannot see the wood for the trees. When existing models are explored the clarity between enablers and results is often unclear, the processes for diagnosing the required changes being time consuming, confusing and bureaucratic and the means to examine and improve existing processes are less than tangible or credible. The model we have developed from Vision to KPIs is simple to understand. Each layer drives the layer below, Vision and Values have to align in order to develop coherent strategies and goals. Strategies are articulated and expressed in terms of the behaviours, which are encouraged and rewarded to ease the achievement of these goals and strategies. Structures and roles reflect that which is important and that which is not and this is reflected in KPIs - each developed for the key internal processes which deliver customer satisfaction, employee learning, satisfaction & motivation and financial results.

The bottom fine is obvious. Developing a culture where learning and growth is central to delivering improved performance results in processes which delight the customer.

The model is very simple and has been inspired by those who have extensively researched and have driven the Balanced Scorecard approach. We like to think we have refined and evolved the ideas and methodologies from others and are constantly curious to test and improve the accuracy of change and speed of implementation using this bespoke process. We have rejected the bureaucratic model - that 'one way is best' and present our model which we believe is fundamentally driven by vision, values, culture and behaviour - and is fully integrated with the concepts of fast cycle-time, defect free, error prevention processes.

Behavioural change facilitates structural change.

We are aware of numerous companies who are trying to integrate Balanced Scorecards with Business Improvement Models at the same time as pursuing disparate Quality initiatives. Other companies are struggling with the concepts of Hoshin Planning or Policy Deployment. In the public sector organisations are now having to grapple with 'Best Value' government legislation to improve public services and make them focus more clearly on meeting customer needs and expectations. Knowledge Management and Electronic Commerce are currently hot topics. Our approach simply cuts through all the noise and provides a closed-loop methodology (no loose ends) combining all activities under one holistic umbrella for running a better business.

Finally, every organisation has a different history and culture and there are special situational factors which impact upon the effectiveness of the top team to implement a strategy for change. This simple model gives control back by investing and creating the special circumstances that enable the results to take place. Change does not have to be complex. Formulating the conditions under which favourable change takes place requires simplicity in design and application. And while complexity confuses and divides, simplicity unites, binds, coheres and brings people together in a common cause - the survival of the business. Over complicated methodologies make change that much more difficult to drive, implement and sustain. We would like to think our approach encourages management teams to take up the challenge.

References

1 An innovative balanced scorecard model derived from case studies on organisational change clearly identifying cause effect relationships with input from the EFOM, Baldrige and Deming models.

· Kaplan & Norton Balanced Scorecard HBR Jan-Feb 1992.

· Kaplan & Norton, The Balanced Scorecard: translating strategy into action. HBS Press 1996.

· For a complex analysis of how the Scorecard has evolved see Nils Goran Olive, Jan Roy and Magnus Wetter, Performance Drivers: A balanced guide to using the balanced scorecard, Wiley 1999.

· Philip Atkinson, Creating Culture Change, Rushmere Wynne, 1996

· Philip Atkinson, Chap 7: Vision, Mission, Values in The Iceberg Agenda: Mastering Corporate Potential, BT Batsford, 1998.