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Achieving Superior Motivation and Performance: The Case of the Acquisition and Transformation of CAZEL in Mexico

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ACHIEVING SUPERIOR MOTIVATION AND PERFORMANCE: THE CASE OF THE ACQUISITION AND TRANSFORMATION OF CAZEL IN MEXICO

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□ *This article explores some of the prevailing change management methodologies to determine their applicability and convenience as transformational tools. The authors propose a practical model for change and explore the factors affecting employee's motivation during and after a business transformation process. The methodology is reviewed while analyzing the successful results achieved in the recent acquisition and transformation of "Industrias Cazel" (CAZEL), an automotive-parts manufacturer in Mexico. Prior to the transformation, CAZEL successfully implemented a quality program, achieved high marks in terms of the operating business indicators used at the time, and had the appropriate information technology platforms to support the business; however, it still faced the challenge of aligning the organization strategically and culturally amid a multitude of people issues, which had brought it close to bankruptcy. The aim of this article is to harness the best of the various disciplines found in the literature to craft a practical model for motivating and achieving superior and sustained employee performance in a business transformation process.*

Keywords business transformation; burning platform; change management; competencies; empowerment; motivation; performance management

INTRODUCTION

Organizations spend vast amounts of time, energy, and money every year on process improvement with the expectation that they will thus be able to increase productivity and performance. Although there is abundant literature on transformation methods, the literature contains only limited references to processes based on a clear understanding of the design, operation, and upgrading of the improvement process itself. In particular, the literature still lacks a full account of the role that people and culture play in achieving

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high levels of motivation and sustaining superior performance during and after a business transformation.

Brief Review on Change Management

Change management, despite its appealing name, has had a mixed review. Employees view change management as disruptive. The understanding between an employee and his/her organization has three components: formal, psychological, and social. Most change plans address only the formal (the job description). The two missing components are psychological, addressing loyalty and perseverance, and social, addressing value and commitment (Strebel, 1996).

The research in the field of change management in transformation processes is filled with reasons for either resistance to change or failures associated with the inability to transform people and cultural dimensions in an enterprise. Kotter (1995) identified eight reasons of why transformation efforts fail: (1) not establishing a real sense of urgency, (2) not creating a powerful guiding coalition, (3) lacking a vision, (4) undercommunicating the vision, (5) not removing obstacles to the new vision (e.g., structures, compensation, appraisal systems, bosses who refuse to change), (6) not systematically planning for and creating short-term wins, (7) declaring victory too soon, and (8) not anchoring change in the enterprise's culture.

The burden of change seems to rest on too few people; employees need to participate, in other words, to care. It seems that the biggest inhibitor to change is the company culture. Pascale and Millemann (1997) identified four vital signs of a complex organization culture: (1) empowerment: whether employees believe they have the power to change the company, (2) identity: whether employees identify with narrow functions or with the greater organization, (3) conflict: whether problems smoothed over or confronted and resolved, and (4) learning: the way in which the organization learns.

Success requires transforming the way a company functions. Managers understand the need but misunderstand what it takes. Two persistent assumptions seem flawed: that company-wide programs change organizations and that altering organizational structure can produce a change in employee behavior. Behavior is shaped by organizational roles. If people are to change, they must be placed in a new organizational context. Teamwork, commitment, and new competencies are three factors that need to be part of this new context (Beer, Eisenstat, and Spector, 1990).

Four change methodologies and the proposed model are briefly reviewed.

1. *Organizational development (OD)*. OD, one of the earlier change management processes, is a practitioner-driven intervention-oriented way to

effect organizational change through individual change. The goal of OD is to increase effectiveness. Beckhard (1969, p. 9) defined OD as follows: "Organization Development is an effort planned, organization-wide, and managed from the top, to increase organization effectiveness and health through planned interventions in the organizations process using behavioral-science knowledge." OD has a number of particular characteristics; namely, it is comprehensive in nature and considers organizations as complex social systems that can change gradually through a focus on culture and processes. Embedded in this model is the recognition of the value of teamwork and collaboration between organizational leaders and employees. OD change agents also need to meet certain requirements; OD practitioners are facilitators, collaborators, and co-learners who teach learning skills to organizational leaders and employees, thereby enabling the organization to solve its own problems.

2. *Burning platform (BP)*. The first task of a leader during change management is to emphasize the gravity of the situation at hand. It is necessary to establishing a true sense of urgency without creating an emergency. Complacency is generally deeply rooted, and the difficulty in uprooting it is often underestimated. Past successes and the absence of a terrible crisis in the horizon prevent organizations from recognizing the need for change. A BP exists when maintaining the status quo becomes an unviable option. Major change is always costly, but when the present course of action is even more expensive, a BP situation is confronted. The key characteristic that distinguishes a decision made in a BP situation from all other decisions is not the degree of reason or emotion involved but the level of resolve. When an organization is on a BP, deciding to make a major change is the only viable option (Conner, 2006). The use of this methodology forces management to make changes driven by a personal commitment that becomes an organizational commitment based on an informed decision shared with all employees about the cost that would be associated with choosing not to change. Key to the success of this methodology is the personal commitment from the leader and his/her team and the passion and confidence that he/she inspires to pursue the proposed changes.
3. *Total quality management (TQM)*. TQM is being considered in this article because of the high success rate of the methodology of daily routine work (DRW) in fostering teamwork and raising motivation levels in organizations and as a practical tool to facilitate empowerment (Koura, 2012). Two building blocks are used in TQM prior to the implementation of DRW: (1) 3S + 1 and (2) QCS (quality circle stories). These tools are vital to secure engagement. 3S + 1 is a first-phase module (reviewed later) implemented in the workplace in all Japanese-related quality plans; QCS is the methodology and set of tools used by the kaizen teams (i.e., continuous improvement). Target controls are proposed as a way to align

