5 of the Best

The Top Questions & Answers of 2009 with Stuart Corrigan

Question 1:

Stuart's Q: What is the biggest problem you have in your change programme?
A: *Getting the decision makers to change the way they think about change programmes and how to deliver them effectively (they tend to be treated as "projects" with a start, middle and end)*

Stuart's Q: How difficult has it been to solve it?
A: *Very*

Stuart's Q: What has caused you to want to solve it now?
A: *In the current climate with the odds of job losses ever increasing - we cannot afford to embark on expensive, conventional change programmes that may look good on paper but fail to deliver on the ground.*

Stuart's Comments:

There are two strategies you need to solve this problem, the first is around pre-eminence, the second is getting the leaders to recognise the issues for themselves but you can't get this without pre-eminence.

Here's what I mean. We both agree (I assume) that you need to get the leaders out into the work so that they can see for themselves that the problem is the design and management of the work and that this can only be changed by different thinking, not a project.

But trying to get them out into the work for two days is nigh on impossible (and I know we agree on that). So your best bet is to not even try until they ask you. This is about how you position yourself. This is called pre-eminence.

What you have to do is write a white paper on the subject. You don't address management treating change as a project directly but you do slip it into the paper.

And then you write and write and publish and publish, by doing so you make yourself the pre-eminent adviser on the subject. Then when your management team start to see you as the expert your relationship changes and they start to take your advice.

The general premise of a white paper is that you address the areas of your subject that no-one else talks about i.e. the grey areas or the things that go wrong.

The structure is:

1) **A good title:** "Why change fails in local authorities"

2) **A thesis:** "This paper addresses the main reasons why change fails in local authorities, it concludes that what leaders need is to think of change as an ongoing way of working rather than project based work."

3) **Pose the questions you want to address:**
   a) How many change programmes have failed in the UK over the past few years?
   b) What are the main reasons for failure?
   c) What leadership attributes are required to run a change programme?
   d) How is this different from what most leaders do?
   e) What are the key stages in running a successful change?
   f) What do leaders need to do to make it stick?

4) You **include a resource box** to offer a strategy session to avoid programme failure, here is the link to mine so you get the idea http://www.vanguardscotland.co.uk/change-management-strategy.html

Let me be honest, this won't solve all of the problems all of the time but you will get treated differently and will have a better chance of getting the leaders to do what they should, spend time in the work. And in doing this your job is to get them to see how that the problems in the work are systemic and cannot be sorted by running a project. Here is the link to my scoping session, feel free to use the text. http://www.vanguardscotland.co.uk/change-management-scoping.html

Question 2:

Q: *I work in a large and complex life insurance and investment business and we have been changing huge areas of our business using the Systems Thinking method for over 18 months now.*

My question is really about how a Systems Thinking approach fits with other perceived business drivers; particularly our declared objective to cross sell more of our products to existing customers, up sell more of the same and crucially retain more of our existing customers for longer.

I hope it is not an over simplification but the Systems Thinking argument I think goes something like this - Our purpose is to design our work to fulfil the "nominal" demand of our customers (eg provide a retirement income). If we do this well we will deliver a level of service that our customers expect, we won't make mistakes, we will keep our promises and waste and failure will have as little impact as possible on both us (in terms of costs) and our customers (in terms of frustration and disappointment).

Customer satisfaction is a by-product of the way the work works. Like staff engagement it comes for free as we redesign our system against the value demands of our customers.

Because we are delivering what we promise (within our control) it is a natural consequence that customers stay with us and buy more from us. Our brand promise and the actual real experiences of our customers are aligned. There is no need to "Push" additional products or up sell at every contact opportunity - fundamentally this is not responding to customer demand (e.g. please change my *address) but is part of our own agenda and will cost us money, might not work and could undermine our newly designed business.*

If this argument is correct we would be far better redesigning our service and getting the basics right before embarking on a major up-sell / retention / cross-sell programme across our operational business. Especially when over 1/2 the work we do is waste / failure.

As you might guess the logic above does not resonate with some key players in our business. In fact I'm not even sure that I have captured what an experienced "Systems Thinker" would propose.

What do you think - does pro active multi-channel CRM type retention and cross-selling have a place in a Systems Thinking service organisation?

