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# CIO Corner

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# COG vs. PPT: Models for Organizational Change

Tom Costello, *UpStreme*

In the 80's, there was a huge drive to use the buzz-phrase “people, processes, and technology.” I have no criticism of using the PPT viewpoint to assess and improve an organization's performance. The PPT model is a good approach for tactical, narrow endeavors.

However, it invariably falters in producing a meaningful impact on the broad-reaching, strategic issues facing an organization. I often hear proponents of the PPT model rave about their success (as they should). But they ultimately discuss tough clients and criticize a failure or challenge with comments similar to the following: “We had the perfect tool for the job, but the client wasn't ready to implement all of the cool features we planned.” Or “We built a tool for Department A, but the head of Department B refused to use it, so the effort didn't realize its full potential.”

Rather than try to change the PPT crowd, I suggest they consider an additional three forces: culture, organization, and governance. Anyone who has done

large-scale projects will immediately recognize the importance of the COG forces. Likewise, the PPT model's inability to address these forces is glaring.

## Culture: The Good, the Bad, the Unchanging

In any enterprise, culture is something you have to learn and tune into for sheer survival and effectiveness. Once you've learned about the company culture, you simply need to monitor it. Many firms are proud of their culture (for better or worse), so getting a firm to paint a picture of it isn't too tough. Whether the picture truly shows their culture is a different story—the positives are usually exaggerated and the blemishes removed.

In reality, cultures generally are neither good nor bad. They can be work-ethic centric, people-based, focused on avoiding conflicts, or purely about capital creation—but each has its own merits and pitfalls and each is usually difficult to change.

Most companies avoid trying to be revolutionary when it comes

to culture. Changing a culture can be painful, emotionally draining, distracting, and full of conflict—all of which impact the business. This is why most organizations avoid cultural changes like the plague. Having said that, though, the unrealistic vision most people paint of their own culture is more destructive than the pain they try to avoid.

If and when a company elects to attack cultural change, they have to do so with an infusion of change agents. These people are viewed as “plague carriers” and are clearly not welcome or embraced by forces of the status quo. The company must realistically determine the starting point, agree on an end point, clearly envision the bumps on the path in between, and then pack their tool bag with all of the items they'll need to get through the journey.

Skipping any of these steps is a recipe for disaster. Most firms, unprepared and thus unwilling to proceed after reaching a rough spot, retreat to the old cultural

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model—complete with bruises and a company full of “I told you so” naysayers. Such a firm will not be back to the culture-change table for years!

## Organization: The Necessary Evil

“Organization” is mechanically how the client enterprise is internally constructed. It affects every action the service provider takes and usually correlates with the enterprise’s capabilities and effectiveness. Organization defines how each employee is expected to navigate the enterprise and show respect to those who have been rewarded with specific roles and responsibilities.

Every organization has an internal structure, and managers spend inordinate amounts of time thinking about and changing it. Yet they typically tire of the change cycle and stop it before they’ve actually fixed any problems.

The organizational structure is also how most firms telegraph themselves to the outside world—even though the rest of the world couldn’t care less about how the company is organized. The fact that the European and US part numbers differ because they come from different teams in the company doesn’t help the customers. It actually angers them and could drive them to a new supplier. The worst part is the fact many companies believe that their evolved organizational model is synonymous with doing the right thing.

Anyone who has ever filled an executive leadership role knows that organizational models are more about the personalities and skills of key managers than nearly any other factor. This becomes most evident when a manager leaves the role and the firm looks for a replacement of matching skill and demeanor—only to discover

few people in the industry have a matching profile. Sometimes this level of change is actually addition through subtraction as the organization model removes a hurdle and fills the role with a “go getter.”

## Governance: The Real Engine

Of the three forces, governance is the invisible power that gets things done. In my many years of consulting experience, governance has had far and above the most impact on the organizations I’ve encountered. It’s the root cause of all that’s good and bad, and it’s the hardest to change because it isn’t as evident as an organizational structure (explicit, overt power). It’s also harder for a company to emotionally accept or admit to than culture.

Too many organizations go out of their way to avoid conflict. This is what I refer to as “corporate correctness.” It’s easy in the short run, but in the long run, it doesn’t lead to anything good for the enterprise. When a firm chooses to avoid rather than fix a situation, it’s feeding its bad culture and creating an informal governance (and associated workarounds) to navigate business and process needs.

Every organization has examples of the following: “You’ll need Manager A’s signature for approval (organization), but you’ll have to go to Person C if you want to get it done (governance).” The signature of Manager A is clearly the bureaucratic administrivia required (organizational structure and policy), but Person C either has the implicit power to bless the effort or is actually the workaround. Even worse are examples where this scenario is described in management meetings and no one sees it as a problem.

Inaction by management reinforces the bad culture and governance, guaranteeing the escalation of such behavior.

## How Did We Get Here?

During the very early, formative years of any company (when process ownership is being decided), there’s an extraordinarily high risk of solidifying bad aspects of the COG forces (along with the good ones). As the company begins to evolve and grow, most firms thrash with cleaning up the problems resulting from the “cowboy” era and correct some of their issues. But as the enterprise ages and the COG forces become stabilized (or ingrained), the enterprise becomes unable or unwilling to continuously improve. As each example of bad behavior is allowed to persist, the challenges pile up.

Negative symptoms of COG are present in every organization—there’s no such thing as a perfect organization. When leaders choose to address the grumbings of the masses, they mistakenly pursue a solution at the PPT rather than COG level, because it’s quicker and easier to implement change at that level. But these solutions aren’t as meaningful, far reaching, or lasting as changes at the COG level.

At UpStreme, we use a rather interesting workshop with several of our clients’ executive teams that teach them a variety of lessons regarding these three forces. It’s interesting to watch how each team comes to grips with the reality of their own culture and governance as it’s reflected back in the exercise. As firms begin to identify the boundaries they’ve imposed on themselves and the accommodations they’ve fostered, they suddenly realize they’ve been “smelling their own exhaust” for too long. For a brief instant,

we can see the mix of shock and elation as they realize that they need to change without fully being confident of what changes to apply or how.

When companies do attempt change at the COG level, they enter into uncomfortable and unfamiliar territory as they grapple with the effort's scope, magnitude, duration, and required resources. Too often, they end up lowering the bar so the actual change implemented doesn't reach the minimum threshold for corporate improvement.

### The IT Perspective

Every organization has an internal triad of leadership (those providing current and future direction), business operations (those who actually do the work), and technology (which enables the work). Each member of the triad is responsible for knowing what's happening across the industry (in terms of customers

and competitors) and identifying the best practices for their specialty.

Although every organization I've encountered has attempted to tackle PPT issues at a tactical level, very few are even attempting to discuss COG issues. Fortunately, IT appears to be uniquely positioned to bring COG to the forefront of leadership focus. While each part of the triad adds a certain perspective to a discussion, IT (as a service provider across an organization) typically has the best view of the dysfunctions and opportunities for improvement.

If you're a CxO in an established firm, do a little honest self analysis. Apply the COG model to a self review. Stop and actually think about the internal boundaries you've established for "good order," and see if they're being circumvented. See

if the culture, organization, and governance are really interacting properly. You'll be more likely to spot the risks and rewards of change so you can position your company to be more successful now and over the long term. **IT**

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