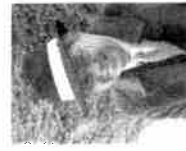


Black Holes and Technology

Technology separates those who can consistently achieve results from the dart throwers.



by **Ron Lutka**

The same known action applied in the same degree to the same situation in the same environment will yield the same result. That is technology.

At sea level, water boils at one hundred degrees Celsius every time. Now you have technology to boil water.

There is one technology for curing concrete and another for curing bacon. There is a technology for putting out electrical fires, for kiln drying wood, and for transmitting radio waves to receivers. There is even a technology for eradicating the blight that holds organizations back from operating as management intended.

Background

Historically, kings relied on confidants who in turn relied on confidants and so on down the line to ensure the organization ran as the ruler intended. Non-compliers were forcefully dealt with. It was a shaky trust-based system. Often, treachery replaced trust as confidants betrayed one another. Frequently, the king or even the kingdom was lost.

As systems progressed, monitoring results became the technology most favoured to ensure that organizations functioned as management, or rulers, intended. This minimized but not entirely eliminated the role of the confidant. "All we are interested in is results" became the mantra of the day. Substance trumped form.

This results at any cost attitude permitted, and in fact encouraged, organizations to become dysfunctional as undesirable activities that yielded positive but narrow results, such as increased profits, flourished unchecked. Written policies that forbade bribery, misleading and outright lying might have existed; however, corporate culture rewarded this unethical path.

In addition, reported results arrive too late in the chain to be used as the sole determinant for success or for corrective action. A customer who receives a single sub-standard shipment can be appeased and the source of the sub-standard product corrected, but customers who have several negative encounters with an organization will seek alternatives and can be impossible to win back. To be successful, organizations must eliminate operational flaws that lead to repeated negative encounters.

Subsequently, internal audit departments were formed to report on the organization's compliance to its procedural controls and the effectiveness of the controls, and compliance to the organization's risk management policies and procedures. This blossomed to include compliance to external requirements.

The classic internal audit role, with its own tomes of technology, has since morphed beyond checking compliance and effectiveness of that which is written and that which is demanded. It has evolved into a business process improvement role across all functions of the organization, not strictly financial. This broadened role covers a huge territory and has led to internal audit departments contracting out much of the work to strategic partners. Internal audit departments are leveraging themselves in this way to ensure required levels of technical expertise are applied to problems and issues.

The scene today

Formally documenting the organization's workings and requiring executive sign-off, Sarbanes-Oxley and its spin-offs are the most recent attempts to help organizations function as management intended.

Today, "push", "demand", "comply" and "enforce" rule much of the organizational functionality scene, with questionable results because authoritarian methods of compliance are always dubious.

Black holes in organizations

The problems organizations face often extend well below business processes. Often problems are root causes resting below the level of business processes where they are not identified or handled. This then causes "black holes" to form. These black holes cause a drag on an organization's performance and cause or aggravate much larger issues higher up the organization. Problems can become so severe that they threaten the survival of the organization.

Identifying and eradicating black hole-creating items is the new vista for organizations.

A black hole in an organization can be defined as:

An area of an organization where there is, unbeknownst to management, an abundance of undesirable activities or a lack of desirable activities, both of which destroy organizations.

A black hole includes three basic components:

- 1. Destruction** in some form occurs within the organization, whether in the form of undesirable activity or a lack of desirable activity.
- There is an **abundance** of undesirable activity, or a lack of abundance of desirable activity, not merely an occasional occurrence.
- Management might or might not be aware of the destruction, but management definitely has an **absence** of awareness of the root cause of the destruction.

Benefits to be realized

Eradicating black holes from organizations yields tremendous paybacks beyond benefits such as shipping the correct product to the correct customer undamaged and on time.

The process of eradicating black holes salvages the positive and jettisons the negative, thereby retaining that which is positive, rather than replacing both the positive and the negative with something different. It is a non-authoritarian "pull" process that activates tremendous hidden talents across the organization as employees at all levels are made more aware of their immediate surroundings and their role in the corporate environment. Re-oriented, they are then asked to offer suggestions on behalf of the organization.

Eradicating black holes from organizations has a calming effect on employees because the organization is more organized and transparent. In addition, the rewards of functioning as part of a well-greased team exceed those of functioning in isolation, avoiding others because so few processes function as intended.

Eradicate black holes

Significant gains can be made in eradicating black holes from organizations by executing the following five points:

- 1) Be willing to look below business processes. In many organizations, the single most valuable function management can engage in is to look below business processes. Look at all actions, including seemingly routine ones, and determine how they may be failing. Put checks in place to ensure that they do not fail or repair existing failures.

- 2) Assign a point person to blow through the "stops": When looking for black hole-creating items and conducting repairs, the process will inevitably stop on occasion because of complex personalities who resist change. Therefore, it is important that an executive of altitude who is interested in the long-term survival and prosperity of the organization be assigned as the point person to blow through the "stops" that inevitably arise.

- 3) Systematically locate black hole-creating items. Black holes are elusive and evasive and organizations must take a systematic approach to identifying and eradicating them. Furthermore, when locating black hole-creating items we are often dealing at the building block level of organizations and are dealing with a high volume of thoughts, actions, documents, people, materials, equipment, and bits of data. One needs to take a systematic approach at this level to comb through the organization and locate black hole-

creating items.

- 4) Eradicate black hole-creating items on a gradient. Conducting a company-wide review, then working through a long laundry list of repairs is not the way to eradicate black holes for several reasons. For example, after conducting some repairs the organization will have shifted which will likely invalidate the balance of the review findings. Instead, conduct some reviews then conduct some repairs. Conduct additional reviews and then conducting further repairs, and so on. This is the preferred way of eradicating black holes from organizations and will produce organizations some early gains.

- 5) Rotate between areas. Because organizations are intensely interrelated, it is a mistake to try to elevate one area of an organization without also elevating other areas. Otherwise, interconnected areas will pull the elevated area down. Elevating various areas of the organization in unison will help the organization maintain overall gains.

After eradicating many black hole-creating items, problems at the top of the organization become greatly reduced in number and intensity. To arrive at this point requires confronting and handling many issues and capitalizing on many opportunities of various sizes. Most black hole-creating items are simply related to work that remains incomplete: quality deviation forms not acted upon; a showroom operation intermeshed with head office operations that should have been separated out; a required sledge hammer not supplied to a machine operator; failure to develop consistent pricing policies; wrong tax codes on invoices. This incomplete work in various forms can, over time, cause a drag on an organization's performance and even threaten the organization's survival.

Survival of organizations

The battle to discover blight that holds organizations back from operating as management intended is hard won. Technology to help eradicate black holes from organizations exists and has been documented. Part of that technology – the process by which organizations can identify and eradicate black holes – has been spelled out here. However, it takes a thoughtful, concerted effort across the entire organization to fully apply the process. The payback for eradicating black holes from organizations can mean streamlined processes that function as management intended. It can even mean the survival of the organization.

Ron Lutka, CMA, ACIS, P.ADM., CorpS is the president of Corporate Streamlining Company Inc. based in Richmond Hill, Ontario and author of Black Holes in Organizations. Ron's articles have appeared in Canadian Treasurer magazine, and as feature articles in CMA Management magazine and Corporate Governance Quarterly. Ron can be contacted at author@blackholebook.com.