

Jim Taylor on Process Innovation and Improvement



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In 2005 Thomas Group (TGIS) was ranked number One Fast Track Company in the DFW area by the Dallas Morning News and ranked Number 4 on NASDAQ in market cap appreciation in 2005. In 2006 Jim was awarded and is the proud recipient of the International business "Stevie Award" for Best Turnaround Executive of the year recognizing executives and their respective company's great performances.

Can you think of any area within any organization's operations that does not involve process in one form or another?

Frankly, no. Directly or indirectly, almost everything is connected to almost everything else we do. Each day, each of us is involved in hundreds (if not thousands) of processes. What happens when we wake up? Getting from home to where we earn a living. After we arrive, all manner of tasks to complete, questions to answer, problems to solve, etc.

If process is the order or sequence of doing almost everything, then there really is no area of an organization that does not involve a process. One of the major challenges for organizations is that they are usually organized and managed by and through functions. For performance effectiveness to really take hold, it has been my experience as a CEO that leaders need to view and organize their efforts from a process perspective. Moreover, there must be constant improvement of each process. Any process left alone will deteriorate over time.

So, no, I cannot think of any area within any organization (including Thomas Group) which does not involve process in one form or another.

How do you differentiate process improvement from process innovation?

In *Process Innovation*, Tom Davenport asserts, "Process improvement programs, including those initiated under the quality banner, are generally applied to existing organizational structures and thus involve change in narrowly defined functional or sub-functional processes. Process innovation, on the other hand, involves definition of an innovation in broad, cross-functional processes. Just the definition of such processes, often for the first time, can lead to innovative ways of structuring." I agree.

I hasten to suggest, however, that both process improvement and process innovation can and should occur at the same time. Unnecessary steps or stages within any structure must be eliminated.

Following a sequence to get from one point to another is difficult enough. It gets really complicated when we become involved with other people, in working groups, who have priorities which differ from ours. When you take that into full account, it seems obvious why innovation and improvement should be done simultaneously.

In your opinion, what are some of the most common misconceptions about process improvement?

People think process begins with the letter "P". It really begins with a "C," representing the Customer. A common misconception is for a company to begin its improvement cycle by focusing on improving customer service rather than focusing on being innovative in how they think about providing that service. Another pervasive misconception about process improvement (which involves incremental growth) is that an organization needs both improvement and innovation. It is our experience that an organization needs to have a vision and view, first, and then focus on what is innovative. Incremental improvements in the direction intended can then be implemented.

Many executives erroneously believe that if they obtain some *silver bullets* and then fire those at problems, those problems will be solved. If only it were that easy! Michael Hammer repudiates that concept in his book *The Agenda*. Here is another: That performance measurement will cost some people their jobs. I am convinced that most people want to do what is right and to do it more effectively. Nonetheless, fear of accountability is common.

The proper focus of process improvement should be process improvement. Only when those involved people understand and agree about that can significant progress be achieved. We at Thomas Group firmly believe and have demonstrated to our clients numerous times that process improvement can achieve entitled results without additional resources or investments.

Many of the organizations in greatest need of process improvement are those most reluctant to make that commitment. Why?

Of course, reasons vary from one organization to the next. My guess is that the mindsets of senior management have much to do with resistance or at least with reluctance to change. Also, the culture within a company often resists change. And, inherent in the way management needs to view their organization or enterprise from a *process perspective* many are unwilling, and sadly do not yet see the value. There are specific reasons for needing to improve processes. In fact, almost any process can be improved. Over the years when working with all manner of clients, we have not encountered a process we could not improve. That said senior managers of at least some organizations are unwilling and/or unable to acknowledge basic problems with, for example, the production or distribution of what they sell.

The clients we are privileged to serve are wholly committed to process improvement, and in some cases, process innovation. They are never satisfied, nor should they be. They correctly realize that, in today's business world, change is the only constant. They challenge us as well as themselves to find better, faster ways to do business. I am reminded of Darwin's concept of natural selection. Those who survive that process have done so because of their ability to adapt to new, often unexpected realities. Some do. Many do not.

What about cultural barriers to process improvement?

That is a key issue. In my interview of Wharton professor Dr. Lawrence Hrebiniak, he observes: "The first barrier [is] seeing implementation as a single magic step or action described in a solitary anecdote. This can only lead to poor results, as implementation is a complex process that demands time, hard work, and management commitment. There are many other barriers or obstacles that I uncovered in my research on implementation. A very basic problem to begin with is that most managers are trained to plan, not to execute the plan...Another problem is that top-level managers sometimes believe that implementation or execution is 'below them,' something best done by lower-level employees who don't have the capabilities or intellectual capacity of the planners at the top. This view, if it exists, develops a culture that's clearly antagonistic to sound execution. Another problem is that implementation as a process takes more time and involves more people than planning, which make it difficult to pull off effectively. The longer time frame allows additional problems to pop up, putting pressure on managers to deal with more and more issues, implementation-related or otherwise."

