

Enterprise Agility—Modeling Response Proficiency

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Contrary to popular belief, regulated utilities *are* in competition—for meeting compliance norms and customer expectations established by others, and for securing energy, M&A opportunities and competent management against others. Management, too, is in competition now—for job-retention—as new liabilities test Board Member patience, and as best-practice awareness tests Commissioner's tolerance.

More than one wag has called this Agility series an oxymoron. Others have said it was talking to people who don't want to listen about things they don't want to hear—regulation buries inefficiency in the rate structure, and deregulation focuses initiatives on short term cost cutting and short term profits—they said.

Cheap shots not wholly underserved, but they don't apply to everyone. Some do care, evidenced by what they are doing. Agility isn't their stated goal, but it is the end result. Effective business and operational practices are what they focus on—ones that enable the enterprise to deal with the dynamic reality of business and operational environments. When they speak of the initiatives they've led, it is clear that they set out to improve responsiveness, with the intent to lower costs, improve reliability, increase customer satisfaction, and meet new compliance standards.

Response of any kind consumes resources, costs money, takes time and incurs risk. Generally there isn't a choice of responding or not—so the issue comes down to response proficiency. Can response be made a non-issue, a standard operating procedure, an affordable, predictable experience—rather than a risky, chaotic event?

Clear evidence says yes. Early interest for agile enterprise in the manufacturing sector prompted the "Sounds good but show me one" reaction. The answer came in *An Agile Enterprise Reference Model, With a Case Study of Remmele Engineering*¹. That reference model profiled 24 business practices at Remmele that were deemed generally critical for industry at the time. Each was scored for its response proficiency. Proficiency was measured against a five-level maturity model, with demonstrated capability examples justifying each score. Remmele did not score high in all, but in their industrial sector they scored high in those that mattered—with an underpinning of sound practices.

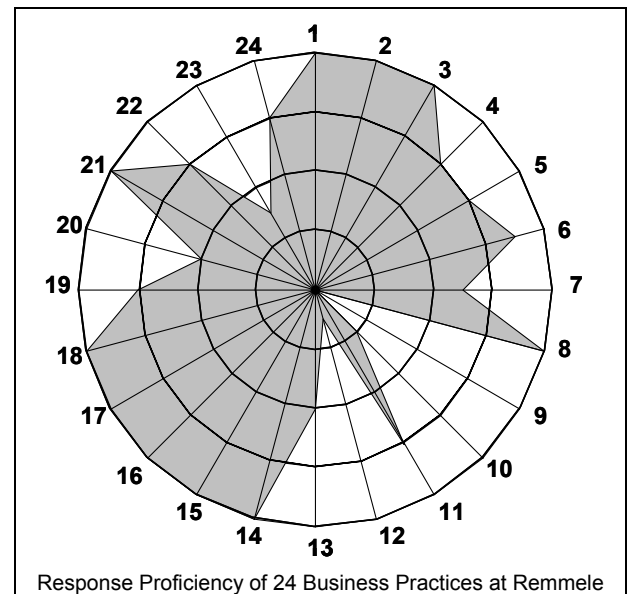
The previous article in this series² introduced a metric framework that showed response measured in four dimensions: time, cost, quality, and scope; and a response-category framework that showed four types each of reactive and proactive response. Hundreds of case studies done at the Agility Forum show that proficiency matures sequentially through these frameworks. Response maturity is evident by where a given business practice lies in this progression through the five stages. Determination is simply made from discussion with the people involved in each practice—listening as they speak of how past response events were dealt with.

A Response Proficiency Model can be constructed for any enterprise (called a Change Proficiency Maturity Model in the Remmele analysis). The resultant picture isn't often pretty. Remmele didn't like theirs at first sight—but they led their industry—and that's quite sufficient. Both business viability and business excellence is determined today by the ability to respond effectively to the business environment—relative to how well others respond competitively.

When you don't know where to go, any path will satisfy. When you don't know where you are, it's hard to choose a path. Response proficiency modeling provides a visible decision base. It displays areas of sufficiency, areas for improvement, and areas for urgent attention. It provides a knowledge base for strategy and priority, and evidence of good governance. An industry benchmark for comparison would help, but its lack doesn't negate the values of knowing where you are and where you might usefully go. A process for building your own model is explained in chapter eight of *Response Ability—The Language, Structure, and Culture of The Agile Enterprise*³. A brief outline of the profiling framework follows.

