Governance Alignment Program (GAP™) and the Theory of Constraints (TOC)

As highlighted in *Viable Vision* "most companies today do not appear to have the correct roadmap to their vision, which means their vision is not viable and precious resources are wasted".

We believe that the true viability of a vision demands that every human, organizational, technical and financial resource increasingly supports and contributes to the achievement of corporate goals in a fashion that is: demonstrable, measurable, efficient and effective, and in compliance with the company's principles, policy directives and constraints.

GAP™ is an innovative yet pragmatic methodology and software tool that offers a simple means of achieving viability through the development, implementation and sustaining organizational focus in the middle of all the complexity. It guides management using a disciplined approach within the full business context to focus their change efforts. GAP™ creates ongoing goal alignment of all business unit objectives, resources, performance measures, capital projects and budgets objectively and consistently at all organizational levels – all within the context of board and enterprise goals.

TOC and GAP™ share the foundation of cause and effect logic. The relative contribution of each linkage between the entities is determined. GAP™ uses the organizational structure as a metaphor and considers the overall structure in terms of "tiers". Each tier represents a single level of organizational purpose units. "Tier 1" is considered as "Enterprise". 'Enterprise" goals are typically those of Board of Directors. These goals usually express enterprise goals and priorities and constitute the accountabilities of the Chief Executive Officer. "Tier 2" encompasses the next reporting level, e.g. "Vice President" or "Executive Vice President" units. "Tier 3" represents the next reporting level, e.g. senior managers and "Tier 4" represents the lowest operating levels of management.

What to change?

The first step in the process is to capture all the objectives and measures that are documented for each position. A series of individual confidential meetings are held with the directly responsible person (*DRP*) to identify and document the objectives and measures that are in place. All links, contributing directly to and/or in parallel with, are assigned an intensity based on their relative contribution. Once the model is constructed in GAP™, the model provides an enhanced and dynamic *Current Reality Tree*.

The GAP™ software then identifies:
- opportunities to achieve better alignment
- synergies that exist, providing opportunities to remove duplication/overlap
- the "weakest" contributors
- the "best" contributors
- the misalignment of budgets
- projects prioritized by business priorities and risk assessments
- additional dimension assessments.

What to change to?

From the above analysis, using additional *TOC* tools, board interaction, etc. a vision for the organization is created and defined in terms of strategic goals. Using the GAP™ software, a new structure is created based on the organization's essential purposes, which are broader than key processes. Management is then engaged in working from the top down in a series of discussions conducted in an informal, Socratic, collaborative fashion. These discussions identify and validate objectives, organization structures, accountabilities and players, related to goals and performances and the relative contribution levels of each of the" Tier 2" units' objectives. Once a tier has been completed all *DRP*s meet collectively with their sponsoring executive and collectively validate the objectives, measures, linkages and relative contributions. This process is repeated for the subsequent tiers.

This process promotes organizational transparency, facilitates communications and builds consensus. Once the model has been completed, objective, demonstrable and measurable goals and supporting performance measures exist for each organizational unit - across all levels of the enterprise.

With the above completed the organization has a fully functional interactive *Future Reality Tree*. The GAP™ software facilitates a process of ongoing improvement:
- Corporate Modeling – refining the organizational structures and unit goals to achieve ongoing alignment with corporate goals as they are modified for emerging issues
- Assignment of resources to business priorities – where the organization's best performers, assuming they have the necessary competencies, are assigned to the goals with the highest contribution to corporate goals
- Identification of the "weakest" contributors and strengthen them
- Assessment of the synergies- providing opportunities to remove duplication/overlap
- Alignment of budget allocation to corporate goals, *Contribution Based Budgeting*
- Prioritization and risk assessment of all projects to corporate goals
- Measurement of the individual's contribution to corporate goals.
- Other desired additional dimension assessments.

GAP™ creates a closed-loop system to drive ongoing improvement: strategic plan -> the business plans -> action planning -> implementation -> measurement -> strategic plan. This creates a complete, integrated methodology that integrated functions and processes. The management team revisits the cycle would quarterly.

As in *Viable Vision*, GAP™ provides the correct, tested frame of reference that drives people in companies to work willingly and happily together, the CEO and senior management no longer need to be the referees between the silos in their organizations, and everyone's agenda is fully aligned to achieve the corporate goals.

Time Required

Analysis - There is a week or two of set-up time.

Complete restructuring - can be accomplished within 3 months.

As a tool for ongoing improvement -- management currently sets goals, manage performance, budget, assign resources to budget priorities, and selects capital projects; GAP™ integrates these function into a single model and consistently assess each using the same priorities achieves superior results in a fraction of the time. It also eliminates the time spend promoting on organization unit's own interest, as *DRP* quickly recognize, accept and appreciate that the decisions will be based on fact and logic for the greater good of accomplishing organizational priorities.

Size of Organization

Like *TOC,* the process is applied to all sizes of organizations. The prerequisites for installation are: a sponsoring executive at the top, a strong desire to have goals aligned to the top, and a strong commitment to having a process of ongoing improvement.