a company toward achieving the desired results using a scientific and practical approach. The DRW deployment process starts with the identification of the targets for the organizational unit. The person responsible for the unit needs to develop his/her own QCS to clearly identify the current outputs of the unit versus the desired targets. While doing these QCS, multiple root-cause analysis takes place to identify the reasons for the variances and articulate the corrective action plan. In this analysis, the individual responsible for the unit must identify the contributing verification items from the organization below him/her that have a direct impact on his/her control items or key performance indicators (KPIs). These verification items become the control items for his/her direct reports, all the way, in a cascading effect to the lowest management level. A natural by-product of the DRW deployment is the need to clearly define the boundaries (span of control) and empowerment levels for each supervisor responsible for a set of control items under his/her control to achieve the desired targets. This process brings along purpose and autonomy, which are key ingredients of motivation. Lean management and Six Sigma are advanced stages in TQM implementation; particularly in lean management, the Toyota Production System relies on multiple tools, but for total output, the key factor is the summation of the products of the abilities and motivations of each contributor (Tanaka, 2010).

4. *Business process management (BPM)*. In the past, reengineering has focused largely on either workouts or on incremental changes with extensive use of information technology (IT) while leaving process flows without the required radical changes and without achieving the desired levels of commitment and motivation from employees but still resulting in productivity gains. Reengineering is not about small or incremental changes but about radical changes necessary to achieve significant performance improvements in those companies that aspire to sustain continued and long-lasting success, which can only be obtained with motivated and empowered employees (Goetsch and Davis, 1995). The successes and benefits of business process reengineering (BPR) have been widely reported and promoted by important researchers in this field, including Hales and Savoie (1994), De Bruyn and Gelders (1997), and Khoong (1998a). However, BPR's more significant failures have not been widely publicized. Holland and Kumar (1995) reported that 60% to 80% of BPR improvement projects generate no benefits; Khosrow-Pour (2006) reported very high failure rates in the public sector and not-for-profit institutions in the United States; Hammer (1996) claimed that 70% of companies using BPR obtain no incremental gains in productivity. One explanation for these failure rates is that companies usually consider BPR to be the solution to all their inefficiencies, but the problem runs far deeper than what can be fixed just by reengineering (Matus, Whitmann, and Cheraghi, 1999). It is also conceivable that these failures are the result of faulty use of the

paradigm, rather than a limitation of the methodology per se (Khoong, 1998b). Most recent developments in BPM have consolidated objectives, frameworks, methodologies, and tools that have been articulated for effective use in BPR. The significance and applicability of BPM leads to the proposition of how advanced an organization is in its BPM development. Maturity models, such as the capability maturity model (CMM) are used to assess the “as-is” situation to prioritize improvement measures, and later, to monitor progress (De Bruin and Rosemann, 2005).

Case of the Acquisition and Transformation of Industrias Cazel (CAZEL)

CAZEL (formerly Blue Water Automotive Systems Mexico) is a mid-sized industrial complex in Mexico; it specializes in making plastic harnesses for the auto industry. The proposed model, with refinements on the people dimension tailored for the needs of CAZEL, was used in the transformation of the company. Strong support, active and visible leadership, and commitment from the company owner and senior management were instrumental in this successful transformation.

The current owner of CAZEL acquired the company at the end of 2008 when the then parent company, headquartered in the United States, was going through a Chapter 11 restructuring process. The company was undergoing its worst crisis ever, because the contraction in the automotive industry had resulted in the loss of more than 190,000 jobs in Mexico that year. Managers and employees began looking for other job opportunities, morale was low, and many companies, CAZEL among them, were working at 40% capacity.

In early 2009, the new owner decided to keep the CEO and most of the members of its senior management, except for the CFO. In his assessment, the biggest issue with the company he had just purchased was “. . . a matter of setting the right priorities, boosting morale, creating the right organizational culture, eliminating bad labor practices and the absence of a burning platform (BP) mentality to effect the required changes” (O. Cazares, personal communication, July 12, 2012).

The new owner realized that it would take time and effort to change the culture but that he needed to change the dialogue with the union right away. The early meetings with union leaders were confrontational until they realized that the conceptual plan proposed by the new owner was the only viable one and that he was prepared to consider drastic alternatives but not the status quo.

After these early meetings, the management team engaged in a constructive dialogue with key customers, management, employees, and union leaders, and they agreed on a priority transformation plan based on the BP framework. The key stakeholders through this dialogue had finally realized

that the organization had limited access to capital and no time to spare. On the positive side, as a supplier to the leading firms of the auto industry, the company had extensive experience with TQM and was ISO 9000 certified.

A new corporate value system was adopted, and a set of priorities was identified (as well as the KPIs required to monitor them). All relevant non-value-adding labor practices and obstructions to the required flexibility were identified, agreed upon with the union, and removed.

One year after the transformation started, CAZEL was reaching breakeven from a cash perspective, and by the end of 2011, it was operating at 90% capacity (partly due to a recuperation of the auto industry), had increased its labor force by 40%, and had more than 15% of revenues coming from sectors other than the auto industry. It also reduced its debt, achieved a net income in excess of 15% of revenues, and the level of motivation, based on the same historical criteria, was at its highest ever.

Key Questions

This article addresses the following key questions related to motivation and ways to achieve superior performance in business transformation, in light of the case discussed.

1. What are the key components of this transformation model?
2. Which is the most appropriate transformation model?
3. How can a company secure commitment from employees?
4. How can a company facilitate empowerment in order to motivate employees?
5. How can a company change its culture?
6. How can a company achieve sustained superior performance?

Main Results

The transformation model proposed by Espinal, Clempner, and Escobar (2012) has proven practical and effective in securing operational process and performance improvements. The case of CAZEL contributed to the improvement of the model based on the experience gained and the emphasis and refinements in the human dimension of the transformation.

