



Servco Corporation Organization Transformation

*Case Example
LAW Organization Change Consulting
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Agenda

- Client Request
- Purpose of Organization Transformation
- Organization Assessment: Methods
- Organization Assessment: Findings
- Game Plan Elements
- Timing
- Resource Requirements
- Metrics
- Critical Success Factors

Client Request

- The CEO of Servco requested Louis Allen Worldwide to assist them in transforming Servco from a company struggling to maintain its position as the #2 player in its market to becoming an organization that performed better than the #1 player and could overtake it in 5 years.
- The CEO believed that the very nature of the Servco organization was the root cause of its current struggle to maintain its position as the #2 player. He identified “culture” as the target for change.

Purpose of Organization Transformation

- The Servco organization is not performing up to its capabilities and is not delivering the business results desired because of internal inefficiency and ineffectiveness.
- The Servco organization is not changing or executing fast enough to catch up with and stay ahead of the competition.
- *Therefore, the purpose of the Organization Transformation is to significantly improve the efficiency and effectiveness of the Servco organization to drive business results.*

Organization Assessment Methods

Interviews conducted:

- 43 Servco managers and employees interviewed
- All of the Executive Team
- Most of the direct reports to the Executive Team
- Sample of third level managers at HQ
- Diagonal slice of managers in selected regions

Documents reviewed:

- Regionalization Plan
- Organizational Restructuring Proposal
- Employee Satisfaction Survey
- Talent Management Plan
- Development Center Results
- Strategy Overview
- Corporate Governance
- Senior Manager presentations on various strategic issues

Organization Assessment: Findings

- Strategy/ Implementation
- Executive Leadership
- Silos
- Bureaucracy
- Empowerment/ Accountability
- Morale/ Motivation
- Performance/ Rewards
- Change Management Capability
- Culture

Organization Assessment: Findings

Strategy/ Implementation

- All managers expect strong and clear communication about strategy and roles, yet few managers could articulate the company strategy or how their role impacted the strategy.
- No clear competitive advantage identified by personnel. Brand? Customer Care? Human Capital? Being part of a multinational?
- Managers had a hard time explaining how their responsibilities and the work they do fit into an overall business strategy.
- Managers were unclear about how they are supposed to work with others.

Executive Leadership

- The Executive Team is perceived as honest, with integrity and commitment to the company.
- But enormous confusion exists regarding roles of CXO's. Many personnel view COO as playing the role of CEO – a product of the legacy of the company and former management style.
- CXO's are seen to be "good people," but each with their own direction.
- Personnel expressed desire for strong, clear leadership.

Organization Assessment: Findings

Silos

- “My way, my area, this is not for you.”
- Silos exist between and within business functions.
- Silos exist between and within the region/ HQ relationship.
- Silos create negative internal competition that impacts business effectiveness: speed to market, problem resolution, agility, etc.
- Some silo members enter at recruitment stage.
- Silos are a legacy of previous management style and objectives.

Bureaucracy

- System of approval signatures removes individual accountability from process.
- System of approval signatures provides artificial image of work being done.
- Bureaucracy impacts speed to market, business agility, and morale.
- Bureaucracy is partially a product of the legacy of the company.

Organization Assessment: Findings

Empowerment/ Accountability

- Personnel are not formally empowered to make basic decisions on procurement issues.
- Personnel are not empowered to make basic non-monetary decisions.
- Often when given the opportunity, many personnel don't want empowerment. Escalation mentality.
- Business Impacts: Top two levels of management focusing on details instead of: leadership, speed to market, business agility.

Organization Assessment: Findings

Morale/ Motivation

- “Culture of Fear” identified by significant number of interviewees. Fear of losing job.
- Confusion and mistrust about performance appraisal system.
- Non-risk approach.
- Cynicism about advancement/ development opportunities.
- Feeds into bureaucracy, silos and empowerment dynamic.

Performance/ Rewards

- Majority of staff feel that their pay is lower than competitors, and majority are considering leaving the company.
- Yet, many personnel expressed need for non-monetary rewards as well.
- Personnel do not feel supported in improving performance.

Organization Assessment: Findings

Change Management Capability

- Management below the C level does not have change management and organization effectiveness concepts and tools. Not commonly used and applied throughout organization.
- No common management language.
- No dialogue about management and organization.

Culture

- Culture of Servco characterized by lack of empowerment, obstructive bureaucracy, silos and confusion about direction.
- Approximately 30% of interviewees identified organizational culture as the one element of the company that needs to be changed in the next six months.
- Majority of interviewees could not identify or articulate Servco's internal culture or public image.

Organization Assessment: Findings

There are positive indicators for change:

- Managers are intelligent, capable people with far more potential than is being realized.
- Most people are hungry and ready for positive change.
- Most people are ready to receive strong leadership.
- Most people want to be engaged.

Strategy Implementation

Objectives: To link hierarchy and departments to understood and agreed strategies through interactive/ problem solving meetings. To realize aspects of the new Servco cultural values.

