

Systematic Management
CASE STUDY

Making Alliances Work

Transforming customer and supplier performance on complex contracts

Profile

Organisation C was a 'virtual organisation'; a joint venture between a well known IT company and a major UK retailer, to develop and implement an innovative, efficient and customer-friendly Point-of-Sale (POS) system - commonly referred to as a check-out. The organisation consisted of about 150 staff in total, based in two different locations: about 50 staff were employed by the retailer's IT department, and were based at head office, and the remaining 100 staff were employed by, and based at, the IT supplier.

Issues

Although the IT supplier had been appointed following a rigorous selection process, and it was already working with the retailer, the recent history between the two organisations was far from harmonious, and was imbued with a lot of mistrust and a tendency to blame the other party whenever things went wrong. Sadly, this drove both organisations to express their requirements in greater and greater detail; a strategy which was poorly suited to the inherent complexity and the rapid evolution of the technology.

Objective

Key people in both organisations recognised that if Organisation C was to be a success then the working relationships would need to change radically. The proposed project was critical to the retailer's short-term and long-term competitive strategies, and it was vital that the systems fulfilled their specification and were rolled out to schedule. Equally, the complex and evolving nature of: the competitive environment; the requirements; and the technical possibilities, meant that resolving trust issues through tight specifications would severely limit, and probably compromise, the end result.

The retailer had been using QFD* in a number of other areas of its business, and recognised the potential of the tool to create and focus a higher level of teamwork and trust between the two organisations. Accordingly, it was agreed to use QFD to develop a 'virtual organisation'; an interrelated structure within two separate organisations, with common goals and agreed ways of delivering them.

Approach

Goal setting

Historically, the mistrust and resulting inefficiency existed at all levels between the two organisations. While the QFD was intended to directly address these issues within the team, most of the particularly disruptive interference originated at more senior levels within both organisations, outside the normal practical remit of the QFD process. However, it was felt that if the objectives set within the QFD succeeded in explicitly reconciling the different

QFD is a powerful methodology for determining objectives and for mapping out appropriate strategies to deliver them. For a more complete explanation of QFD, read the accompanying overview: 'Transforming Management Performance' available without charge from www.tesseractacts.com



Fig. 1 The power of combining competences in an alliance

needs of these two groups, then this would do much to manage and alleviate any heavyweight political influences on Organisation C and its working processes.

Accordingly, it was felt prudent to interview all the key players on both sides, and to use the results of these interviews as input into the objective setting process. The interviews utilised a number of devices to solicit the aspirations of each of these directors, to bring some of their hidden agendas to the surface, and to clarify what was needed to sustain their confidence over the duration of the project. The results were analysed, grouped, and pulled into a clear set of objectives which were revalidated in a presentation back to the senior people in both organisations.

The objectives were then shared with Organisation C's management team, who were given an opportunity to further develop them by defining measures and setting performance targets.

Developing the process model

The process model used by Organisation C's management team was adopted directly from the one used by the retailer's IT department (c.1000 people at the time of this case study). The reasons for this were practical. Firstly, it was a well thought out model of IT processes that had been proven in practice. Secondly, the rest of the IT department was organised along these process lines and was already using QFD to improve their performance in these areas. And thirdly, it meant that any process improvements arising from the QFD work undertaken by the rest of the IT department could more easily be adopted by Organisation C. The above arguments were put before Organisation C's management team, and on this basis it was agreed to adopt the existing process model.

Exploring process potential

Having agreed the objectives and the process model, the QFD grid* was developed in the conventional way using

Fig. 2 Initial exploration of the QFD for Organisation C

voting cards and consensus reaching. This was a particularly key piece of work for the combined team, because each grew to understand more about the processes and approaches adopted in the other parent organisation. This understanding could then be used to develop new possibilities and to gain greater insights into why the other organisation behaved as it did. The end result was rich, not only in terms of the creative ways that Organisation C could pursue its objectives, but also in reflecting a deeper shared understanding of each other, and a renewed developing trust that was based on that understanding.

Making proposals on how process potential will be fulfilled

Having explored the potential of the processes to deliver the objectives, a suitable manager was appointed to head up each process (roughly an equal number from each parent organisation) and a team pulled from members of both organisations was appointed to help develop and

operate the process. This further developed understanding and trust.

