



Jim Taylor took the helm as CEO/President and became a director of Thomas Group in January 2004, after providing dynamic leadership as the company's Executive Vice President and Chief Financial Officer for three years.

Previously, Jim served as President of the Chancellor Group, a Texas-based consulting company, as Vice President of Overhill Farms Corporation, a food processing company and as the CEO/President of Elcon Industries, a manufacturer/distributor of aftermarket automotive accessories. Jim also is a former partner with Coopers & Lybrand (currently PriceWaterhouseCoopers) in both the Los Angeles and Dallas offices. Jim Taylor is a licensed CPA, a member of Financial Executives International and the Dallas Citizens Council.

In 2005, Thomas Group (TGIS) was the highest ranked "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, Mr. Taylor was awarded the International Business Awards' "Stevie Award" for Best Turnaround Executive, an honor that recognizes executives and their companies for outstanding business performance.

DRIVING CHANGE THROUGHOUT THE ENTERPRISE

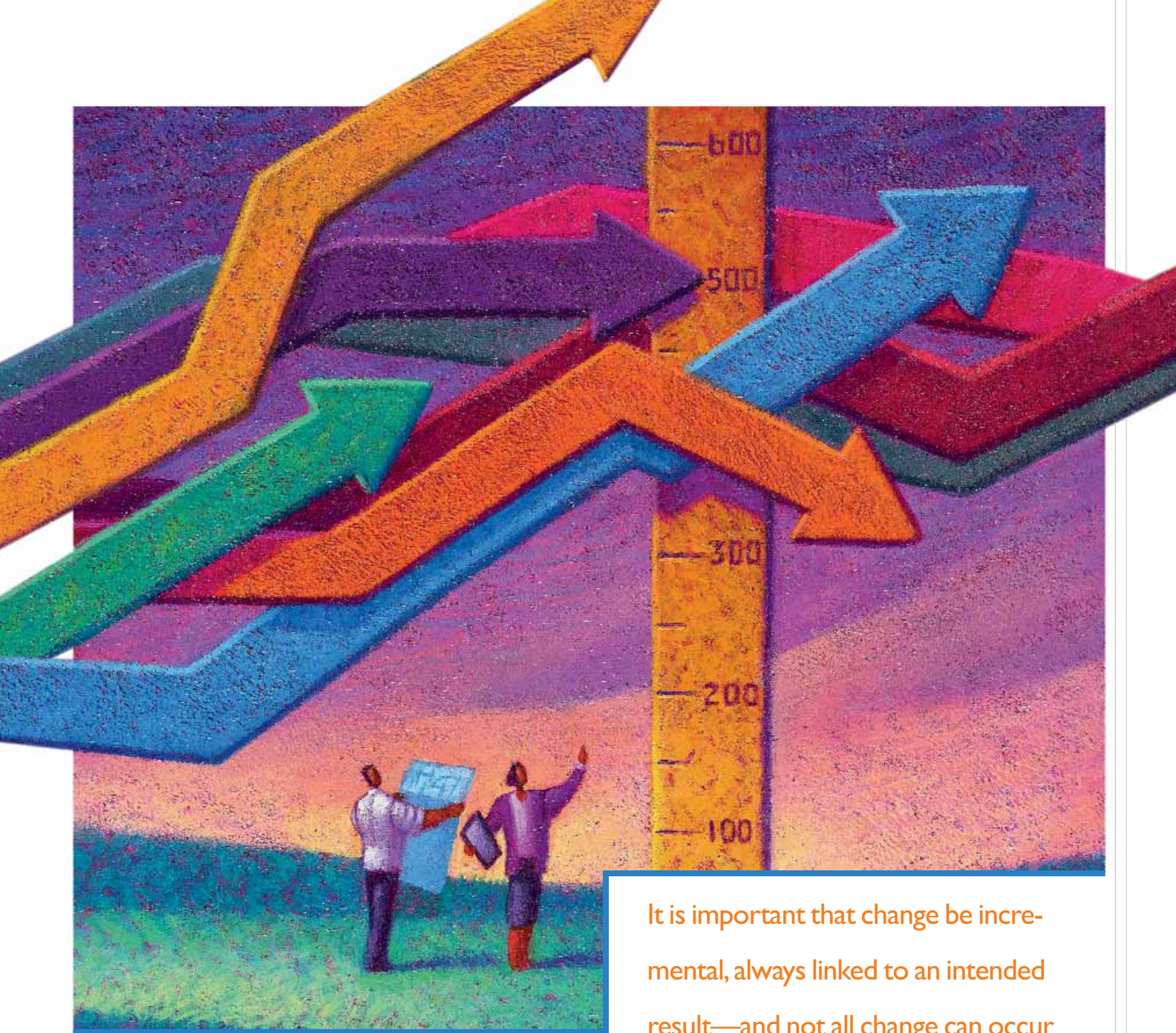
Jim Taylor

When you **drive change** throughout your enterprise, knowing the value your customers and suppliers put on their processes is as important as knowing your own.

