

Operation Excellence

February 13, 2013



Organizations – The Need to Evaluate and Change

It seems that we have been seeing a lot of “organization” news lately.... And it also seems, that is also been a high area of interest at a few firms that I have recently been working and talking with.

Some examples:

- The Baltimore Ravens changed Offensive Coordinators in early December just before they started their final push that led them to winning the Super Bowl. This change was not widely recognized as being necessary at the time, but it certainly generated a positive result.
- On the other side of the field, San Francisco had made a controversial (it was certainly second guessed) change in Quarterback for the last few weeks of the season that was quite successful.
- Seven NFL teams made changes in head coaches for next season. Time will tell on the changes that are made in this annual spectacle.
- The Pope resigned. A situation that hadn't occurred in almost 500 years and will certainly be an intriguing situation to watch over the next several weeks.
- The President is having some difficulty with some of his cabinet appointees for his second term.
 - Ambassador Rice was embarrassed and had to withdraw from selection for Secretary of State.
 - Senator Hagel didn't distinguish himself as the most informed on current events when he was testifying about becoming Secretary of Defense.
 - The selected nominee for head of the CIA is also stepping in some hot water and while will probably be approved, it hasn't been smooth sailing for the confirmation process.
- Finally, Purdue, my alma mater, fired their head football coach and while of no consequence to most readers of this newsletter, it has been interesting reading (to me) as he assembles an entirely new staff and solidifies the recruiting class of 2013.

The more I think about it, organization and the creation of a new team is a subject that gets far too little attention considering the tremendous effect that it can have on organizations' chance of success. While the above organizations are all much larger than those that the folks on this distribution list typically deal with, for the smaller organizations, the “importance of a good fit” can be relatively far more important. Why? There isn't room for error! The wrong person in the wrong responsibility can be devastating! There may be more reluctance to make an organization change as loyalty may override common sense and the organization's overall needs i.e., “I can't fire Charlie! Charlie has been with me for 16 years!” Balance that fact against – “I want to sell this company in a couple of years... I need to get it to the next level now to maximize my selling price.” When you ask, “Is Charlie a hindrance to getting the company ready for optimal sale?”... yes, can be a too frequent answer.

Now, I'm not going to say that the issue is only too many "Charlies" ... that may be the result but the cause is probably Charlie shouldn't have been put in that position 12 years ago in the first place. In far too many instances, we see where, as an example, "Why did you make Ken a supervisor?" After 20 questions, the reality is "Ken was promoted because he had the best attendance record ... He was always here."

Last year, in another newsletter I used an example of 2x2 matrix... then the subject was succession planning in closely held companies... This is a different topic today, but let's try and bring out the 2x2 again and use it to analyze this situation. There are actually two main factors in an organization's performance: Team strength and strength of the leadership.

		Current Manager-- Strong Leader?	
		No	Yes
Organization strength -- lots of A's and B's... few C's and D's?	No	Disaster	Marginal but succession plan is important!
	Yes	Marginal, Can lead to problems or can be OK	Ideal Situation

A weak manager with a weak organization (NO-NO) is usually a disaster... and those of us that help turn companies around usually struggle with companies that are in this "box". Quite simply, you probably don't have enough time to "retool" both. Your options are limited... bring in a new manager, BUT THEN GET THE LEGACY MANAGER OUT OF THE LOOP! Hopefully, you've got enough cash to see you through to the other side because to create organizational excellence may be expensive and is never easy.

A weak organization with a strong, detailed oriented leader (NO-YES) can be successful... but probably only for a while.... If the market is rapidly changing, without key lieutenants the Strong Leader may become disenchanted and burn out is a frequent effect. If the leader wants to exit... he can't... at least on the best of terms. New ownership, will not have the "loyalty chains" that bound the former leader and the organization is in for some turmoil. So the actions, that due to loyalties, the legacy leader doesn't want to take are inevitable anyway... you might as well put on your "big boy/big girl" pants and get on with strengthening the organization. Take a hard look at the "team"... are there any A players? Do you have an abundance of B players? Or do you have a collection of C and D players that are where they are at due to legacy factors. Are the C and D players, C and D players because they aren't being adequately challenged and lead? Tough questions... but you need to figure it out.

The Yes-No box: In a fairly static situation, the organization can get by here, for a while. However, if the business is undergoing significant external changes (market, competition, etc.), the team may have difficulty assembling a cohesive process to deal with the changes. If the situation is fairly static... who cares... there will be no glory... but survival with low expectations is possible.

Obviously, YES-YES is the most fun and where you want to be. Can you get to YES-YES if you are somewhere marginally in one of the “yellow” boxes (NO-YES or YES-NO)? Certainly, it is quite possible -- I’m currently seeing a turnaround at a smaller firm that is determinably transforming themselves solidly into the “green box” (Yes-Yes). In all fairness, they weren’t too far out of the “green”. But the most important factor to the start of the transformation was that they “got real”. They looked in the mirror and determined that “we have to change”; and they then addressed it with a sense of urgency... “we have to change NOW!”

The company put new (meaningful) metrics in place. The owners shared the new data with the entire organization. The Leader demonstrated a willingness to listen --- posed difficult questions to the employees ... “What would you do if you were me?” After a few weeks, just walking in you can tell that there is a different “atmosphere” to the place... the facility is cleaner, the metrics are showing a definite improvement. Now give that it has been just a few weeks – this transformation is not complete [remember it is a Process Of OnGoing Improvement (POOGI)], but I did tell the owner, for one (a change process) that I am not personally onsite (daily) helping to direct, this change is as rapid as any that I have ever seen. They are doing a very good job!

Now, were they aided by someone (me) helping with the hard questions that they had to address? ... probably... but the payback is already happening and they are having “fun” again.

In this instance nobody got fired, nobody got reassigned – but sometimes organizational changes in responsibilities and duties are necessary. Not all instances are as quick or as clean as this example – I don’t intend to mislead – the POOGI path can be most difficult. But you have to be willing to take a hard look at the entire organization and see if you have the right skills in the right positions and have the right metrics in place to clearly communicate the desired results and the plan to the entire organization.

Smaller closely held firms largely do a lousy job of evaluating talent, results, and opportunities for change. I once had an owner tell me, “Jim, I have surrounded myself with incompetence!” Boy, was he ever right! At the start of the transformation, there wasn’t a single “B level player” in the entire organization of almost 200 folks. Many folks ended up leaving the organization... it was inevitable.

Conversely, are you having too much turnover? If you have had 3 or more individuals fail in a position in a relatively short period of time--- there is fundamentally something wrong with the organization that another “fire/hire” will most probably not fix. It takes a rare person to be willing to face up to those situations and determine the real cause.

Looking at the initial list of changes... I won’t comment on the President’s problems with his cabinet and I certainly can’t qualify on the process to determine a new Pope. However, the Raven’s, 49er’s and Purdue certainly evaluated their organizations and determined that personnel changes were required (personally, I thought Purdue football should have done it a couple of years ago... but—nevermind!). Have you taken a hard look at your organization lately? I mean a really hard look at your organization... do you have A, B, C, D level individuals and talents? Are you the right person to lead? Where do you want the organization to go? What do you want to achieve? Do you have the right organization in place to get there?

If you are having concerns about your organization’s current results, or your intuition is causing you to have thoughts about your organization’s potential results, please give us a call. We can help you with the process.

“Profound knowledge must come from outside the system – and it must be invited in.”

--W. Edwards Deming

All the best!

Jim Covington

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