Our own experience at Thomas Group corroborates Professor Hrebiniak's observations. Here's another problem, one which Jim O'Toole discusses in *Leading Change*: what he characterizes as "the ideology of comfort and the tyranny of custom." I agree. Other barriers include fear, not so much of change but of the unknown. Everyone has a comfort level. The same is true of a culture. Look what Lou Gerstner had to overcome at IBM. People had become set in their ways. They not only resented threats to the status quo, they actively or subversively opposed them. These are just a few of the formidable cultural icons that are barriers to changing a culture.

When Thomas Group begins to work with a new client, what must be determined ASAP?

Here's a brief list of what we need to know about the company:

- How it is managed (e.g. its management processes)
- How its people are held accountable for results
- How the company rewards its employees
- How it treats its customers
- How it is organized (silos, bunkers, etc.)
- How the company accepts or rejects change
- How it views and rewards fire fighting/firefighters
- How it views and rewards optionalism
- How a company handles conflict resolution
- How it communicates with its employees

Of special interest and importance to us is the company's sense of urgency when addressing critical issues and the company's past success (or failure) with implementing change.

Percentages vary, of course from one research study to the next but there is solid consensus that many reengineering initiatives, such as Six Sigma and others fail. Why?

Companies such as Motorola and GE have demonstrated what can be accomplished through reengineering. As for why some initiatives fail, there are lots of reasons. My own experience suggests that several seem to create their own difficulties, such as having unrealistic expectations or expecting instant solutions to problems which have persisted for years. Also, such initiatives are often launched with great fanfare and everyone is all excited...for a while. Over time many of those involved become frustrated, lose patience, etc. Strange as it may sound, efforts to achieve process improvement are themselves part of a process. If a reengineering initiative is not connected with the over-arching process, the given program (Six Sigma, Lean, Kaizen, etc.) may improve a small segment of the process but it will fail to achieve the program's ultimate objectives.

It is my experience that a reengineering process is more likely to succeed when it begins with a clear understanding of the results to be achieved and develops a consensus for change from within all areas of the entire organization.

To summarize, these seem to be the key points:

- At all times communication, collaboration and executive support are essential. Identify and select high value elements of the process
- View each problem as a learning opportunity
- Challenge all assumptions
- Focus on root causes of problems, rather than symptoms and view the journey to achieving results as a learning opportunity
- Be patient and thorough
- Measure, verify and measure again as you proceed

To sum up, it is important to focus on root causes, not on their symptoms. Be patient and thorough. Measure and then measure again, as you proceed. Challenge all assumptions. Verify everything. Process improvement resembles a Bunsen burner, not a sparkler.

The men and women at Thomas Group who deliver client results are called "Resultants." Why?

We do not do traditional consulting whereby advice is given to a client and it is up to the client to implement various recommendations. We deliver results, and implement all solutions side-by-side with each client. To achieve this, we are always working closely with our clients who are actively involved and engaged with us in producing results. In that manner, we know the results can be sustained. Our Resultants have an average of 26 years experience as senior-level executives, in positions as CEO, COO, CFO, and general managers and directors in a wide variety of industries. They have experienced a lot and have been accountable for producing results. Their view of a client's processes is holistic in that it encompasses the organization's full business equation. When they offer advice, they know what they are talking about.

Other management consulting firms aggressively recruit new MBA degree recipients. Thomas Group does not. Why not?

Inherent in our methodology is accountability. Our Resultants are held accountable by the fact our clients need a timely response and do not have time to train their consultants on their business. Given the nature of our relationships with clients, and given the fact that we are so actively involved in process improvement initiatives, we simply must assign people who have extensive and relevant prior experience. Students receive invaluable information while earning an MBA degree and certain skills are sharpened—no doubt about that. However, from our experience even a curriculum based on case studies simply cannot provide the experience, knowledge, and—yes—wisdom our clients require. Many consultants with their respective MBAs and PhDs may have expertise in a given business subject area but—as has been demonstrated for nearly 30 years—Thomas Group's Resultants are the ones who get it done.

How do Thomas Group Resultants overcome barriers?

They work very hard at identifying three separate but related types of barriers: subject matter barriers, a process or substitute process barriers, and cultural barriers. As I indicated earlier, first we work very hard with our clients to identify, uncover, and understand where, what, and how such barriers to client's results even begin to manifest themselves. Many times, substitute processes that have been culturally engrafted

into an organization are the greatest barriers. Identifying, overcoming, and then removing barriers are very challenging. For our Resultants, combining their experiences, knowledge, and know-how with a proven method for removing barriers is essential to delivering the results for each client entrusted to their care. Our Resultants constantly use the “Four C’s”: Communication, Cooperation, Collaboration and Customer. Our methodology is not unique but what our Resultants accomplish certainly is.

I should add that eventually, during each every client assignment, there is always a turning point when the client begins to see the proverbial *light at the end of the tunnel*.

How does Thomas Group measure the progress and bottom-line impact of the services it provides to its various clients?