Stuart's A: Many thanks for your question. This is a really important subject because I don't think that there's an obvious enough link between Systems Thinking and growing your business. But I will do my best to give you my philosophy on the subject.

As you say it's a given that in order to enable people to buy from you, they have to have a good experience and it has to be easy to buy. Additionally when they make a service request it should be fulfilled quickly, with high quality and in such a way that it's efficient for the organisation. So the customer has a great experience, they tell others and you most likely get some organic growth.

Additionally because the customer has had a good experience I think it's logical to suggest that they are more open to hearing from you, but that doesn't necessarily mean that they will buy more. This is when you have to think about Systems Thinking from a slightly different perspective. Let me try to lay it out as a series of principles.

1) **Pull not push**
   a) Having done what matters to the customer (or met their nominal value), you have won their trust. Now you have to ask permission to talk them on a regular basis. So once you have done what they asked, you ask a question "Can we talk to you once per week/month/year with highly relevant information to your circumstances. Also you need to make sure that the offer is designed from the customer's point of view. It talks in terms of what they want to hear, not what you want to tell them.
   b) But you must make sure they have a good experience first! I tried to get a quote during a famous insurance company's 'quote me happy campaign', it was a terrible experience.

2) **Create even more value for the customer**
   a) Assuming that you know what matters to the group of customers with which you want to converse, you have to now add value. You do this by providing content that is associated with your product, even though it will not necessarily lead to a short term sale for you. For example let's say you provide annuities for retirement. And you know what matters to your customers is income maximisation, tax avoidance and providing for a spouse after death. You put together information booklets/CDs/DVDs etc that are easy to understand and have useful content that can help customers meet their goals. <u>In other words you become a reliable source of expert information, a trusted adviser</u>.
   b) Then every so often you put an offer in communication that a client may want to buy.
   c) But there's no point doing this if when they've asked you for something and you messed up.
   d) You also need to plan the whole process so that it's slick and easy for the customer to get something if you offer it.

3) **Reduce waste to free up capacity**
   a) It need not be the case that designing and administering the whole sales funnel should cost money, because if you have freed up staff from the improvement of flow then you can use them in the new marketing processes.
   b) Also you should gather data on the lifetime value of a client so that you know how much you can afford to spend on each client.
   c) But yes before you go working on outbound processes make sure that you're making the most of the inbound stuff.

4) **Gather capability data, then test rigorously and maximise**
   a) Before you go designing new outbound processes first gather data on what works now, then start to tweak these to optimise their performance. For example change headlines, pictures, copy, offers, testimonials, check the frequency of mailings, check your database and see how much failure demand a campaign attracts.
   b) Make sure that everyone who wants to spend money with you actually does spend money with you. Last week I saw a car I liked on a website, I filled in the details and then waited, I thought my phone would ring within minutes. Four days later they called and it was too late.
   c) Dump the processes that perform poorly and put more money behind those that perform well.
   d) Make sure you know exactly how each process drives traffic and converts.

5) **Keep learning**
   a) Once maximised, look at others to see how they have leveraged their operational capability. The most obvious thing to do (but UK businesses don't) is to use your improved capability to make a guarantee. Can you think of how you can leverage your new and improved service to give clients more confidence so that they try you out?

I think that a company that has previously worked on push CAN move to a different model, especially as it's cheaper and much more aligned to growth and profitability. The challenge is that it takes time and patience to improve the operational capability such that you win over the confidence of a client. And that depends on whether management are willing to do the work to build relationships with clients before they ask them to buy more.

Finally, I'm thankful that you took the time to write, as using Systems Thinking as a means to an end is a subject close to my heart. Too often I've looked at how well I've done Systems Thinking rather than asking how I can leverage the operational and measurement capability to create more demand in the market.

Question 3:

Q: *I'd be interested in your thoughts on the current trend emerging from the Agile community on Kanban, or push versus pull systems? The latter deals with variability by not defining end dates and controlling queues and WIP limits (over-simplifying I know.)*

Critical chain, as far as I can see, assumes that schedules are a good thing to manage. Pull systems tell you to manage the workflow (aka TPS).