Action Plan (December 2007 – March 2008):

- Executive Team creates presentation to explain Servco strategy.
- Design a strategy workshop process.
- Facilitate strategy workshops in 7 functions and 7 regions.
- Facilitate Executive Team review of strategies, identify issues, create resolution teams.
- Facilitate Executive Team review and agreement on resolutions.
- Quarterly review by Executive Team of implementation progress.

Roles and Responsibilities

Objectives: To have managers understand how they need to direct and coordinate their work to support Servco's and their organizational unit's strategy. To realize aspects of the new Servco cultural values.

Action Plan (February 2008 – March 2008):

- Facilitate specially designed strategy implementation groups to clarify roles and responsibilities in context of strategy.
- May need to wait for outcome from (or work through) the Other Consulting Company Organizational Review.

Bureaucracy/ Silos/ Empowerment/ Accountability

Objectives: To significantly reduce bureaucracy and silos. To significantly increase empowerment and accountability. To realize aspects of the new Servco cultural values.

Action Plan (January 2008 – March 2009):

- Use GE WorkOut method designed to bust bureaucracy.
- Identify change targets through the Senior Managers and focus groups.
- Work with Executive Team to design 4-6 specific change projects.
- Facilitate 2½ day problem solving workshop with cross-functional teams. On-the-spot Executive Team review and decision.
- 90 day implementation; Executive Team reviews every 30 days.
- Repeat cycle once each quarter.
- 200+ people trained in empowered, boundaryless execution.

WorkOut Action Cycle

90 day review cycle

Executive Team / Senior Managers/
Focus Group input
4-6 change projects
create cross-functional teams

2½ day workshop
solve problems
create action plans
Executive Team on-the-spot approval

Performance Management and Rewards

Objectives: To design and prioritize activities that increase the perception of the performance => reward causality. To increase the effectiveness of performance management and reward systems. To realize aspects of the new Servco cultural values.

Action Plan (December 2007 – February 2008):

- 2-3 half-day meetings with key HR management to prioritize activities in performance management and reward systems.
- Design possible new top priority initiatives.
- Train, announce, and implement.

Motivation and Morale

Objectives: To increase individual effectiveness throughout Servco by leveraging inherent and latent motivational dynamics. To realize aspects of the new Servco cultural values.

Action Plan (April 2008 – December 2008)

- Conduct a series of workshops to help employees and managers understand and utilize their motivational potential.
- Analyze assessment results for entire organization.
- Design and implement changes in selected work environments/ processes based on assessment results.

Developing a Servco Culture

Objectives: To create the concepts and language for a new Servco organizational culture, consistent with corporate cultural values, that enables a high performing organization.

Action Plan (April 2008 – October 2008)

Using the Appreciative Inquiry methodology, conduct a one-day organizational summit (50-100 participants) to:

- define the new “Servco Way” by creating words and phrases that describe the new “Servco Way.”
- insinuate this language into the other initiatives in this transformation plan.
- communicate this language through the Management Capabilities program.

Management Skills

Objectives: To provide management levels 1-3 with change management and organization effectiveness concepts and tools. To provide a common language of management. To instigate on-going discussion about management and organization. To provide the concepts and language for a new Servco organizational culture, consistent with corporate cultural values, that enables a high performing organization.

Action Plan (December 2007 – July 2008)

- Design and develop a 3 day customized management development program to be delivered to the top 100 managers.
- Deliver the program in groups of 20 in June and July.

Management Leadership and Communication

Objectives: To have the CEO and the Executive Team members effectively communicate the purpose and activities of the organizational transformation process.

Action Plan (November 2007 – June 2009)

- Work with CEO to develop his communication strategy.
- Work with the Executive Team to ensure that the role of the CEO is properly understood throughout Servco (i.e., develop a description of CEO role that is easily communicated, explain the purpose of CEO role in the planned management development program).
- Work with the Executive Team to consistently deliver the message.

Resident Consultant

Objectives: To ensure smooth implementation of the various interventions and to have advice and counsel on various organization transformation matters available as they arise.

Action Plan (November 2007 – June 2009)

- Two senior consultants will partner to be on site most days of each month.
- Consulting partner will dedicate 5 days/ month to this effort.
- Consulting partner will be available by phone and email to ensure a thoroughly-supported transformation effort.

Resource Requirements

Louis Allen Worldwide

- Project Manager and Senior Advisor (5 days/ month)
- Resident Consultant (½ time)
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- Team Consultants: various depending upon specific support required of various interventions (~3FTE)

Resource Requirements

Servco

- Executive Team as Steering Committee
- Senior level Project Liaison
- Project Administrator
- Executive Team and Senior Managers availability for high impact meetings and interventions
- Internal consultants for delivery of certain interventions (e.g., motivation workshops, WorkOut team facilitation)

Success Metrics

- 360 data (pre-post)
- Engagement dashboard data
- Communications dashboard data
- Turnover data
- Custom survey to measure specific organization elements targeted for change
- Selected financial and business performance metrics TBD

Critical Success Factors

- Commitment and courage of the Executive Team and the Senior Managers.
- Availability of the Executive Team and the Senior Managers when required for meetings/ interventions.
- Timely and thorough arrangement of various meetings:
 - Strategy implementation
 - Role clarification
 - WorkOut Forums
 - Culture Summit
 - Motivation Workshop
 - Management Skills Workshop