A better fit: Tailoring the deployment model to suit the organization

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The right way to deploy a transformation depends on the nature of its goals, and on the structure, resources, and capabilities of the organization.

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As our research has consistently shown, transformations are three times more likely to fail as to succeed.[1] That elusive success depends on a host of factors (see sidebar, "The 24 actions of transformation" on page 93), but one thing many of those factors have in common is the early and consistent role played by the organization's top and middle managers throughout the transformation.

In practice, a company's choice of deployment model has a significant effect on its site-level leadership requirements: some models ask much more of plant managers and supervisors than others. Companies should therefore choose their deployment model with the capabilities of site-leadership teams firmly in mind.

Deployment-model choice

The right deployment model for a transformation depends on many different variables. Before choosing an approach, transformation architects should think carefully about the purpose of the transformation, the structure of their organization, and the current capabilities of its people, processes, and management systems:

- **Bottom up or top down:**
  Where in the organization is change required? Is the process highly manual, requiring significant frontline input? Or is it more automated, meaning change must come from the top?

1 "How to beat the transformation odds," April 2015, mckinsey.com.

- **Leadership engagement:** How engaged are leaders expected to be in the transformation? Are there several significant remote sites that could be transformed independently?

- **Capability building:** What capabilities will the organization need? Where are the current capability gaps, and how they be filled?

- **Pace/urgency:** How is the organization performing today? How quickly do improvements need to be found and scaled across the network?

- **Resources:** What resources are available for change activities? How are they distributed between the central change team and individual sites?

- **Standardization:** What level of standardization is needed across sites? Do sites have similar organizational structures and process designs?

- **Complexity:** How radical is the planned process redesign? How complex are the processes undergoing change?

- **Centralization:** To what degree must activities by managed centrally? Does the organization have the right IT systems to manage performance and measure impact?

Each of the various deployment models available has advantages and disadvantages. The answers to those questions will help an organization decide which of the available models is best suited to its needs:

- **Mini-transformation:** Mini-transformations are the bread and butter of transformation approaches. In this model, discrete portions of a value stream are addressed individually, each completely transforming its way of working from the bottom of the organization toward the top. Compared to other deployment models, a transformation based on this

approach typically takes longer to achieve its full impact. It is a very effective way to build the organization's capabilities, however, since each mini-transformation goes through the full cycle of diagnose, design, plan, and implement. That said, the speed at which this approach can be scaled across different value streams and locations is highly dependent upon the availability of enough change leaders to support each mini-transformation effort.

- **Turbo-transformation:** Turbo-transformations are a development of the mini-transformation that makes greater use of benchmarks and other rapid diagnostic tools to set targets for the value-capture phase. The initial phase involves top-down site-by-site assessments to set targets with capability building to train change agents, followed by rapid on-site mini-transformation deployments and scaling across the network.

- **Academy-based:** An academy-based approach, also known as "field and forum," is most appropriate when there is strong focus on capability building and where sites are significantly different in terms of organization and process (necessitating the development of strong local teams). The transformation is rolled out via an alternating series of "forums"—team development, skill-building and aspiration-creating sessions—and "fieldwork," in which change agents deploy prioritized initiatives. Site staff also receive ongoing feedback through daily and weekly coaching sessions from a central team of change agents.