KL@TG: Of all the challenges CEOs now face, which do you consider to be most daunting?

TAYLOR: Today, CEOs face the challenge of constantly having to change their organization in order to stay profitable and competitive, and that challenge is unprecedented in terms of complexity and potential impact—both positive and negative. An even greater challenge is to achieve such change at all levels and in all areas of the given enterprise.

I see an enterprise as an aggregation of companies or organizations within one company that all report to the same executive. The term "extended enterprise" refers to an ecosystem that includes the various affiliated companies or organizations, along with the suppliers, customers and their systems. When you drive change throughout your enterprise, knowing the value your customers and suppliers put on their processes is as important as knowing your own. This is a critical element of Process Value Management. Executives are asked by their boards and shareholders to get to market faster and increase productivity and quality, while simultaneously reducing costs. They are challenged to overcome changes in demand and financial constraints by being cost competitive rather than price competitive. Executives are required to place operations in proper alignment with an appropriate strategy, particularly in the world of mergers and acquisitions. And sometimes they are asked to



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leverage diverse, disconnected, and in some cases, competing strategic initiatives.

KL@TG: What seem to be the most common barriers to change initiatives?

TAYLOR: When attempting to drive change, CEOs encounter all manner of barriers. Several are the result of what Jim O'Toole characterizes as the "ideology of comfort and the tyranny of custom." These are cultural barriers that, for nearly 30 years, Thomas Group has helped to overcome. On site throughout the duration of each assignment, we collaborate with clients first and foremost to help them view their organization or their extended enterprise in terms of connected processes rather than isolated functions. Once an executive can see his enterprise horizontally (via processes) versus vertically (as individually functioning "silos" or divisions that are impenetrable by their customers, suppliers or other divi-

sions of the same enterprise), he has a much better chance of executing results-driven, cross-functional change.

KL@TG: Change initiatives seem to require a special kind of leadership. Please expand upon what makes driving change so challenging?

TAYLOR: Driving change requires leadership to ask and answer a series of challenging questions, such as:

- Where are you currently performing?
- What areas of the enterprise are you targeting for improvements?
- What are means for driving your change and improvement initiatives?
- How are you planning to close the gap?
- How are you driving with speed and quality?

In collaboration with each client, our ultimate goal is to change the performance of an entire organization, rather than merely execute a series of incremental changes. Experience has taught us it is imperative that improvement occur at all levels and in all areas of the given enterprise, and that performance change must be driven from top leadership.

In *Enterprise Architecture as Strategy*, Jeanne Ross and her co-authors, Peter Weill and David Robertson, assert that “top-performing companies define how they will do business (an operating model) and design (or re-design) the processes and infrastructure critical to their current and future operations (enterprise architecture), which guide the evolution of their foundations for execution. Then these smart companies exploit their foundations, embedding new initiatives to make their foundations stronger, and using it as a competitive weapon to seize new business opportunities. And what makes this capability a competitive advantage is that only a small percentage of companies do it well—we estimate 5 percent of firms or less.”

KL@TG: Why do so many change initiatives fail?

TAYLOR: The reasons vary among organizations. As I mentioned earlier, the most formidable barrier or obstacle is overcoming the current organization or enterprise’s culture (i.e. defense of the status quo). Embedded inside cultural barriers are additional barriers to change, such as structural barriers, or “silos.” Sometimes a barrier is psychological (“What’s in it for me?”) or emotional, such as concerns about job security or the economy, or is focused on cost rather than on value. Sometimes “tribal” barriers occur, such as a lack of mutual respect and trust because of conflicts in the past. It is important to keep in mind that change leaders and change agents threaten the comfort found in status quo. That is why they encounter obstacles that are very difficult to overcome from the “inside.” Over the years, it has been my experience to also see change initiatives fail because of disjointed methodologies: e.g., as a result of mergers and acquisitions, a company may focus on activities rather than on results or may inherit totally unrealistic objectives or confused priorities.

