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The Missing Link to **Effective** Business Improvement



*In a series of articles, we discuss key challenges and solutions to making business improvement more effective, efficient, and sustainable. The first article is about **Improvement Effectiveness**.*

Ineffective Business Improvement

Over the last 20 years, we have been part of many successful improvement initiatives that resulted in better quality, reduced lead-time, lower cost, and other benefits. Unfortunately, we have also seen many people, projects, and programs struggle immensely to turn improvement opportunities into value-added solutions and succeed with effective business improvement.

Our experience correlates well with several studies that show an average success rate of 30–50% for business improvement projects and programs [1] [2] [3] [4] (Figure 1). This is a surprisingly low level of effectiveness considering the number of valid methods, tools, practices, and other available supporting elements.

Low improvement effectiveness hinders organizations in seizing opportunities, addressing key performance indicator (KPI) gaps, implementing best practices, leveraging employee ideas, resolving urgent issues, and reducing waste and defects. What might be even worse is that problematic and unsuccessful business improvement can lead to organizational change fatigue and fire-fighting behavior, leading to low motivation to engage in any improvement activity.

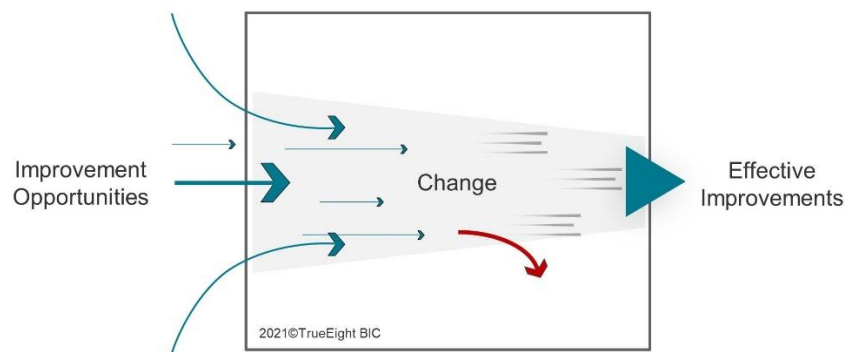


Figure 1. Business improvement effectiveness.

Systems Thinking - The Missing Link

Low improvement effectiveness and a poor success rate are typically resolved by building up the organization's improvement capability and capacity, for example, by training people and implementing better methods and tools. However, an often-overlooked factor that can significantly impact improvement effectiveness is *Systems Thinking*.

Systems thinking is “a discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing ‘patterns of change’ rather than static ‘snapshots.’” [5]. In business improvement, systems thinking provides the means to view and manage key elements like people, process, performance, and technology holistically during change.

Systems thinking creates a shared understanding among stakeholders of current issues, constraints, causes, opportunities, and solutions, which significantly helps the improvement team succeed. Without systems thinking, the risk of sub-optimization is high—in other words, solutions that resolve problems in one area create new problems elsewhere. Lack of systems thinking also makes it harder to get an overview and control over the improvement initiative, with an increased risk of confusion and conflicts.

Apply Systems Thinking

Deming, Shingo, Senge, and other established thought leaders have promoted systems thinking, but they were aware that it could be challenging to apply the concept [6]. Therefore, we developed the Eight Elements model. It is a simple but powerful tool based on Ishikawa’s cause-and-effect diagram that helps depict any part of a business as a system (Figure 2).

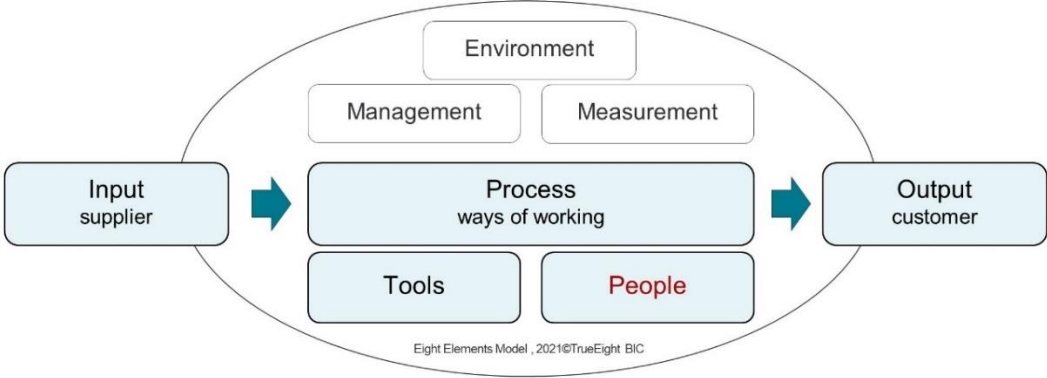


Figure 2. Systems thinking with the Eight Elements model.