- **Total operational performance:** The total operational performance (TOP) program is appropriate for companies that need to achieve quick, decisive, and lasting cost-reduction impact involving improvements across the whole business rather than in a few specific functions—but resource limitations allow for only a small transformation team. TOP's main objective is to quickly identify significant cost
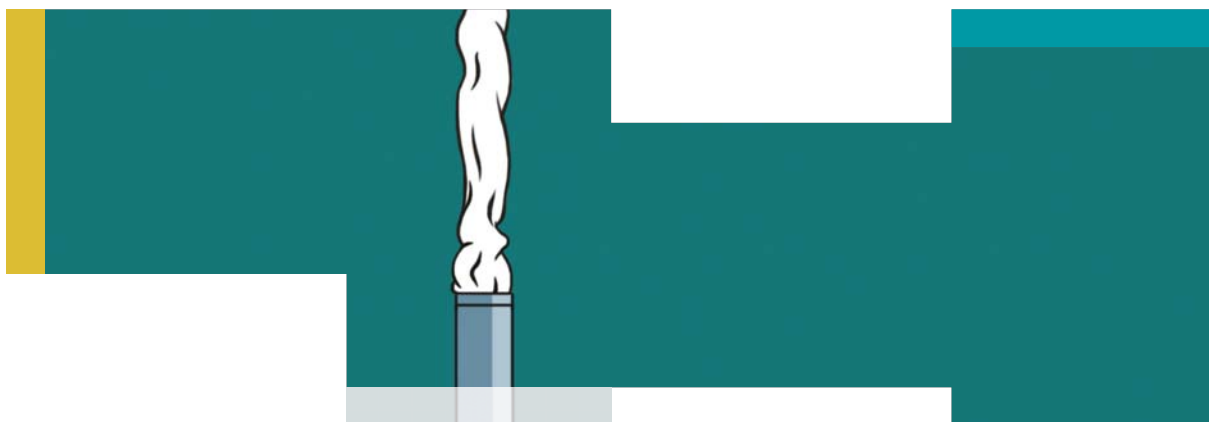
reductions that can be achieved in less than two years, are sustainable, and are not limited to one specific area as in a mini-transformation. TOP typically does not focus on capability or skill building but does include a structured methodology to identify improvements throughout the whole organization. Executing a TOP program is typically a good start toward the journey of operational excellence, providing a basis for the structured rollout of a future mini-transformation program.

- **Fast-to-impact:** The fast-to-impact approach revolves around the idea of full implementation from day one, solving one issue at a time, with a focus on the solution of each issue. This approach entails identifying the top issues one at a time, completing a root-cause diagnostic and solution design within 24 to 48 hours, and then moving straight to implementation. A strong central project-management office (PMO) is required to enable a fast-to-impact approach to create transparency, build cross-functional tools, and inject capability building where it's needed.

- **Cluster-based:** The cluster-based model is appropriate when an organization has many relatively similar sites across its network. The approach involves a deep-dive diagnostic at a central site, which generates a rapid, fact-based view of opportunities. These are then rolled out simultaneously to a cluster of related sites elsewhere in the network.

Change agents from these cluster sites are trained and accredited at the central site before leading their local transformations. Throughout, a control-tower support model develops accreditation and tracking tools to ensure sustainability and accountability. This approach is typically combined with an academy-based model to support capability building and help maintain momentum.

- **Restructuring:** Restructuring is useful for organizations that are in distress or extremely cash-strapped. The approach focuses on three phrases: top-down target setting, in which high-level savings opportunities are identified and accountability assigned for savings targets; bottom-up planning, in which initiatives are generated and validated to achieve or exceed the savings target; and implementation, in which a detailed plan is developed with rigorous PMO oversight to ensure delivery of savings is on track.

While each of these models has been used successfully in many transformations, none of them can escape the fact that an organization cannot transform any faster than its slowest element. Even dramatic frontline-performance improvements may have little impact, for example, if the layers of management above them have not adapted their own processes to reflect new ways of working. In recent years, a new approach has evolved to address this challenge. It has proved so successful that it merits deeper discussion.

## Deep dive: The performance cell—a new deployment model

In order to avoid the pitfalls of deployment approaches that rely on a step-by-step sequence of changes, this new model operates on complete vertical "slices" of the organization, from top management to the front line. This top-to-bottom slice of the organization is called the "performance cell." Implementation begins by focusing on a single vertical cell, then moves to adjacent cells until the complete area is transformed (Exhibit 1). Like the first steps in any transformation, the first performance cell is a pilot for the transformation, acting both as a test bed for the planned approach and an example to the wider organization. As a result, the choice of this first cell is critical, and should be based not only on the potential impact that the cell (or the area it's part of) can achieve, but on the favorability of other factors, including the skill level of the teams involved, the readiness of every level of leadership to participate in the change effort, and the credibility of those managers in the organization as a whole.