The first task for the process teams was to develop proposals for the contribution each process would make to achieving the top-level objectives. Rather than use a standard form for the proposals, the team worked together in a syndicate to develop a set of criteria which they would use to evaluate the quality of their proposals (and other people's). The syndicate was short (only about half an hour) but it gave the advantage that the managers fully understood what was required of a good proposal and why, and were committed to the conclusions. In the event, all the proposals were of a particularly high quality, and the winning proposal (as voted by the team as being the one that best fitted the agreed criteria) won a bottle of champagne for its authors.

Prioritising performance improvement

The biggest concern for Organisation C's management team was balancing the work of systematically managing and driving the performance of their processes, with the challenge of delivering project outputs to an onerous schedule. This was far from being a trivial issue, and it was concluded that process improvement was vital, but it had to be focused in a limited number of crucial areas if it were to avoid overloading the team.

By discussion, three of the four highest scoring processes were selected to be worked on and improved. The highest scoring process (Provide and Grow People) was not one of these, but was already the subject of extensive improvement within the retailer's IT department, and was of a nature that the team felt sure they would benefit from what was going on centrally.

The key challenge for Organisation C's management team was whether they could deliver sufficient improvement to meet their overall performance targets by focusing solely on the priority processes. To evaluate this, the team split into syndicates to review each of the objectives and see how they were supported by the process proposals. Each syndicate group first reviewed the proposals of the priority processes to determine whether they alone could deliver the required performance. If they could not, they next determined whether an amendment to those process proposals could close the gap sufficiently. If it could not, they next worked through what they might need from any other proposal to ensure that the target would be met.



Fig. 3 Evaluating the impact of process proposals

The grid of the QFD is the central area of the QFD diagram where the potential contribution of each process to achieving each objective is explored and mapped out. (See Fig. 4)

Their conclusions were marked on the QFD diagram as shown below.

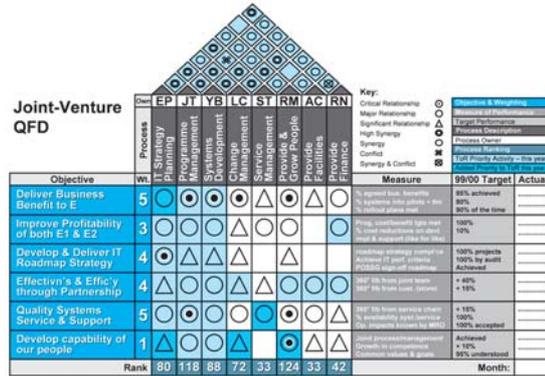


Fig. 4 Finalised QFD for Organisation C

Pale blue grid squares illustrate where aspects of the original proposals have been accepted as-is. White squares reflect where the proposals were not needed to fulfil the objectives. And darker blue squares reflect where there was a need for a greater contribution from the process proposal to meet the objective.

The grid illustrates that many of the objectives could be delivered mostly (or in two cases entirely) through the priority processes, with very little change in the proposals. However, there would be some need for improvement from the other processes, though not on the scale originally envisaged. With a few further adjustments it was agreed that the additional requirements could be fulfilled through special projects linked to the priority process work. This freed the non-priority process teams to focus on their normal work and support the priority processes where required.

Planning performance improvement

Having agreed the priority processes and what they needed to deliver, the management team developed a plan for how the improvement was to be delivered systematically. The challenge here was to ensure that the process managers had enough say in what they were going to do that they were committed to delivering it, while at the same time ensuring that their final plan was robust and systematic enough to ensure success. To achieve this, a number of planning cards were developed (an example of which is shown below) and the process

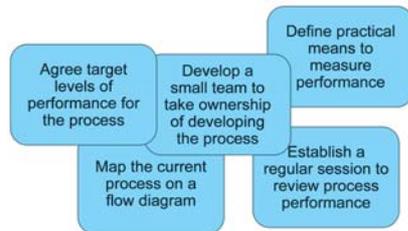


Fig. 5 Planning cards devised to guide the planning syndicates

managers were grouped in syndicates and asked to develop their forward plan. They were told they could use the planning cards, leave out any that they did not want, or add new ones if necessary. The end result was

that they used most of the cards, thereby ensuring that their plans didn't miss out on key steps.