The Eight Elements model helps apply systems thinking to improvement initiatives by visualizing key elements that must be managed during a change to avoid sub-optimization and ensure the improvement of the whole work system. As shown in Figure 2, effective change has been achieved when *people* are competent and motivated to use functional *tools* to carry out the work *process* that transforms *inputs* into valuable *outputs*. In addition, *management* needs to provide helpful steering based on accurate *measurements*, and a safe and sound *environment*.

Manage Change in Three Dimensions

While undertaking an extensive improvement program in the 90s, General Electric found that many improvement projects failed, although they were technically strong [7]. GE realized that effective change depends on the quality of the solutions, people’s acceptance of these solutions, and the leader’s willingness to be accountable for the changes.

The reason why these three factors are so crucial for effective change can be understood by categorizing the Eight Elements mentioned above into three dimensions (solution quality, people acceptance, leader accountability) that needs to be managed very differently during an improvement initiative.

Solution quality contains the elements *input, process, output, and tools*. The focus in this dimension is to manage the development of solutions that improve the performance of transforming inputs to outputs that are highly valued by the customers.

People acceptance contains the element of *people*. The focus in this dimension is to manage the people affected by the change by involving them and developing their acceptance and buy-in of the change, which often involves new ways of working.

Leader accountability contains the elements of *management, measurement, and environment*. The focus in this dimension involves managing the business case for the change (why), the scope and objectives (what), and the support of leadership during the change (how).

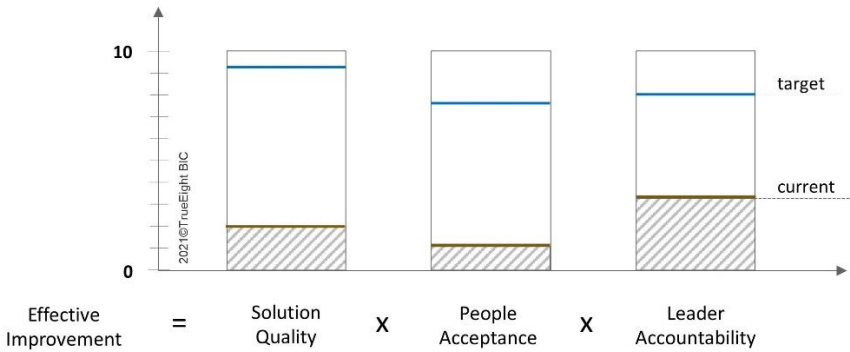


Figure 3. Three dimensions of change to be managed and advanced by undertaking project activities.

As illustrated in Figure 3, the three dimensions of change have a multiplicative effect on improvement effectiveness, which means that ignoring one dimension can have severe consequences for the whole project. All dimensions, therefore, should be managed actively through a continuous cycle of the following steps: (1) check the current situation, (2) adjust target level if needed, (3) plan project activities to achieve targets, and (4) carry out planned activities. The cycle continues until the solution quality, people acceptance, and leader accountability have reached sufficient levels to overcome the stabilizing forces that keep the organization under the status quo.

Benefits of Integrated Business Improvement

We have applied systems thinking using the Eight Elements model and three dimensions of change (Figure 4) in more than 30 improvement projects and 25 training sessions with excellent results and

positive feedback. This approach helps people and projects create a shared understanding of the current situation, pinpoint causes of poor performance, co-create and develop solutions that add value, avoid sub-optimization, and manage the project more effectively.

Applying systems thinking in business improvement also shows the importance of integrating improvement methods like Lean, Agile, Six Sigma, Business Process Management, and change management. Lean and Six Sigma, for instance, are invaluable for the more technical and process-oriented solution quality dimension, whereas change management is vital in managing people acceptance, and project management, for example, is of great support in the leadership accountability dimension.

What we also have empirically found when applying our approach to systems thinking is how well the three dimensions of change correlates with established frameworks like the PEST analysis, strengths deployment inventory [8], situational leadership [9], rhetorical triangle [10], and taxonomy of needs [11]. This correlation further confirms that systems thinking, applied through the Eight Elements model and the three dimensions, is essential to effective business improvement.



Figure 4. The three dimensions of change correlate with several well-established management models.

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