This article began with an introduction, which deals with change management and an overview of the CAZEL case. The second section includes a review of the proposed business transformation model. The third section includes a drill down enhancement to the cultural dimension of the model to achieve superior performance, followed by a fourth section discussing the issues and initiatives used in the successful acquisition and transformation of CAZEL. The final section concludes with a summary of the relevant factors

in securing high levels of motivation for transformation processes, along with comments on the key questions and the need for further research.

THE BUSINESS TRANSFORMATION MODEL

This section provides a brief review of the transformation model proposed by Espinal et al. (2012). A thoroughly enhanced review of the model based on a human and cultural perspective is also presented in this article. The foundations of the model are as follows.

1. *Strategic plan.* In any business transformation, the management team responsible for the transformation must craft (with input from all stakeholders and taking into consideration the findings from the due diligence, benchmarks, and realities of the company's competitive environment) a strategic plan that outlines the required aspirations for the company, as well as the current and expected levels of the KPIs of the business.
2. *Transformation plan.* Once the strategic plan is in hand, the next step is to prepare the transformation plan. This plan is the document that summarizes the agenda and scope of works to be carried out in a business transformation project. It requires a clear understanding of the constraints on the organization by external and internal forces. The transformation plan resembles the content and scope of a business case for a project prepared for approval by senior management and/or principals of an organization.
3. *Implementation.* The basic structure of the business transformation model is shown in Figure 1 with its three dimensions and the overall "performance management" review process (supported by project management) to oversee the transformation and to ensure compliance and the timely delivery of the expected KPIs.

The building blocks of the three dimensions of the operational transformation model and their internal lifecycles for implementation are shown in Figure 2.

- a. *Business process.* The first task is to develop the "as-is" business process map in order to identify all deliverables or KPIs from the current processes. Business process modeling is based on business strategy decomposition. Using the DRW methodology, high-level strategic initiatives are refined to the point where they reach a tactical level described in terms of goals and objectives, from which is derived a clear identification of KPIs for the relevant processes and sub-processes. As the current process is mapped, a group of decision tree-like structures is created with all resulting KPIs. The redesign of the process is largely a pruning

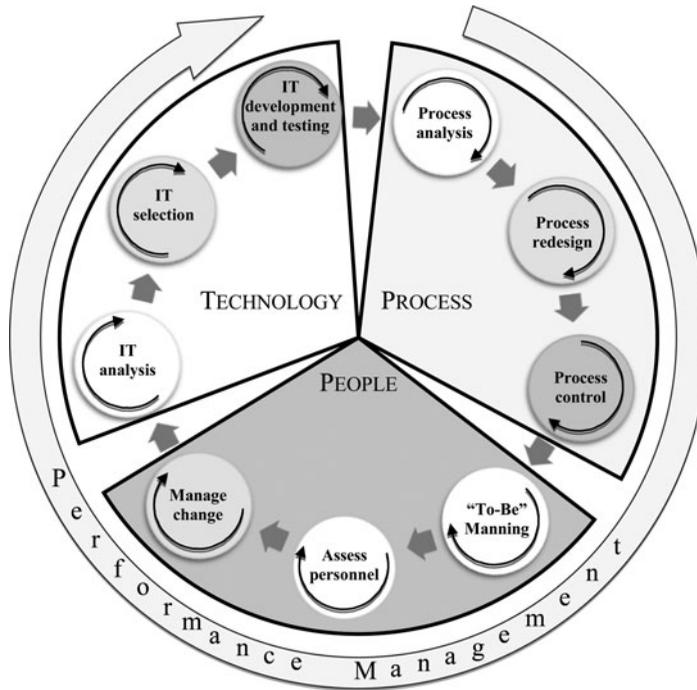


FIGURE 1 The three dimensions in the business transformation model and its performance management process (Espinal et al., 2012).

PROCESS Process analysis	PEOPLE Manning "to-be" process	TECHNOLOGY IT analysis
<ol style="list-style-type: none"> 1. Assess quality of products 2. Assess costs using TDABC 3. Assess cycle time 4. Assess moral and safety 5. Assess environmental issues 6. Assess risk and security threats 7. Gaps in the "As-Is" process 8. Identify non-VA activities 	<ol style="list-style-type: none"> 1. Assess hygiene & motivation 2. Assess empowerment levels 3. Agree on "expected" culture 4. Map headcount requirements 5. Determine competency levels 6. Assess cost of manning plan 7. Evaluate "Outsourcing options" 	<ol style="list-style-type: none"> 1. Assess baseline and MIS 2. Identify MIS needs, priorities 3. Define MIS opportunities 4. Assess risk and security threats 5. Define users' interface 6. Determine systems needs 7. Define enterprise architecture 8. Develop business case
Process redesign	Grading personnel	IT selection
<ol style="list-style-type: none"> 1. Set priorities 2. Select methodology 3. Design "To-Be" process 4. Simulate/perform TDABC 5. Validate "To-Be" process 6. Perform "trade-off" analysis 7. Plan for "To-Be" process 	<ol style="list-style-type: none"> 1. Headcount of "As-Is" process 2. Assess competence of people 3. Assess individual performance 4. Assess behavior of personnel 5. Combine grading assessment 	<ol style="list-style-type: none"> 1. Define critical requirements 2. Analyze functionality 3. Benchmark solution application 4. Fit and gap application analysis 5. Review value opportunities 6. Analyze outsourcing options 7. Define platform test plan 8. Develop implementation plan
Process control	Manage organiz. change	IT development & testing
<ol style="list-style-type: none"> 1. Prototype and transition plan 2. Secure resources 3. Train personnel on new process 4. Implement transition plan 5. Standardize new process 	<ol style="list-style-type: none"> 1. Place staff in proper positions 2. Design training plan 3. Hire staff not available 4. Terminate undesirable staff 5. Empower staff 	<ol style="list-style-type: none"> 1. Do system design 2. Coding 3. Execute security plan 4. Build infrastructure 5. System integration & tests 6. User's acceptance tests 7. Test interfaces, conversion 8. Detailed training plan 9. Transition plan

FIGURE 2 Tasks of the key business dimensions (Espinal et al., 2012).

process of the decision tree (containing the KPIs) to recreate the desired processes that will optimize operations and meet the minimum requirement in terms of structure or complexity to deliver the goals.