Reviewing performance improvement

A second syndicate exercise gave the team a chance to think through what a systematic approach meant for them personally. Using the six aspects of a systematic management approach* as a checklist, the team agreed the practical elements that they would employ to ensure systematic progress in their process performance. From this agreement, a monthly meeting was structured to review progress and overall performance.

The first part of the meeting (approximately half an hour) was concerned with ensuring an overview of performance: for the virtual organisation as a whole; for the individual processes; and for the management in completing actions from previous workshops. It is important to note that this last point was simply a measure of performance (illustrated below), it was not an

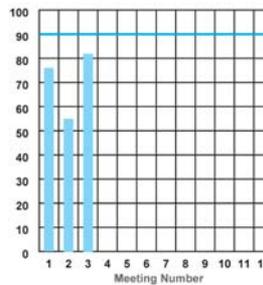


Fig. 6 Graph of performance in completing actions

opportunity to update people on actions that should have been communicated in preparation for the meeting.

The second part of the meeting was focused on addressing the priority issues identified in the first part (including, on

occasion, non-performance in completing actions on time), and ensuring they were actioned. It also provided an opportunity to reconsider any targets in the context of any external change.

The third part of the meeting was concerned with developing the management team's understanding of the key topics. It had long been recognised that the management team were largely reactive to new thinking, and not in a position to grasp new ideas as they came along and evaluate their possibilities for the group. To address this, the group developed a schedule of 'hot-topics'. These were allocated to members of the management team to 'research' with regard to their potential for the organisation. This third part of the meeting was for those members to feed back their findings on a rota basis, and where appropriate to present proposals to the rest of the team.

Building the virtual team

Because Organisation C was situated on two sites, communication between the different processes was often difficult, with resulting inefficiency and mistrust. The roof of the QFD* provided a particularly valuable mechanism for addressing this by exploring the

The six aspects of systematic management are covered in detail on the Tesseract website www.tesseract.com

The roof is the triangular top section of the QFD diagram where the interactions between processes are explored. (See Fig. 4)

communication needs between the process teams.

By evaluating whether improvement of each process was in synergy or potential conflict with the improvement of other processes, each process owner could reach agreement with each other process owner about what they needed to communicate to each other, and how frequently. These communication plans did much to unburden the main management meeting of items, and to improve the teamwork across the virtual organisation.

To further develop teamwork, Organisation C instituted a series of monthly teambuilding events, each looking at

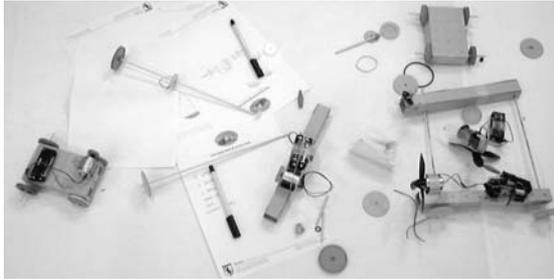


Fig. 7 Teambuilding through designing and racing model carts

relationship building on a more personal and individual level - this provided a means for people to address the more emotional and unstructured aspects of their relationships, and on occasion to blow off steam in a safe environment.

Post note

Sadly, despite major shifts in both relationships and performance, the work on QFD did not bear fruit in this instance. A major political shift at the top of both parent organisations created a number of changes in the boards, and for the retailer, with the new appointments came the intention to outsource all IT work. New brooms sweep clean, and the outsource company had its own agenda, its own way of doing things, and its own IT suppliers - accordingly it did not invest too much time in seeking to understand the existing approaches, even where they were working well, and Organisation C was killed stone dead. In hindsight this is quite understandable - during high-pressure change it may be better to focus on a winning formula that you are familiar with, rather than distract key resources with things that might only serve to confuse the picture.

To learn more about systematic approaches to management visit www.tesseractacts.com

This case study has been extracted from 'Managing by Design: Transforming Management Performance through QFD' published by Tesseractacts November 2002, ISBN 0 9543021 0 9, with permission of the publishers.

'Managing by Design: Transforming Management Performance through QFD' can be obtained through the Tesseractacts website: www.tesseractacts.com, or purchased from Amazon.co.uk.

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