During the transformation, the performance cell will evolve, and along with it, the role of top and middle management within the performance cell must also change. This evolution can be divided into two broad phases:

Phase one: Line management acts as a chief designer. While frontline employees collaborate on the design of the elements of the transformation, like standard operating procedures (SOPs) and performance dialogues, their direct supervisors lead the design within their teams, collaborating on the definition of roles and co-leading the design of their standard-work schedules (DILO/WILO). Middle managers also participate in the design of these elements but even more importantly, lead the design of the DILO/WILO of the manager directly below them. This involvement extends all the way to top management—typically the COO—as even his or her routine is designed and modified to match the future state.

The transformation initiatives for each level of management are launched simultaneously, and

Exhibit 1. In the performance-cell transformation model, every level in the organization plays an active role
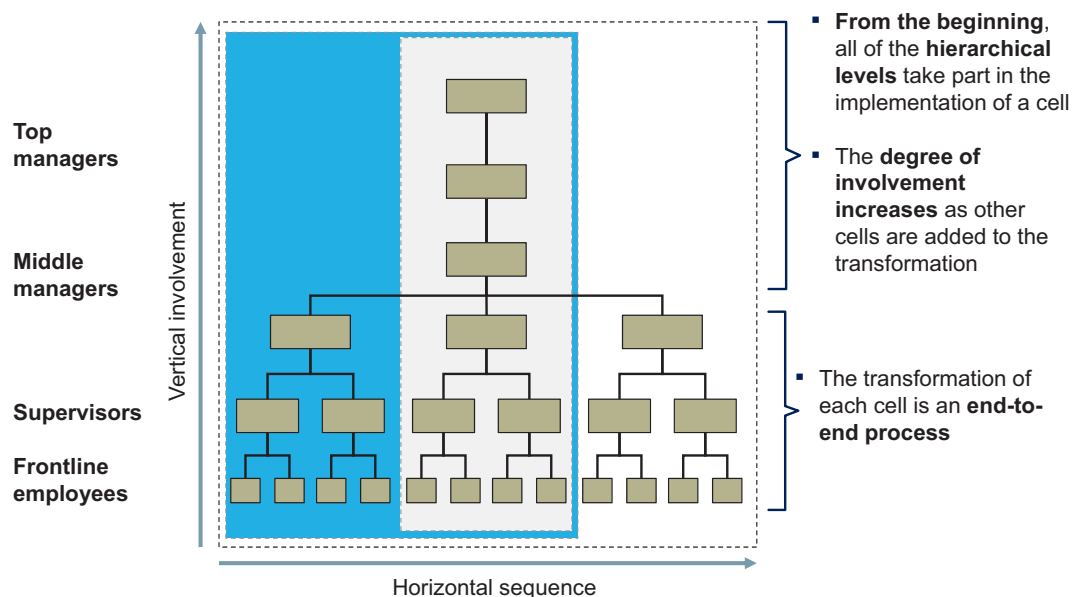
refined as the performance cell gains experience in the new way of working. For instance, after designing the elements of the performance management system, such as key performance indicators, dashboards, and review cadence, all performance dialogues are launched at once across the cell, immediately testing end-to-end dynamics and the overall coherence of the performance indicators. This simultaneous change process helps to overcome resistance by frontline employees, who can see that the changes are not simply focused on them, but are taking place throughout the organization.

Phase two: Line-management coaching as "line change agent." Once the elements of the transformation are tested and implemented, frontline employees continuously improve their designs—for example, redefining existing standards or creating new ones under the direction of their direct supervisors, who begin to play a new leadership role: that of the lean manager. As lean managers, they have the responsibility of developing four critical capabilities:

- *Challenging teams:* Lean mangers reject the status quo with ideas that challenge and develop frontline employees, who in turn are in charge of detailing and designing new solutions.

- *Training:* Rather than delegating the responsibility for training to HR and other specialized (and often outsourced) services, lean managers are fully accountable for developing their teams through the new transformation elements, such as process confirmation and performance dialogues.

- *Coaching and providing feedback:* Lean managers provide feedback and coaching, which are critical for capturing impact, ensuring sustainability, and promoting the continuous improvement of solutions and people.