- b. *People and culture.* Narrowly defined, each business process is made up of sub-processes, and these are ultimately decomposed into micro-processes and their internal activities in which particular individuals are responsible for their execution. These micro-processes consist of a set of activities, and each activity has a set of associated competencies. As a result, these competencies are naturally aligned with the business strategy. The competency model provides a framework for defining a “prototype employee” in terms of competencies. As part of the business process redesign, an ideal, or “to-be,” organization structure is proposed to make the processes, sub-processes, and, ultimately, the micro-processes, capable of delivering on the KPIs. Culture, transformational leadership, policies, and other critical elements in the people’s dimension lifecycle, such as attracting, engaging, developing, motivating, and retaining valuable employees, and the boundary conditions for each micro-process that must take place to allow empowerment to take root are discussed in further detail later in the article.
- c. *IT.* IT consists of three internal steps: (1) analysis, (2) selection, and (3) development and testing. Analysis consists of determining the business baseline and information management capabilities, followed by an identification of the management information system (MIS) requirements and value priorities, defining the MIS opportunities, identifying the risks and security threats, and determining the system requirements. The selection process is complete once the business requirements have been identified, the enterprise architecture has been agreed upon, and a feasibility study has been completed to ensure that the applications being considered meet the functionality and business requirements from the potential vendor and is compatible with the current or desired architecture and platforms. The development and testing process integrates the system, required coding, security implementation, and building of the infrastructure, integration, and testing, followed by acceptance testing, training, and transition plans.

The reengineering team with outside support normally performs and reviews these tasks to identify hidden opportunities; TDABC stands for time-driven activity-based costing (Kaplan and Anderson, 2007), and the hygiene and motivation factors are those proposed by Herzberg (1959). The recipe for success in a business transformation is to align these three dimensions, processes, people, and technology with the required transformational leadership within a culture of trust and an effective organizational strategy.

PEOPLE’S TRANSFORMATION MODEL

According to research conducted by the Wharton School (University of Pennsylvania), the primary reason for the historical poor track record in managing change in all types of organizations has been “people issues” (Gilbert, 2009).

Frame of Reference on Motivation

Motivational theories have been categorized into two main groups: content theories and process theories. The content theories focus on the needs of the individual, trying to explain the different factors that contribute to either encouraging or halting behavior. Some of the more famous theories in this category include Maslows’ *hierarchy of needs theory*, McClelland’s *needs theory*, and Herzberg’s *two-factor theory*. Process theories are more complex and delve into the thinking process of the individual, trying to explain the “why” or “how” of motivation. These theories explain some of the reasons why employees select one behavior rather than another based on the behavior’s expected outcomes. Some relevant process theories include Vroom’s *expectancy theory*, and Adam’s *equity theory* (Riley, 2005).

People’s Transformation Model for Superior Performance

A refinement and follow-up to tasks shown in the people’s transformation component in Figure 2 are presented in Figure 3.

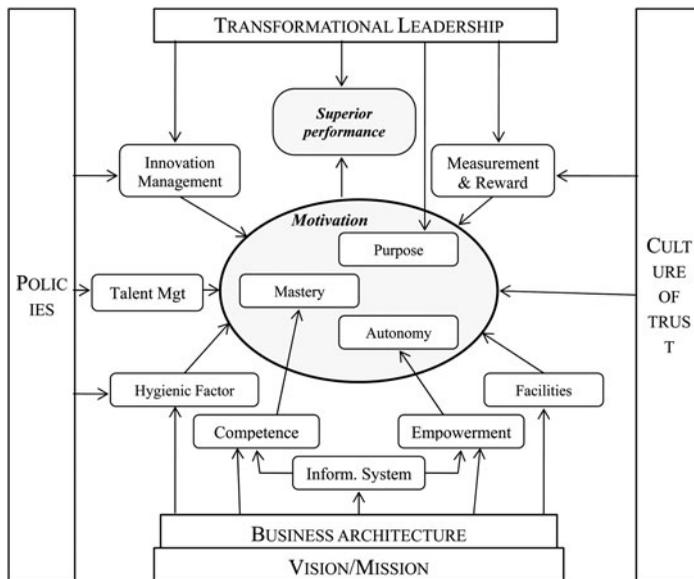


FIGURE 3 Enhanced people’s transformation model.

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This framework attempts to summarize the key elements of the organizational perspective needed to achieve and sustain a superior performance during and after a business transformation process. The relevant elements of the model are briefly discussed next.

1. *Culture of trust.* A successful business transformation involves more than just the usage of the right business transformation methodology and putting the proper systems in place. In addition to theories of motivation, the single most important component in motivating people is having the right organizational culture, that is, a culture that supports the optimal performance of and secures the best possible performance from its employees. Recent Gallup data shows that the average organization has fewer than two engaged employees for every individual who is disengaged. World-class organizations, however, have over nine engaged employees for every one disengaged—that is almost five times more engagement (Chughtai and Buckley, 2008). One of the common concerns in organizations is that their engagement scores remain low despite their best efforts. This creates an employee engagement paradox—engagement is not improved by focusing on engagement (Covey and Link, 2012).