Stuart's A: Agile and Kanban are techniques applied to operations environments. The basis of Kanban, as you say, is that it manages flow and inventory by using buffers in a pull system. It allows operators to see defects and stops overproduction. Agile is typically used to manage variety and works best (as I understand it) in T-shaped plants where variety can be added at the end. For example in a car plant where lots of Land Rovers were being built the extras could be added at the end.

The problems occur when you try to apply the same techniques to a service system. What's different is that that customer is involved at the point of transaction and decides what matters to them there and then. Hence the system has to have the ability to absorb the demand at the front of the system. Think of member packs in marketing communications. Though each pack starts as a white shell, the customer decides at the front of the system what they want in their pack. If the variety is added too late in the system then all that happens is waste is introduced as a result of going back and forward between the client.

In terms of Kanban it can be thought of like this: it's helpful in processing and production environments to make sure that you understand where the capacity is constrained in the system i.e. who is most likely to be overloaded. The capacity constrained resource must be kept busy, must never do re-work and must get work clean. So because Kanban works in conjunction with a physical or time buffer a good place to start is to make sure that the capacity constrained resource is given clean work and never runs out of work as a result of poor flow. That said, in my opinion in most service organisations there is no real capacity constraint, the degree of waste (unclean info, functional design, rework, behaviour caused by targets and incentives) is such that if the system was changed you'd probably see 50%-60% capacity improvement.

The key in service organisation is to focus on flow.

In projects, Agile doesn't apply because the network determines where the variety is added, there is no choice. However Kanban is used in critical chain. At the end of the network a time buffer is applied to provide an early warning of late running projects. Also the convergence point (the point at which all work comes together) is usually the constraint hence the resource around that point is managed to make sure that no time is lost here. In that way it's not the schedule that's being managed but the consumption of the buffer.

Question 4:

Q: *We all agree that a poorly designed and managed system/process is counterproductive to satisfy customer's needs effectively and efficiently. However, the process of changing the system for the better via a change in thinking, eventually comes down to delivering a process in a particular way (the need to accommodate variation not withstanding). The improved way of handling certain types of customer demand would therefore need to be specified and adhered to ensure predictable outcomes - is this not standardisation? What other name would you label the practices and behaviour of the redesigned system/process?*

Stuart's A: Standardisation can be put in place when the nature of demand has been established. Standard processes can be designed against standard demands. For example let's say that you knew that 65% of you customers called in to ask for the balance of their business account, a standard process can be established to provide the answer to that question. However the problem occurs when standard processes policies and procedures are put in place with when no account has been taken of the nature of demand.

For example in the UK my bank (The Bank of Scotland) decided to standardise how they managed personal and business accounts. If you were an operator in the call centre you would now not be allowed to deal with both. So as a customer I used to be able to have a single operator transfer money from my business account and then pay bills with it from my personal account. The bank's new standardised approach to dealing with business and personal customers differently means I now have to call twice.

Had the bank studied the nature of demand they would have made the system able to absorb demand, and would have had a process for handing a customer who had a business and personal account (assuming I was not the only one).

Hence the way to standardise is first to understand the nature of customer demand and make sure that the system can handle all the demands placed on it. The most important issue is not what standard processes are required but what is the nature of customer demand and how can we make sure that our operators are enabled to handle everything.

Question 5:

Q: *In Scotland in the addictions field we are all facing a huge shift in emphasis from a treatment modality (i.e. Methadone prescriptions) to Recovery (i.e. focussing on the holistic person - improving quality of life). This is significant in terms of service redesign and a system overhaul.*

I just wondered what kind of support you could offer - we want to change how we deliver services and the biggest problem we have is that our current system is under so much pressure we have no room to make that turning space. How do you create turning space when the front end of your system is under so much pressure - the mid end is at capacity and there is little throughput at the backend. Existing systems are convoluted and confusing for clients to negotiate and we are facing targets from the Scottish Government that have no bearing on whether or not the service we provide is of quality and what people want.

Stuart's A: The question needs to be answered in two parts. The first is how to create capacity and the second is how do you start to improve the wider system around addiction? Let me try to deal with each separately.