KL@TG: What seems to be the best approach when driving change initiatives?

TAYLOR: When driving change throughout an enterprise, you should first attack the practices that obstruct better process performance. Companies on the leading edge of

change are using speed-driven techniques of process improvement that incorporate simplified workflows linked to strategic and financial performance. Consider what Jack Welch faced when he was selected by Reginald Jones to become his successor as CEO of GE. Welch had to drive change. In certain areas he extended the vision; in other areas he limited the focus. He aligned the strategy and the structure with GE, ensuring that with the introduction of new systems, the right people were working on the right things. He made truly dramatic changes and always, from a process perspective, found ways to support the change with an eye on productivity and quality.

In 1980, the year before Welch became CEO, GE recorded revenues of roughly \$26.8 billion; in 2000, the year before he left, they were nearly \$130 billion. When Welch left GE, the company had gone from a market value of \$14 billion to one of more than \$410 billion at the end of 2004, making it the most valuable and largest company in the world, up from America’s tenth largest by market cap in 1981.

Years later, Lou Gerstner faced many of the same internal barriers when he became CEO of IBM. As he explained in his memoir, *Who Says Elephants Can’t Dance?*, when Gerstner arrived in April 1993, IBM’s culture had become insular and “Balkanized.” More than 100,000 employees had lost their jobs in a company that had from its inception maintained a lifetime employment policy. Layoffs and other tough management measures continued in the first two years of Gerstner’s tenure, but the company was saved. IBM’s business success has continued to grow steadily since Gerstner’s retirement in 2002.

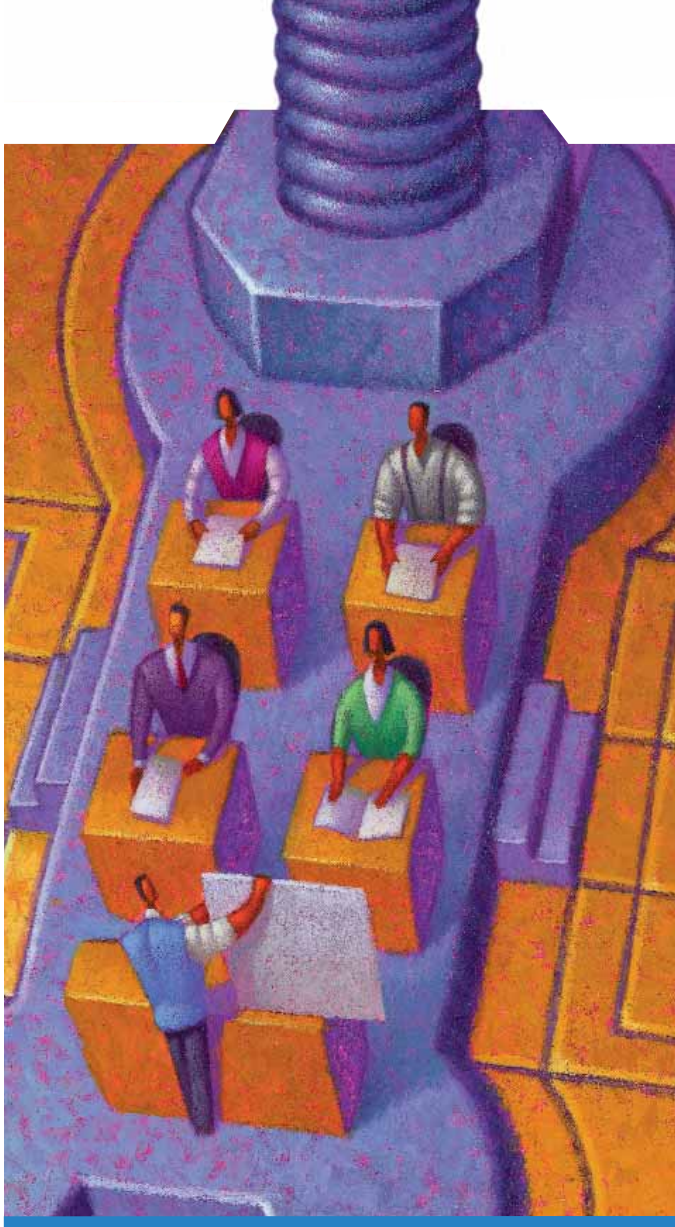
KL@TG: What has happened at GE and at IBM since Welch and Gerstner retired?