A Dublin University Business School study showed that as trust goes up in an organization, engagement goes up with it, creating a virtuous, upward spiral (Chughtai and Buckley, 2008). Helliwell and Huang (2011) were able to show that a 10% increase in trust inside an organization has the same effect on employee satisfaction as a 31% increase in pay. A research firm analyzed 12 different engagement models with 26 different drivers of engagement; it found that the primary driver of engagement was the trust employees had in their organization at large, and the most leveraged driver was the relationship of trust employees had with their immediate supervisors (Covey and Link, 2012). Culture seems to be the social interface between an organization and its environment. From the perspective of a business transformation process, culture is made up of three elements: (1) the desired transformational (BPM) culture, (2) cultural context, and (3) cultural fit. The BPM culture comprises those values desired in a transformation, such as customer focus, continued improvement, accountability, trust, etc. The cultural context includes the characteristics of the value system prevailing at the beginning of the transformation. Cultural fit includes both the gap between the two and the adjustments needed to succeed in the transformation (Schmiedel, vom Brocke, and Recker, 2012). Covey and Link (2012) found that two necessary ingredients for developing a culture of trust (called “smart trust”) are competency and process. These two elements are (1) a high propensity to trust others and (2) the analytics (IT) to support such culture. From the point of view of an individual, the following steps support a high propensity to trust in one’s environment: (a) choose to believe in trust,

- (b) start with oneself, (c) declare the intention to trust, (d) do what is said, and (e) take the lead in extending trust to others. On the analytical side, an organization needs to create its own database, incorporating the analytics and behavioral predictors that will enable it to determine which customers and/or employees are not trustworthy. Companies like e-Bay, PayPal, and Amazon have been able to create such predictive models and succeed while operating globally in a low-trust environment.
2. *Transformational leadership*. Throughout the literature and the case discussed, one of the most valuable elements in the model is the leadership capability of the person ultimately responsible for the transformation. Collins (2001, p. 13) summarized the type of leadership required for a successful and lasting business transformation: “Builds enduring greatness through a paradoxical blend of personal humility and professional will.” George (2012) identified the following key characteristics of transformational leaders: humility and openness, patience and a long-term view, directness, and pragmatism.
 3. *Vision/mission and business architecture*. The foundation of a successful transformation starts with a strategic plan incorporating a compelling and shared vision, mission, and desired KPIs for each of the internal processes, a plan that is consistent with reality and aspirations for the business. The business architecture is the basic fabric of the process structure and IT platforms needed to achieve the vision, and it is the ultimate product of the “to-be” process outlined in Figure 2. Starting from that point, it develops until it affects the corresponding structure of the business.
 4. *Policies*. Policies encompass the set of rules and regulations that form the body of governance guidelines. When based on principles can become the basis for a culture of trust, which the company expects all its employees to follow internally and in every interaction with the outside world.

Enablers of Motivation

1. *Talent management*. “Talent management is the systematic attraction, identification, development, engagement, retention and deployment of those individuals who are of particular value to an organization, either in view of their ‘high potential’ for the future or because they are fulfilling business/operation-critical roles” (Chartered Institute of Personnel and Development [CIPD], 2011). A major challenge for many executives is to lead their employees through significant organizational transformation, a task that requires knowledge of human capital management best practices. One key ingredient of successful organizations is the prevalence of a strategic talent management process to ensure the time and resources needed to assess key organizational processes, design effective hiring and reward systems, and develop employees. Two inherent

components of this process are: (1) career management, in which companies can be valuable partners to their employees in developing their individual careers, and (2) succession planning, in which business continuity is maintained. Innovative talent management practices are being used to take full advantage of their workforce during a transformation process. These practices include mining the existing workforce for hidden talent, using analytical techniques to find and cultivate talent, redesigning work to suit existing capabilities, and tailoring training based on specific development requirements.

2. *Hygienic and motivational factors.* Because of its extensive use in transformation processes, the two-factor theory is considered here in greater detail. Herzberg (1959) put forward a two-factor content theory. In his findings, Herzberg split his factors of motivation into two categories: *hygiene factors* and *motivation factors*. Hygiene factors can de-motivate or cause dissatisfaction if they are not present but do not create satisfaction when they are present; however, motivation factors do motivate or create satisfaction and are rarely the cause of dissatisfaction. The two types of factors are listed in order of importance:
 - *Hygiene factors* (leading to dissatisfaction): (1) the appropriateness of company policies and procedures; (2) quality and support of supervision; (3) quality of each employee's relationship with his/her direct supervisor; (4) work conditions in terms of lights, space, ventilation, etc., and order and cleanliness of facilities and safety measures; (5) salary structure and fairness; and (6) relationship with peers;
 - *Motivational factors* (leading to satisfaction): (1) opportunity for achievement, (2) recognition of work done, (3) value of the work itself, (4) level of responsibility, (5) advancement, and (6) growth opportunities. Hygiene factors are maintenance factors required to avoid dissatisfaction and stop employees from being unhappy but do not create satisfaction (Riley, 2005).
3. *Competence.* Buford and Lindner (2002) defined competencies as a group of related skills, knowledge, and abilities that affect a major part of an activity; each concept has the following meaning: (1) skills are observable competencies needed to perform a learned psychomotor act, (2) knowledge is information applied directly to the performance of a given activity, and (3) abilities are competencies needed to perform an observable behavior or a behavior that results in an observable product (Clemner, 2010). Through the steps described in the people dimension of the model (Espinal et al., 2012), a methodology is used to identify and validate the competencies required by a process. The steps are (1) design the "to-be" process, (2) define competencies and develop a profile of the employee/candidate, (3) select the metrics and requirements of the prototype, (4) select the grading tools that will be used to rate applicants,