1) **Creating capacity in the current system**
   a) Without being glib, to create capacity requires knowledge of how the current system works today. And in your system you have to know two things. The first is the type and frequency of demand into the system, i.e. who wants help, how often and what help do they want. When you get this data you might find that there are some people who would be better served elsewhere, or some who are having to make multiple demands on the system to get what they need, hence destroying capacity.
   b) The second piece of information you need to get is your capability to serve those that need your help. I.e. how often do they get what they want and how easy does the system make it for you to deliver what they need?

Let me give you an example. A few years ago we did some work in cancer care. They had similar problems to the ones you describe. As you can imagine it was tough but very satisfying work. We worked with the medical staff and hospital administrators to teach them how to study their system. They soon found that the nature of demand was predictable in terms of frequency.

But what they also found was that there were a percentage of the clients referred from doctors that should not have been referred and they made plans to work with doctors who needed additional help in the pre-diagnosis stage. Additionally there were some patients that had been given the all the clear many years before and therefore had no higher likely hood of contracting cancer than someone who had no history of cancer. There were obvious opportunities to reduce the demand into the system.

Whilst I can't and wouldn't say that the same would be true of your system, gathering data on the type and frequency of demand would be my first port of call, it's likely to provide useful data if not about how to reduce demand, then to prove the true levels of funding and staff you might need in your system.

Additionally when we studied the flow of a patient through the cancer diagnosis system, it was obvious that the process was cumbersome, slow and filled with red tape. And when systems are slow to respond to what matters to customers, they (the customer) tend to place more demand on the system to find out what's happening.

Hence it's likely that you would get some benefit studying what's involved in your service provision. You may find that there is unnecessary bureaucracy and policies that would be better removed for those afflicted with the addiction and would reduce the cost of running the service.

Having created capacity by doing this I would suggest that it's incumbent on you to make the wider system better and actually do things to help remove the addiction (yes a statement of the obvious I know). But the question is by what method. I will deal with this in the second part of my answer.

2) Optimising the larger system and improving care throughout the system

a) As in my first response the answer to actually improving the whole system lies in understanding the points of failure in the system. It may be that those points give the clues to what happens when a methadone dependant citizen reaches out for help and is let down, thus further exacerbating their addiction.
b) To provide insight would require, in my opinion, a slightly different approach. Rather than working forward, you work back. Take 20-30 people who are in the system currently and work back though their typical journeys. You may have to involve many different agencies: benefits, housing, the criminal justice system, accident and emergency, the local GP practice, and of course your own system. As you study a typical journey you will no-doubt find predictable points at which help might have been effective and welcomed, or points at which help was wanted but there was no method for its provision.

Though this might prove a difficult task I'm sure it would be a worthy one. My experience in multi-agency work with the criminal justice system and local authorities is that with the right leadership much can be changed.

Many thanks for taking the time to read this guide. Please feel free to pass it to a friend or colleague. For further Vanguard Scotland resources and help please go to the next page.

Change Management Strategy Session

A change management strategy session that will allow you to learn how to maximise the performance of your organisation - in just 4 hours

Have you ever wanted to optimise the performance of your organisation, division or department? We can show you exactly how to do it in this four hour strategy session.

First what do we mean by optimisation? We mean squeezing everything you can out of everything you've got. Revolutionise your service, improve morale, get marketing that pulls over and over again, all with low costs. For more information on this course click here

Leader's 2-day Tactical Review

The purpose of this service is to help leaders understand how using the Vanguard method can help them improve service, reduce costs and boost staff morale. Leaders will have the opportunity to make an informed decision about proceeding to the 'Check' stage and to understand the practical application of the principles behind our method.

A 'Leader's Tactical Review' can be carried out within 2 days. This programme consists of a high level activity and is carried out by members of our consultancy team with the leader's involvement.

It will focus on understanding and making visible, demand and flow. It will also show the volume of value and failure demand entering the system and the extent of waste in the flow. This will enable us to arrive at an understanding of what matters to customers which, in turn, allows us to define the purpose of the system in customer terms. We can then establish what leaders pay attention to in the current system and understand the effect that their 'thinking' has on current performance. For more information click here

For any other assistance or information please contact us at office@vanguardscotland.co.uk or on 0131 440 2600.

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