- *Acting as role models:* The new management leads by example. In their new role, lean managers are visible to all their team members, walking the shop floor and observing performance.

Middle and top managers undergo the same role transformation from phase one to phase two as they become the "change agents" required to maintain the transformation. This is the real beauty of performance cells: having a transformation design led and sustained by leadership, with minimal support from external agents. To ensure that leaders and managers at every level in the organization play their part in this process, managers include role confirmation as a central element of their standard work, supported by an observation grid for three critical lean practices: leading performance dialogues, leading problem-solving sessions, and providing structured feedback and coaching (Exhibit 2). After introducing the role-confirmation concept at the beginning of the transformation, managers can observe, calibrate, and improve the implementation of the different elements of the lean transformation. Role confirmations help managers at every level of the organization to understand what is expected of them: identifying improvement opportunities in key elements of the transformation (and implementing them), assessing where the transformation currently stands and where it is desired to be, and generating an understanding of what needs to be done to reach the desired end state in every critical process.

An executive who experienced one of the first transformations using the performance-cell model and the role-confirmation tool specifically cited their impact in helping people grow as leaders. At every level in his organization, managers now expect to give and received genuine feedback, especially in coaching problem-solving skills. The observations they make now form the basis for development plans that help people develop further in their careers.

After its initial development in the retail industry, the performance-cell deployment model has been tested and used in many companies as a cross-functional concept. A company in the forestry

Exhibit 2. In a performance cell, 'role confirmation' reinforces the behavioral changes required of middle and senior managers
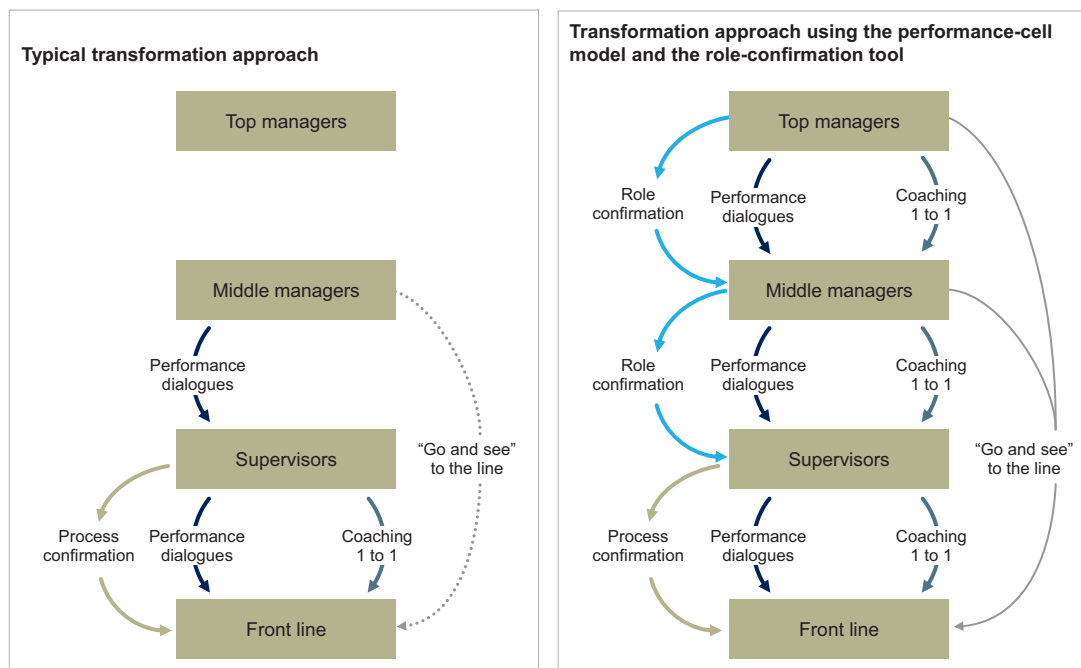

sector, for example, applied the performance-cell concept to its transportation division, organizing cells on a geographical basis. In the company's first cell, truck productivity was increased by more than a third. A third company, this time in the oil and gas sector, was able to find $20 million in incremental revenue following the introduction of a performance cell that stretched from its COO to the operations of its main pipeline pump and discharge station.

