

Journey *to the IT Promised Land*

How one CIO's budgeting blues led to an organizational revamp at Assemblies of God

Reader ROI

- ⌘ The linkages among budgeting, organizational structure, workflows and corporate culture
- ⌘ Transforming a cost-plus budgeting system to a value-based one
- ⌘ The systems thinking approach to analyzing organizational performance

Tim Stratthdee, a kind and gentle soul

by any account, ruthlessly pitches 99 percent of all junk mail that hits his inbox. But in August of 2002, the CIO of the Assemblies of God (AG) U.S. headquarters in Springfield, Mo., was gearing up to prepare his budget for the coming fiscal year, an annual exercise in frustration. So when he saw a mailing about a variation of activity-based costing, he opened it. Read it. And then called the author, Dean Meyer.

Stratthdee was dreading budget season because the AG process followed a typical cost-plus model, in which a department's annual budget is based on the previous year's amount, plus a percentage for inflation or other factors. Once approved, a cost-plus budget, which remains the predominant method of budgeting in corporate America today, functions as a checkbook to which no funds can be added.

b y A L I C E D R A G O O N



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Strathdee was evaluated primarily on whether he stayed within budget, not on how much value he provided to his customers. So when departments wanted IT's help to launch new initiatives, he could do no more than add their requests to his growing queue and hope that he could pilfer money from somewhere else in his ever-so-fixed budget.

But what began as a conversation with Meyer about building a more value-driven budget for the IT department would ultimately turn into a multiyear project to transform the budgeting process of the entire AG headquarters' operation—and its organizational structure, workflows and even its culture. Along the way, Strathdee's role would morph from catalyst to design team committee member to behind-the-scenes thought leader.

While the goal of supporting missionary work is unusual in some ways (for exam-

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ple, few corporations begin and end each meeting with a prayer), many of the organizational issues that AG leaders wrestle with are no different from those facing the most profit-driven companies publicly traded on Wall Street. Companies fret about losing customers; AG leaders were scratching their heads over a slowdown in church growth in the late '90s. AG's Gospel Publishing House, which produces more than 16 tons of literature a day, was facing declin-

ing revenue. Field reps met with increased competition as they marketed everything from Sunday school curricula to magazines for the Royal Rangers and Missionettes (AG's version of Boy Scouts and Girl Scouts) to more than 12,000 independent-minded, self-governing AG churches across the country. General Superintendent Thomas Trask, AG's CEO-equivalent, worried that the relevance of AG's products and services was diminishing. And since publishing

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Organizational Change

sales cover 65 percent of the headquarters' operating expenses, that was a problem.

A ROAD MAP FOR TRANSFORMATION

The 1,100-person staff at AG headquarters is brimming with passionate, well-intentioned people, many of whom took pay cuts to work there. (The fact that Strathdee has been there nearly 28 years doesn't raise an eyebrow.) Yet, a stovepipe mentality ("kingdom-building" in AG terminology) was crippling the organization's ability to respond to the business challenges it faced. "People did not talk to each other," says Harold Sallee, assistant to the general superintendent. "I don't mean they didn't trust each other. They were so passionate about what they were doing, they just went along and did it."

Communication suffered; duplication of efforts (including multiple purchasing functions and editorial groups) was rampant. The cost-plus budgeting process, which many managers delegated to their subordinates, exacerbated the problem, since there was no mechanism to review whether existing programs were worth sustaining. Once funded, most programs were simply continued.

Frustrated by his inability to climb out of the maintenance trap and meet requests to fund new development, Strathdee called Meyer, author of the activity-based costing tract that had piqued his curiosity. But the conversation surprised him. After Strathdee described AG's broken budgeting process, Meyer quickly (and correctly) surmised that there were deeper issues: The organization was stuck in maintenance mode, even flirting with irrelevance. He suggested that AG step back and look at these larger problems.

The organization was, in fact, attempting to do just that. Trask had launched a Vision for Transformation (VFT) effort in 1998. After AG churches arrived at a common spiritual vision for the church, the VFT focus turned to a review of headquarters' operations in spring 2002. The review committee "met, and frankly, we didn't know where to start," says Strathdee, a committee member. "So we just scheduled another meeting for later." But after his conversation with Meyer, Strathdee introduced Trask and other top executives to Meyer's

The Five Facets of Every Organization

How to use a "systems thinking" framework for leading change

Underlying the organizational change effort at Assemblies of God (AG) headquarters is a model from systems thinking, a theoretical approach to analyzing how interactions between parts of an entity affect overall performance. Dean Meyer, the organizational consultant retained by AG, uses a five-part systems thinking model. A tenet of systems thinking is that an organization's parts must be in balance. A weakness in one area can throw off performance, even if the other areas function well.

1	2	3	4	5
Culture: an organization's behavioral patterns	Structure: job functions, reporting relationships and workflows	Internal economy: budgeting and other resource management	Methods and tools: procedures, skills and tools that people use	Metrics and rewards: incentives for performance

RoadMap process. They soon decided it was the blueprint for VFT.

Meyer's RoadMap is a diagnostic based on systems thinking (see "The Five Facets of Every Organization," this page). The RoadMap helps organizations document a clear vision, analyze the gaps between vision and reality, diagnose the root cause of problems and then outline a leadership plan to achieve the desired outcome. By January 2003, Meyer had signed on as a consultant, and the VFT committee had changed its name to the RoadMap Process.

A VFT design team, comprising 42 managers from all functions within the organization, began by soliciting input from employees on how headquarters operated. Just over half, about 600, participated at several gatherings that spring, which Sallee characterizes as "good venting sessions." Breakout sessions on hot topics allowed for deeper discussions, and every single comment was documented on a Post-it note. Sallee would later invite employees to e-mail their concerns to culture@ag.org. He says the first batch of e-mails was "vindictive and hurtful," but employees toned it down after he asked for more constructive criticism.