- (5) conduct a complete appraisal, and (6) evaluate the validation process (Clempner, 2010). The model can assist in the evaluation process by helping to develop and quantify desirable position profiles. In addition, it offers the potential to progressively develop a knowledge base of competencies for selecting and evaluating job performance. From a corporate perspective, Prahalad and Hamel (1990) stated that leading companies in seemingly disparate businesses are not a collection of strategic business units but a portfolio of core competencies—the company's collective knowledge. These core competencies are the result of the aggregate skill, knowledge, and abilities throughout the organization on which the enterprise has decided to specialize, investing in these competencies to create its own future.
4. *Information systems.* Businesses use information systems at all levels of operation to collect, process, and store data. Management aggregates and disseminates this data in the form of information needed to carry out the daily operations of business. Everyone who works in business, regardless of role, uses information systems. In today's environments, managers and employees have to assimilate masses of data, convert that data into information, form conclusions about that information, and make decisions leading to the achievement of business objectives. For an organization, information has become a strategic resource for the survival of the enterprise. In addition, MIS are vital to support empowerment by allowing managers and employees to define levels of autonomy within which they can operate. The use of analytics has allowed organizations to move from predictive modeling to prescriptive models. Information-seeking networks in the modern enterprise can tell us much about individual actors, their interrelationships, and ultimately about the effectiveness of their working together. Information-seeking social networks are formed by classifying information sources into informational and relational connections and further conditioning these choices based on the type of information sought.
 5. *Empowerment.* "The giving or delegation of power or authority; authorization; the giving of an ability; enablement or permission." (Collins English Dictionary). Setting up organizations that empower their employees without losing control of the destiny of the enterprise is a balancing act that requires multiple elements to be in place to make it effective. The model proposes the use of the DRW methodology used in TQM as the key element to make empowerment a reality, because it requires management to think through the reasons for empowerment and helps define the border conditions of authority and responsibility required for each of the tasks to be performed within a process.
 6. *Facilities.* One of the basic conditions for motivation is a pleasant work environment from the perspective of facilities (meaning physical conditions), such as space, lighting, proper climate, and safety. "3S + 1" is a first-phase

tool implemented in Japanese-related quality plans for achieving pleasant facilities and employee satisfaction. There are a total of nine Ss (from their words in Japanese), but for this article, the scope will be on the first two sets (5S) dealing with objects and people in an organization. Their applicability in terms of objects is as follows: (1) *seiri* (sort)—keeping only what is needed in the workplace with everything classified, (2) *seiton* (set in order)—keeping the workplace in order, (3) *seiso* (shine)—keeping the workplace clean and with proper maintenance; and for people, (4) *seiketsu* (standardize)—keeping employees safe and in good health, and (5) *shitsuke* (sustain)—instilling discipline and accountability in all employees.

7. *Measurement and rewards.* Instituting a system of rewards, integrating performance management and performance standards into the strategic planning and each individual job description, and employee performance evaluation must be part of the business policies. Salary is still a prime motivator for most employees, but it is not the sole motivator. A fair reward system is also a positive motivating factor. Accomplishing a project on time, raising productivity, lowering costs, lowering inventory, and using cost-saving measures are results that qualify for the receipt of a reward. Thinking creatively and outside the traditional box can help a company develop a system of non-monetary rewards that helps motivate employees and thank them for their effort. Awards, ceremonies, and gatherings where employees are thanked publicly are typical non-monetary methods of recognition. It is important to honor special actions or activities and to be specific as to the nature of the recognition, or other employees could feel offended. From a different perspective, organizations have had difficulty managing the performance of their knowledge work teams. Many of these troubles seem linked to antiquated or inadequate performance management systems. The implementation of multiple rating indexes, frequent performance appraisals, and frequent feedback were found meaningful. In his research, Coy (2000) found that specific types of rewards were unrelated to performance, although some evidence suggested that business unit rewards were superior to team and individual rewards. This is an area of opportunity, but the basic ingredients are fairness, periodicity, consistency, and timeliness.
8. *Innovation management.* “Innovation is the process by which new ideas are successfully exploited to create economic, social and environmental value” (UK BIS, 2012). Innovation begins with creative ideas. Creativity is manifested in the production of a creative work (for example, a new work of art or a scientific hypothesis) that is both original and useful. Creativity by individuals and teams is a starting point for innovation; the first is a necessary but not sufficient condition for the second. Many creative ideas are generated when somebody

discards preconceived assumptions and decides on a new approach or method that might seem unthinkable to others. Serendipity, on the other hand, is the effect by which one accidentally discovers something fortunate, especially while looking for something else. Successfully innovative companies seem to have the following characteristics: (1) a culture and a passion for innovation, (2) creative employees, (3) a process for systematically collecting all impulses that could lead to innovation, (4) a schedule for periodically evaluating the possibility of innovative ideas, (5) good team work, (6) project-based approaches and the ability to manage projects, (7) good working relationship with external experts (universities, research laboratories, innovative venture capital firms), (8) proper risk-taking management practices to fund innovation, (9) motivated employees (employees who are willing to improve the product and the operation of the whole company), (10) learning organizations, (11) a robust innovation process with customers and suppliers bringing ideas for innovation, and (12) a strong intellectual property (IP) management. Two components of innovative companies are a process for sustaining innovation and the competencies associated with such a process. In such a company, leadership ensures that innovation is present in all aspects of the strategic planning process, marketing activities,; in the technology roadmap of the company, in the quality and logistical initiatives, and in the people who get hired and promoted. In terms of competencies, the organization makes certain that the technical qualifications and soft skills needed are present in the required areas. Highly innovative companies tend to have very high levels of motivation and vice versa. Most recently, leading companies are moving away from a closed innovative business model to an open innovative model, putting the appropriate IP management controls in place. “Countering the closed model (where entities historically accumulated intellectual property to provide design freedom to their staff, obtain liberty to operate, and generally avoid costly litigation) implies that companies should be both active sellers of IP when it does not fit their own business model and active buyers of IP whenever external IP does fit their own business model. This has been slower to take root in peoples’ minds than the original concept of open innovation itself since IP is a challenging area for non-lawyers to manage” (Chesbrough, 2012). Two kinds of open innovation have been identified: outside-in and inside-out *open innovation*. The *outside-in* part of open innovation companies opens up their own innovation processes to many kinds of external inputs and contributions. *Inside-out* open innovation requires organizations to allow unused and under-utilized ideas to go outside the organization for others to develop and employ in their businesses. In contrast to *outside-in* open innovation, inside-out open innovation needs further understanding, both in academic research and also in industry practice (Chesbrough, 2012).