Accidental Stage (0): proactively stumbling, reactively chaotic.

The *Accidental Stage* is characterized by the lack of any response-process recognition, yet response manages to occur. The actual process is ad hoc: typically exhibiting false starts and retries, unpredictable completion dates and costs,



surprising results and surprising side effects.

- *Conversational Knowledge*: Response Examples—Instances of successful and unsuccessful response are recognized, but there is no reference to success based on a repeatable process.
- *Conversational Metrics*: Response Success/Failure—It worked or it didn't.
- *Proactive Examples*: No Proficiency—Successful response to opportunity is unpredictable and stumbling.
- *Reactive Examples*: No Proficiency—Successful response to demanding events is unpredictable and chaotic.

Repeatable Stage (1): proactively occasional, reactively safe.

The *Repeatable Stage* is typically based on “lessons learned” from past response activities. A few specialists and talented SWAT teams are recognized for prior successes and trusted to respond in acceptable time frames.

- *Conversational Knowledge*: Response Concepts—Awareness develops at this stage. Key process concepts are recognized and extracted from lessons-learned in both successes and failures, and employed in subsequent response activities.
- *Conversational Metrics*: Response Time—Initially the principle response concern is time: restoring power quickly, finding an alternate supply source, meeting compliance deadlines, restoring IT functionality, showing the auditors you're on top of it.
- *Proactive Examples*: Creation Proficiency—Introducing something new and functioning is generally the first proactive focus: Sarbanes-Oxley compliance, unregulated business additions, outsourcing the call center, new service introductions. The focus is here first because new programs and projects are often accompanied by high visibility, unforgiving deadlines, and/or unacceptable penalties.
- *Reactive Examples*: Correction Proficiency—Pressed to it, a company at this stage can respond when it has to. It may be painful, it may be costly, and it may not get started until the organization is threatened. Hard work and fear, and the knowledge of a few concepts, gets the job done before it's too late: power is restored, non-compliance is fixed, IT systems are returned to service, emergency power sources are found.

Defined Stage (2): proactively competitive, reactively confident.

The *Defined Stage* begins to recognize formal response processes with documented procedures. The number of successful responders is broadened as procedure, rather than "natural" talent, becomes appreciated. Response metrics are identified. Procedures at this stage are typically rigid, based on studied experience and analysis.

- *Conversational Knowledge*: Response Metrics—Response has well demarcated start and end points, and a knowledge base of performance metrics develops. How long it took and how much it cost are the metrics that generally get the most visibility and utility for subsequent comparison; but variances from plan and budget (predictability) are often recorded as well.
- *Conversational Metrics*: Response Cost—At this stage the time to respond is acceptable, and the focus turns to cost. Full proficiency at this level brings the cost of response into an acceptable range. Often it is clear that the acceptability range is fairly broad, that time and cost are frequently traded against each other, and that seemingly similar activities have different outcomes.
- *Proactive Examples*: Improvement Proficiency—Improvement is the mantra of enlightened enterprise programs and performance evaluations, and is a required capability at the heart of best practice: delivery reliability, cost reduction, customer satisfaction, outage duration and frequency, productivity and performance, IT business process support.
- *Reactive Examples*: Variation Proficiency—Variation addresses proficient accommodation of real-time changes that are within character but not necessarily predictable: load balancing, human resource skills, absenteeism, risk management, multiple compliance interpretations.

Managed Stage (3): proactively aggressive, reactively sure.

The *Managed Stage* is characterized by the appointment of response managers with established responsibilities, though they may neither be called nor recognized as such. An evolving knowledge base of response process fundamentals begins to emerge, appreciation for the corporate response-process is widespread, rigid procedures are loosened, and predictability becomes the norm. Preemptive capabilities begin to emerge.

- *Conversational Knowledge*: Response Responsibilities—Response practices are controlled through the application of a well formed set of procedures, documented sufficiently to function as a manager's rule book. The knowledge base typically consists of the objectives, the rules, and the designation of persons accountable for applying the rules.
- *Conversational Metrics*: Response Quality—At this point response time and cost are within acceptable ranges, and the focus turns to response predictability and robustness, with goals of "on time, on budget, and on spec".
- *Proactive Examples*: Migration Proficiency—Migration proficiency anticipates and prepares for inevitable future requirements well enough that when they become present requirements the transitions to accommodate them are smooth: Deregulation, demand response pricing, IT infrastructure change, equipment modernization, new service initiatives, dealing with an aging work force, integrating and rationalizing M&A, affecting a culture change, moving general management skill sets into best practices and competencies.