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There are many different ways to deploy a transformation, and the right choice for your organization depends on the purpose of your change effort, the nature of your business and the capabilities of your people. What all transformations have in common, however, is a reliance on commitment, communication, and leadership from top management down. The most successful transformations address these factors explicitly from day one, asking for fundamental changes in behavior from all staff from senior leadership to the front line. One way to achieve that is by through the simultaneous top-to-bottom transformation of individual performance cells within the business, with change supported and reinforced through the introduction of role confirmation for every layer of management.
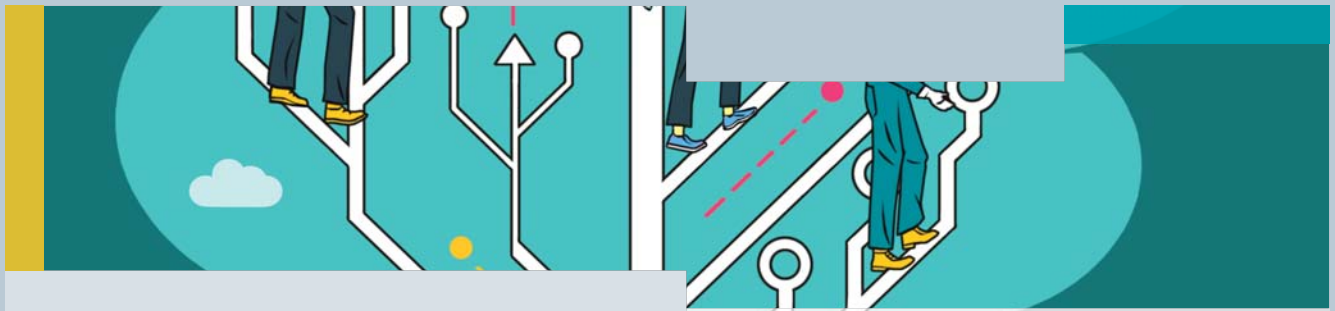
THE 24 ACTIONS OF TRANSFORMATION

In 2015, McKinsey published the results of a survey of almost 2,000 executives on 24 specific actions an organization can take to implement a transformation successfully.[2] According to the results, below are the specific actions in order of their impact (from greatest to least) on the likelihood of a transformation's success.

1. Senior managers communicated openly across the organization about the transformation's progress and success

2. Everyone can see how his or her work relates to organization's vision

3. Leaders role-modeled the behavior changes they were asking employees to make

4. All personnel adapt their day-to-day capacity to changes in customer demand

5. Senior managers communicated openly across the organization about the transformation's implications for individuals' day-to-day work

6. Everyone is actively engaged in identifying errors before they reach customers

7. Best practices are systematically identified, shared, and improved upon

8. The organization develops its people so that they can surpass expectations for performance

9. Managers know that their primary role is to lead and develop their teams

10. Performance evaluations held initiative leaders accountable for their transformation contributions

11. Leaders used a consistent change story to align organization around the transformation's goals

12. Roles and responsibilities in the transformation were clearly defined

13. All personnel are fully engaged in meeting their individual goals and targets

14. Sufficient personnel were allocated to support initiative implementation

15. Expectations for new behaviors were incorporated directly into annual performance reviews

16. At every level of the organization, key roles for the transformation were held by employees who actively supported it

17. Transformation goals were adapted for relevant employees at all levels of the organization

18. Initiatives were led by line managers as part of their day-to-day responsibilities

19. The organization assigned high-potential individuals to lead the transformation (e.g., giving them direct responsibility for initiatives)

20. A capability-building program was designed to enable employees to meet transformation goals

21. Teams start each day with a formal discussion about the previous day's results and current day's work

22. A diagnostic tool helped quantify goals (e.g., for new mind-sets and behaviors, cultural changes, organizational agility) for the transformation's long-term sustainability

23. Leaders of initiatives received change-leadership training during the transformation

24. A dedicated organizing team (e.g., a project management or transformation office) centrally coordinated the transformation

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2   "How to beat the transformation odds," April 2015, mckinsey.com.