TAYLOR: Although Welch’s successor, Jeff Immelt, has not exactly “blown up” GE, he has driven significant changes throughout the company, as has Gerstner’s IBM successor, Sam Palmisano. The need for such change never ends. Knowledge management must capture the principle of constant learning, which we call Cycles of Learning®, so the most efficient and effective ways of working are continuously being implemented. Modernization requires change, as does meeting customers’ requirements in the best way possible. Even huge companies such as IBM and GE must constantly re-invent themselves with leadership that drives necessary improvement throughout the entire enterprise. Both Welch and Gerstner struggled to overcome all manner of obstacles and barriers, and the worst were cultural.

KL@TG: Please explain how Thomas Group helps its clients to drive change.

TAYLOR: First of all, we view an organization horizontally, not vertically. We focus on driving change by executing a proven Process Value Management (PVM) results-driven methodology. Working closely with clients, we identify the highest leveraged processes, whether they are business processes, management processes, or core processes, and measure the current and future operating efficiency.

Next, we establish operational and financial objectives and assess their impact on the organization and the enterprise. Being results oriented and knowing that a process is a series or sequence of definitive actions that deliver consistent results (with defined inputs and outputs), we know what the envisioned state will yield. Once the work scope is submitted



and approved, we implement a hierarchical change and governance structure so that newly formed cross-functional teams will be empowered.

Teams are formed, and they begin mapping select high-level processes so key action flows and work packages can be identified. Knowing the incremental value (speed, quality and productivity) that exists in each process leads us to identify barriers and root causes of waste. Our methods allow us to rank barriers and prioritize the impact the removal will have, so that we can accurately assess which barriers will be the most challenging to remove, and yet yield the highest impact; and which ones are not core processes, but have become substitute processes and are truly loaded with cost.

Is this a recipe or an art form? CEOs for whom we work tell us it is both. It is important that change be incremental, always linked to an intended result—and not all change can occur at once. Knowing what to change—and where to focus the driving improvement efforts—is the art. Being aware of any unraveling of critical processes that were identified as constraints comes with know-how and experience. One thing is certain when driving change: 99.9% of the time, you do not remove the substitute process first. A substitute process is one that the culture has installed as a work-around to the original process' lack of productivity.

KL@TG: The process of helping clients drive change must require effective management as well as effective leadership.

TAYLOR: Indeed it does. That's why we work with clients to identify specific tasks and priorities, and then link all actions to results as the cycles of learning from the enterprise continue. An organization and enterprise committed to learning must take what it knows from the perspective of action learning and knowledge management, and disseminate what has been learned so that the organization can become a total learning enterprise.

Our methodology generates an abundance of opportunities to stimulate and then support “total learning” while guiding and informing process improvement initiatives.

There are two other points I wish to make. First, throughout the completion of assignments for our clients, we are especially alert for initiatives that we characterize as “firefighting.” These activities illustrate what Stephen Covey had in mind when suggesting that too much time is spent on what is urgent and not enough time on what is important. Substitute processes — that is, responding to symptoms rather than to root causes — offer an excellent example of firefighting. It is imperative that when driving change across an enterprise, everyone sees the entire “forest,” not only its individual “trees.”

The second important point is that change initiatives involve a journey of discovery to learn what should be done and how to do it better. In this context, I am reminded of what Peter Drucker said in an article that appeared in the *Harvard Business Review* in 1963: “There is surely nothing quite so useless as doing with great efficiency what should not be done at all.” Thomas Group's results-driven, cross-functional methodology is but a means to an end: achieving desirable results.

KL@TG: Much has been written by Drucker and others about the importance of knowledge management, especially in terms of creating and then sustaining what you term a “total learning organization.”

TAYLOR: Our methodology generates an abundance of opportunities to stimulate and then support “total learning” while guiding and informing process improvement initiatives. We expedite access to what Carla O'Dell (who is interviewed elsewhere in this issue) and C. Jackson Grayson characterize as “beds of knowledge,” which are “hidden resources of intelligence that exist in almost every organization, relatively untapped and unmined.” We then drive dissemination of best practices throughout the enterprise when transferring knowledge. Thomas Group creates value for each client in countless ways. How important are results to us? Results and breakthrough process performance are everything we are about. They are what drive change and, therefore, they are what drive us. ❧