The design team reviewed all comments, pulling from them five particular trouble spots: partnership with customers (both internal and external), resource management, product design, operational services and people management. They mapped every Post-it note to one of the challenge areas.

Meyer led the design team in a root-cause

analysis. One thing jumped out most of all from the Post-it notes: AG's organizational culture was holding it back. "The people there are very, very sincere. They felt called there to run their ministries," explains Meyer (who is not a member of the AG faith). "But since they were called, they felt it was up to them to sort out what to do as opposed to serving customers who'd tell them what they wanted."

Ironically, the extreme cordiality of the staff (a.k.a. Midwest Polite) was part of the problem. "Sometimes being polite to one another can be detrimental," Meyer says. "Organizations may avoid conflict to the point of not resolving issues, or will even tolerate ambiguity and go their separate ways." So instead of a culture of teamwork, there was too much kingdom-building and too little communication, often resulting in duplication of efforts and inefficient use of resources.

In the fall of 2003, the design team decided to focus on transforming the organizational culture and structure. The goal was to revamp AG's internal structure to match its external goals. A parallel effort to improve AG's resource allocation methods addressed the shortcomings of the cost-plus budget process by initiating Meyer's version of activity-based costing.

ORGANIZING CULTURE AND STRUCTURE FOR TEAMWORK

Strathdee says the RoadMap team was nervous at first about a cultural makeover, because

Organizational Change

it's hard to change people's feelings and opinions. But Meyer encouraged them to focus on behaviors rather than attitudes. "When we thought of culture as behaviors, we thought, We can address this," Strathdee recalls.

The team worked its way through a list Meyer compiled of 13 cultural principles common to effective organizations, including good interpersonal relationships, integrity, teamwork and making commitments that can be kept. They modified them to align with AG values. (Instead of respecting the devil's advocate, for example, the AG version rec-

flows, began meeting in early 2004. After studying Meyer's building blocks for organizations, the committee proposed a new configuration for the top reporting relationships at AG.

Enterprisewide structural changes have yet to be made, but Strathdee has already applied some of Meyer's advice within the IT group. Meyer recommends coordinating around specialties instead of around products; Strathdee separated network services personnel (engineers and architects responsible for innovation) from operations cen-

development costs as he's preparing his budget, he says. "This year, for the first time, I actually have some venture items in my budget that are not based on the last 12 months, but based on things that departments want to do."

A portion of everyone's salary will ultimately be determined by deliverables, giving managers a strong incentive to look more carefully at how their employees are spending their time, Strathdee says. Working through a BBD worksheet led him to conclude that he needs 102 IT employees. (He's now got 94.) He can see precisely which deliverables are stretching his staff; two more programmers were recently added to the current 18, for example.

After identifying deliverables and the resources needed to deliver them, Strathdee's next step was to "sell" those allocations to departments at a budget prioritization meeting in early January. "I went into the meeting with a lot of apprehension about defending our charges [for IT services], but that isn't how the meeting went at all," he says. Not only did managers purchase all of the IT deliverables offered but some found out about services that IT had been providing to other departments and wanted to buy them.

"Our ultimate goal is to have a scenario where managers can have some choice in what services they are buying from us," he says. Departments should be able to get nightly backup of sensitive corporate data on a remote desktop, for example, as long as they're willing to pay a premium. Strathdee knows that making people accountable for the costs of the services they use will encourage thriftiness.

Sallee says the new budget process will lead to major cost savings. But that's not the biggest benefit from AG's organizational revamp. "The most important thing is that 10 to 12 of the key managers will sit down and develop priorities. We'll have more meaningful, open dialogue, but it will be collective rather than individual," Sallee says. And for an organization once known for kingdom-building, a collaborative approach is something of a miracle. **CIO**

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ognizes "those presenting contrary views.") The resulting 42-page document, which is interspersed with supporting biblical quotations, outlines specific behaviors that are expected of all AG employees.

That kind of cumbersome document is hard to read to the end, much less inculcate into an organization. But in AG's case, a teaching team rolled out each principle in mandatory one-hour sessions every three weeks. By November 2004, the culture change rollout was complete, and Strathdee and his colleagues were already pointing to benefits, such as more productive meetings and better communication among managers.

Sallee says one major impact of the culture effort is that AG's executive suite is more open to dialogue. "We've always had an open-door policy, but people now feel like they can really go to that open door," he says. At the Gospel Publishing House, the new atmosphere of teamwork has made it possible to roll out new products, such as a Christian comic book line and a sports camp curriculum, in record time.

A subcommittee on organizational structure, charged with recommending an ideal structure for AG and reviewing its work-

ter staff (charged with maintaining the system that automates the warehouse and shipping processes). "When you group people by specialty, their stress level goes down," says Strathdee. "You can't ask a person to innovate *and* make sure the network never goes down.

BUDGETING FOR VALUE

The concept underlying activity-based costing is straightforward: Desired outcomes and deliverables are quantified and listed on the budget. AG kicked off the effort to discard its old cost-plus budgeting mentality in January 2004, when Gospel Publishing House adopted Meyer's Budget-by-Deliverables (BBD) approach. For the 2006 fiscal year budget, more than half of the AG headquarters will be using BBD, which builds budgets based on the cost of specific deliverables as opposed to traditional line items such as travel or training, says Clyde Hawkins, administrator of AG's Division of the Treasury.

Strathdee already sees a difference in the budgeting process. Managers are proactively calling him about their plans for the coming year so that he can factor in new