- *Reactive Examples: Expansion Proficiency*—Expansion deals with all sorts of capacity issues: demand surge, staff downsizing, spreading knowledge and skills across a broader base of employees, emergency and disaster preparedness, new compliance needs.

Mastered Stage (4): proactively formidable, reactively automatic.

The *Mastered Stage* is characterized by a principle-based deep appreciation of adaptability, an understanding that process alone is not sufficient, and a conscious engineering and manipulation of the structures of business practices and organizational infrastructures. Like a flock of birds swooping and turning as a unit, corporate response loses its event nature and becomes constant and graceful fluid motion.

- *Conversational Knowledge: Response Principles*—Response practitioners are beyond reading a rule book and following recipes, and into a visceral intuitive understanding of the chemistry that makes the activity work—able to embrace seemingly contradictory situations in this stage of understanding—knowing that an enumerated discrete (digital) set of rules cannot address all conditions of a naturally continuous (analog) environment.
- *Conversational Metrics: Response Scope*—Discussion demonstrates competency with all earlier metrics, as well as with a knowledgeable understanding of response breadth justified by risk appreciation and exposure.
- *Proactive Examples: Modification Proficiency*—Modification proficiency avoids unintended consequences when features of a practice, process, or system are changed: modifying business processes, promoting new management, shuffling organizational structure and responsibilities, injecting management from outside-the-industry, not replacing lost human resources, adding hedge funds to risk management, including intrusion prevention systems in security.
- *Reactive Examples: Reconfiguration Proficiency*—Reconfiguration proficiency effectively reassembles existing resources into new configurations on demand: rerouting networks, reforming response teams in need of different skills, relocating and redeploying equipment, assembling an effective swat team, assembling emergency replacement capability from exiting resources.

Critical Practices

The model frameworks employed in the Remmele case study established a general tool for any company in any industry. Critical business practices to populate the framework are of course time and industry dependent, and can be framed across the enterprise or within specific areas. For consideration, a cross-enterprise set of business practices might include:

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| ▪ Regulatory Compliance | ▪ Regulatory Relationship Management |
| ▪ SoX: Compliance, Controls | ▪ Business Intelligence: Transparency, Analytics |
| ▪ Governance | ▪ Risk Management: Energy Sourcing |
| ▪ Management Development | ▪ Risk Management: Enterprise (ERM) |
| ▪ Creativity and Innovation | ▪ Staffing: Competency, Retiree-Replacement |
| ▪ Asset Management | ▪ Performance: Accountability, Metrics |
| ▪ Outage Management | ▪ Outsourcing: Strategy, Management |
| ▪ Service Reliability | ▪ Disaster and Emergency Response |
| ▪ Cyber Security | ▪ Business Process IT Support |
| ▪ Physical Security | ▪ Profitability: Revenues, Services |
| ▪ Customer Care | ▪ Profitability: Costs |
| ▪ Field Operations | ▪ Information Technology Migration |
| ▪ Business Process Management | ▪ Plant Technology Migration |

What practices do you think need profiled? Click www.utilipoint.com/2/UtilityAgility5/ for fast check-box survey.

----- Send comments to dove@utiliPoint.com. ---- References:

1. [An Agile Enterprise Reference Model, With a Case Study of Remmele Engineering](http://www.parshift.com/Files/PsiDocs/AerModAll.zip), www.parshift.com/Files/PsiDocs/AerModAll.zip
2. [Response metrics and proactive/reactive response-types](http://www.utilipoint.com/issuealert/article.asp?id=2352): www.utilipoint.com/issuealert/article.asp?id=2352
3. *Response Ability—The Language, Structure, and Culture of The Agile Enterprise* (Wiley 2001), see Amazon.

Rick Dove is a recognized thought leader and change agent for agile enterprise and agile systems of all kinds. He co-led the seminal effort that defined agility in the early nineties as the survival need of the new millennium. He subsequently organized and led the Agility Forum's industry-collaborative work that identified and defined concepts and principles for achieving agility in all aspects of enterprise. He's developed and managed deployment of agile enterprise business processes and IT infrastructure. He is a prolific writer and frequent speaker on the subject, and the author of Response Ability: The Language, Structure, and Culture of The Agile Enterprise (Wiley 2001) and Value Propositioning—Perception and Misperception in Decision Making (Iceni Books 2005).