We measure current performance as a baseline. We work closely with our clients in defining their goals or expectations for results. And, with no additional resources brought to bear by the client, our Resultants quickly assess what line items and, ultimately, what bottom-line results will be achieved. In general, the progression of any Thomas Group engagement always begins the same way. We determine where the client is currently operating and define with them where they are capable of going. Our Resultants then identify the data relevant to the given the area of work they are improving and begin converting that data into useable information that is fact-based.

We then measure progress towards achieving the expected results. The ability to do this has been developed not only from our Resultants’ personal experience and know-how but also from the many years Thomas Group has been engaged in helping its clients to achieve outstanding results. Our heuristics and knowledge of what is possible allow us to mitigate the risk to the customer. We will not engage in a relationship with a client, unless we can provide a minimum of 5 to 1 ROI.

How do drivers of a measured process eventually have bottom-line impact?

Clients already know what their operations costs are. What they usually do not know, or do not know how to do, is view, manage, and lead their organization horizontally as process connected enterprise. Once the organization is being led horizontally and high leverage business processes are viewed across all functional silos, driver measurements such as cycle time and quality the first time can be installed to measure productivity. As our Resultants become progressively more involved, they devise link, align appropriate metrics and then apply them consistently to change organizational behavior.

Process improvement is certain to occur over time. The nature and extent of that improvement can then be quantified in terms of substantially reduced costs of operation. And as a result, verifiable reduced costs of operation contribute to improving the bottom line.

Presumably you agree that it is difficult (if not impossible) to manage what cannot be measured.

I agree. In order to get the right tasks done, the right tasks must first be selected and then efforts to complete them must be accurately measured. When you lead an organization, you realize you must first manage yourself; only then you can manage others. It has been my experience that effective management of tasks and responsibilities begins with knowing where you intend to go and then measure progress against your intended outcome.

We also know there are measurements that are either leading indicators or lagging indicators. Both are needed. When you are closing out the books, your balance sheet provides you with a rear view mirror perspective on where you have been in certain areas. Those are *lagging* indicators. When you are driving your company toward performance improvement, the effective leader manages for the future, for intended results, and therefore must manage the often immensely difficult process of achieving organizational change.

Also, we must not forget measuring influence. It is certainly possible to manage and measure how you persuade someone to think and act differently. Those in sales do it all the time. The measurement shows up in their respective results. It is also possible to manage and measure how you and others within the organization solve problems, answer questions, pursue an opportunity, etc. You can manage and measure how to help someone improve his or her *people skills* such as being a more attentive listener. You can manage how to help someone be more effective when providing constructive criticism.

Clients tell us our work in speeding their new product development cycle is a combination of measuring the correct drivers of the intended performance as well as the effectiveness of working together as team, which is what process influence, and process improvement does from an organizational perspective. In this process you can measure the leading indicators of how you are doing, and the look back at the lagging measurements and see how well you’ve done against the plan you intended.

Which are the most important drivers of process metrics?

In *Good to Great*, Jim Collins devotes a great deal of attention to what he calls an “economic engine.” Extending this metaphor, we at Thomas Group are convinced that quality produced the first time and the time it takes to complete a defined cycle of action (cycle time), to name but two, are among the best metrics by which to determine both the horsepower and energy efficiency of a client’s economic engine. That is to say, we help clients to measure accurately what they now do and how they now do it. Then we work with them to eliminate whatever prevents them from doing more, doing it better, in less time, and at a substantially lower cost in terms of both hours and dollars

Key point: Whatever the given metrics, they must be consistently applied so that patterns and trends can be correctly monitored and, wherever necessary changed.

There are more sources of business knowledge available now than ever before; yet many executives are not effective managers. Why?

According to Jeffrey Pfeffer and Robert I. Sutton, there is a “Knowing-Doing Gap.” That is, many executives have the knowledge of what to do but simply fail to achieve desirable results. It is also imperative to have sound judgment in order to understand how to make effective use of what is known. This is, perhaps, the best example of what separates our firm from most others. As I have already explained, our Resultants are centrally, indeed actively, involved in the implementation of process improvement initiatives. Because they have extensive real-world experience, they know what to do, how to do it...and they do it in active collaboration with each client, thereby providing our customers with on-going cycles of training and learning.

I also want to point out that knowledge alone is insufficient. Even then, many executives are unwilling and/or unable to be proactive; that is, to assume responsibility, make decisions, take prudent risks, question assumptions, etc.

One final question. What do you see as Thomas Group’s single most exciting opportunity during the next 12-18 months?

Aggressive but prudent growth. We went through some difficult years but now we are well positioned to allocate available resources to new business opportunities which either did not exist before or were such that we could not pursue them. Today, we are debt-free. Our stock value continues to rise. We have substantially increased the number of our resultants. I guess what I am saying is that we have a solid foundation on which to build something very, very special. I am convinced that we can become synonymous with knowledge leadership of the very highest quality.

If we fail to achieve that we will have only ourselves to blame.

I can assure you, we will not fail. 