GAP™ Software Capabilities and Limitations

- Accommodate 12 "Tier 2" management, 144 "Tier 3" management, and 1728 "Tier 4" management.
- Alignment initiatives can be undertaken at any level (e.g. The sponsoring executive can be a Tier 3 manager interested in aligning all his or her "Tier 4" management.)
- Limit to 6 objectives per function units – an intentionally defined limit to ensure focus on what is important
- Identification of efficiency, effectiveness and organizational contribution measures for each objective
- Over 400 built in reports
- Exporting of all report into Excel format
- Contribution Based Budgeting to up to 6 resource types (i.e. $$, head count, vehicles, etc.)

GAP™ anticipates the emerging complexity of today's enterprise structures and operations. It's alignment protocols have the built-in capability to recognize, align and integrate:

- Committees and Task Groups
- Third party suppliers
- Holding companies and organizations
- Affiliated organizations and units

Acknowledgements

"*Based on long and extensive practice, research, teaching, consulting, and publication in this field, I judge GAP™ to be world-class and state-of-the-art. It is uniquely outstanding in concept and usefulness. In my opinion Professional Engineers Ontario (PEO) managers could not have found and used a more relevant and applicable planning model and method.*" - Dr. Donald H. Thain, Ivey Business School (February 2004).

Application of GAP™ to PEO

"*The CEO/Registrar and senior staff have appropriately and carefully used GAP™ to guide the integration of purpose and strategy with the details of operational tasks in PEO. The degree to which integrity in the use of the model has been combined with care in analyzing and applying it to the realities of PEO's specific situation is remarkable.*" - Dr. Donald H. Thain, Ivey Business School (February 2004).

January 2005 - An independent consultant conducted a 360-degree review of the performance of PEO's CEO/Registrar. Fifty attributes of the position were assessed by the Board and senior staff. The highest-ranking attribute was the rating associated with the alignment of goals within the organization.

The Evolution of GAP™

GAP™ was collaboratively developed and refined by Jim Harcourt, J. A. Harcourt and Associates and Kim Allen, Allenvison Inc.

With the objectives of increasing organizational effectiveness by building managerial ownership, constructive relationships, and fully aligned goals, processes, and teams, GAP™ has been extensively tested and expanded through theses collaborative efforts.

Jim is an accomplished integrative thinker, who sees the whole problem, embraces its multi-varied nature, and understands the complex interactions of its human, organizational, policy and structural relationships and utilizes competing organizational interests.

As a senior executive with over 30 years of experience, Jim founded J. A. Harcourt and Associates Limited in 1999 with the vision of enabling his client base to respond to aggressive (and often volatile or ill defined) enterprise goals through the identification and achievement of fully integrated, pragmatic and highly innovative alignment of all enterprise goals, strategies and resources.

Since its inception, J. A. Harcourt and Associates has been highly successful in assisting private and public-sector enterprises in aggressively achieving their enterprise strategies.

Jim is the creator of the *Alignment Model of Governance* and the discipline of *Contribution Based Budgeting*. His alignment methodologies and related GAP™ software has enabled enterprises to reach levels of alignment and performance previously not

achievable through traditional approaches. His success in these undertakings has lead Jim to be considered a "Pragmatic Visionary" by many of his executive clientele.

Jim's executive experience includes Executive and Vice President positions in a wide variety of corporations including:

- KMPG International
- Campbell Soup Canada
- AVCO Financial Services
- SHL Systemhouse International

Kim Allen trained as a Jonah in 1994, and has successfully applied *TOC* to companies he has lead in both the private and public sectors. A 35-page Case Study on Scarborough PUC and Kim's leadership and use of *TOC* is included in Securing the Future[1]. He led the development of the SMART software, which facilitated regular adjustments to budgets and resources using customer priorities, customer interruption costs and changing business climate.[2] He founded Allenvison Inc. in 1998, and continued the development of process-based organizational structures and valued-based budget assignment, based on *TOC*.

Kim is a visionary chief executive who builds confidence in stakeholders and has an unwavering resolve to do whatever must be done to produce the best long-term results, no matter how difficult. A leader, who works to leverage, shape and order what others see as a chaotic landscape by organizing and implementing creative and complex ideas into practical results thus turning problems into effective solutions.

Kim is the Chief Executive Officer and Registrar of Professional Engineers of Ontario. Prior to joining PEO, he was the CEO of Universe2U, a publicly traded telecommunications company. Before that, Kim served as the founding President of DTE/Probyn Energy Solutions from its inception, a joint venture with DTE Energy. He also served as CEO of Scarborough Public Utilities Commission, a $400 million water and electric utility, for 6 years, and as its Director of Engineering & Operations for 2 years. Prior to those positions Kim held several management positions with Ontario Hydro that included retail, engineering, operations and information systems functions. He obtained a Master of Business Administration from the University of Toronto and a Bachelor of Applied Science in Electrical Engineering from the University of Ottawa.

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[1] Kendall, Gerald. (1998). Securing the Future. New York: St. Lucie Press. ISBN 1-57444-197-3.
[2] Allen, Kim (1997) A Transformation of Organizational DNA Through SMART Management (video)