Intrinsic Components of Motivation

A set of assumptions and protocols of how the world works and how humans behave constitutes the basis of the motivational operating system. Categorizing this operating system in three levels helps us explain the state of motivation: level 1: humans are biological creatures struggling for survival; level 2: humans also respond to rewards and punishment in their environments (extrinsic motivators); and level 3: humans also have a desire to learn, create, and better the world (intrinsic motivators). Researchers have been able to demonstrate that extrinsic motivators only have a positive correlation when the tasks at hand require mechanical skills, but when the skills required are cognitive, this correlation disappears. This led Pink (2009a) to conclude that when it comes to incentive compensation, “there has been a mismatch between what sciences knows versus what business does.”

Pink (2009b) proposed three intrinsic motivators.

1. *Autonomy*. Autonomy refers to the intrinsic need to direct our own lives. An ill-conceived notion from management has imposed upon society extrinsic motivators (level 2) rather than the default setting (level 3) to be autonomous and self-directed. People need autonomy in what they do (task), when they do it (time), with whom they do it (team), and how they do it (technique). It seems that enterprises that have explored intrinsic motivators in radical ways have found that they outperformed competitors by large margins.
2. *Mastery*. Mastery refers to the desire to become better at something that matters. Level 2 in the motivational operating system requires compliance. Level 3 requires engagement, because only engagement can lead to mastery. The dormant pursuit of mastery is essential, at an individual level, in making significant contributors in society. Smart workplaces encourage people to explore fields of knowledge and research in areas outside their domain to enhance their understanding of the world. Mastery has three characteristics: (1) a mindset—requiring the capacity to see abilities as infinite; (2) willingness to accept pain—because mastery demands effort, grit, and deliberate practice; and (3) an asymptotic nature—it is impossible to ever fully realize, making it simultaneously frustrating and alluring.
3. *Purpose*. Purpose refers to the journey to do what we do in the service of something bigger than ourselves. Traditional management has considered purpose complementary as long as it did not stand in the way of getting things done. In modern thinking, motivation maximization works alongside profit maximization. This purpose motive can be expressed in three ways: (1) in goals that use profit to reach purpose, (2) in words that focus on more than self-interest, and (3) in policies that allow individuals to pursue purpose on their own terms.

IMPLEMENTATION: THE CASE OF CAZEL

The Acquisition

During the “due diligence” process prior to the acquisition of CAZEL, the new owner and chairman was able to assess the reality of the Mexican subsidiary, which he ultimately acquired at the end of 2008. A major contributing factor to the success of CAZEL was the experience of the chairman as a turnaround executive coupled with 30 years of experience working for PepsiCo in Latin America, most recently in Mexico.

CAZEL’s chairman uses the term “aligned culture,” stating that one of the key problems in CAZEL was “. . . the lack of a culture with a sense of urgency and alignment for the priorities of the business” (O. Cazares, personal communication, July 12, 2012). On the positive side, the company had knowledgeable and skillful people, a good safety record, well-documented processes, a well-deployed TQM system, and the appropriate IT platforms. On the opportunities side, the chairman found that as a result of responding leadership from the U.S. parent company, which was in the middle of Chapter 11, CAZEL had a culture of distrust but, more importantly, a twisted culture in which the goals and priorities of the business for value creation were not aligned with its daily activities. The company had adopted many of the industry’s worst labor practices in its collective agreement; it had a silo mentality and a prevalent distrust in management for any initiative that required a small deviation from the agreed labor practices.

Which Methodology to Use?

On the recent appointment of Marissa Mayer as CEO of Yahoo, Kelleher (2012) said, “Corporate turnarounds are painful, ungainly and notoriously difficult things to pull out. When they work, they take years and they usually happen in older [commoditized] industries. On the Web, things change so quickly and competition is so intense that Yahoo can’t afford a few years to right itself. Other Web companies, like MySpace and AOL have repeatedly tried to turn things around with no luck.” He was referring to the complexities, size, and scope of business transformations.

The new owner of CAZEL confronted the same challenges in designing his transformation plan. The options considered and their applicability are shown in Figure 4, along the following two dimensions: (1) cash and time available for the transformation and (2) the level of complexity of the organization.

Of the various generic methodologies to choose, he selected the BP because, as he said, “. . . I had no time and money for the alternatives, the status quo was not an option and I felt comfortable with the BP methodology based on prior transformation experiences” (O. Cazares, personal communication, July 12, 2012).

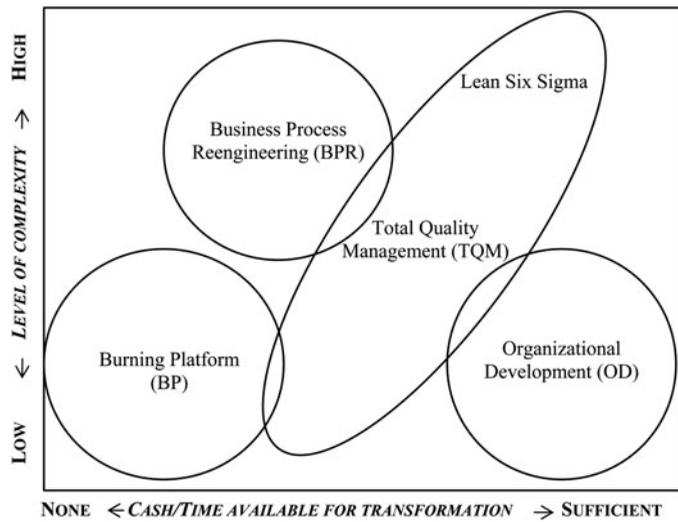


FIGURE 4 Suitability of a generic model for business transformation.

Assessment of the Situation and Preparation

Using both the CMM and the proposed organizational model shown in Figure 3, the management team completed the assessment in early 2009 of each of the six dimensions of the CMM (later shown in Figure 5) and, in

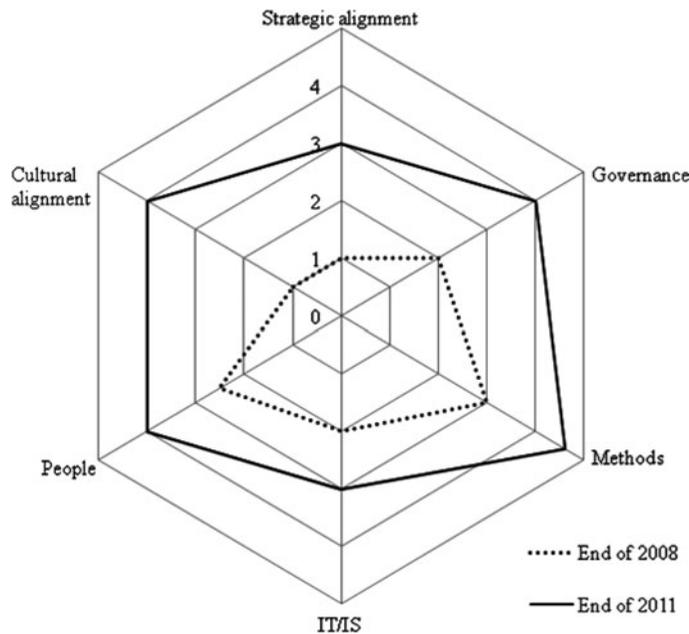


FIGURE 5 CAZEL at the end of 2008 and 2011 using CMM (made with data from O. Cazares, personal communication, July 12, 2012).

particular, on the status of each of the elements of the organizational model. These findings were discussed with the chairman and senior management and were the foundations of the transformational plan, which was agreed upon during the first months of 2009.

The BP methodology seems to work best when supported by the five steps of the ADKAR model (Hiatt, 2006): (1) awareness of the need for change, (2) the desire to support and participate in the change, (3) knowledge of how to change, (4) the ability to implement required skills and behavior, and (5) reinforcement to sustain the change.

Challenges During the Transformation

The first six months of 2009 were the most difficult and hectic for the new owner and the senior management team as they simultaneously confronted both a new corporate reality and a declining market.

The following is a summary of the actions taken during the transformation phase.

1. *First week (in 2009)*: Confirmed senior management including the CEO, who had a long-time relationship with the new owner. He replaced the CFO. The chairman and new management team met a couple of times with union leaders and key employees in middle management positions, reviewed facilities, the sales backlog, the schedule of production, inventories, the cash flow situation and began the preparation of the transformation plan. Other actions were symbolic, such as walking the floor daily and not assigning an office for the chairman, but instead meeting where and when required.
2. *First month (in 2009)*: Agreed with management and employees on a new culture of trust (code of ethics) aligned with the priorities of the business. With input from key stakeholders and several formal and informal leaders, a transformation plan was drafted that addressed the goals and priorities identified. The chairman and management agreed on the ten KPIs, responding this way to the needs of all stakeholders and making them available to all employees. Management met and agreed with union leaders based on the new culture and on an analysis of the implications of the prevailing rigidity, on all the required changes in terms of labor practices that were adversely affecting the flexibility required by the operation. Management started visiting key customers in the auto industry and reviewing backlogs as well as holding brief and focused weekly sales, production, and cash flow review sessions. The owner and senior management continued walking the floor a few times during the day and began calling people by their first name.

3. *First quarter (in 2009)*: With agreement from all key stakeholders, implemented the BP to support the new culture and priorities, after all parties had agreed it was the only viable option to rescue the company, and began the execution of the agreed transformation plan which included (1) elimination of all perks to management and reduced compensation, as long as floor employees kept working part time (50% at that time); (2) met at least once a week to review, rigorously, the improvement projects and deployment of the agreed upon ten KPIs (two indicators had to do with training to upgrade the capabilities of all employees and with safety); (3) improved the layout of the plan to optimize production and reduce waste, based on reduced work in progress (WIP) inventory and the implementation of a *kanban* scheduling system; (4) analyzed all products and their value contribution to determine those that would no longer be marketed; (5) continued visiting existing and potential customers to keep their orders and to explore opportunities for shortening the collection period; (6) lowered inventories to preserve cash and replaced purchases with smaller lots, many times at a slightly higher price; (7) “democratized” MIS, allowing employees full access to all the information required and produced by the company, such as daily scheduling and production controls that were part of the DRW, including the financial statements (the performance of the ten KPIs were posted and updated several times a day at the floor level); (8) started visiting non-auto parts customers to introduce the company and secure their business; and (9) improved employee facilities, such as bathrooms, locker rooms, cafeteria, lighting, ventilation, meeting rooms, etc.
4. *First six months (in 2009)*: Confronted issues with shortages of cash flow and had funded the extra cash from the owner’s own pocket to sustain the business and many unanticipated improvements. Management created teams to look for products of a higher value added as a partial replacement to just the parts (assembly products) and secured orders from non-auto industry companies for which production facilities were suitable based on the accredited quality standards of CAZEL and the new flexibility (this caused some concerns among employees who saw these commodity products as a reduction in category for an auto engineering firm, but these concerns were timely and proactively addressed as opportunities). Management reviewed all components of the people transformation model to ensure that all elements were being addressed and the appropriate action plans were being taken.
5. *First year (2009)*: Continued the implementation of the transformation plan; improved inventory turnover from 3.2 times at the end of 2008 to 12.6 times by year end; reduced response cycle time substantially; introduced a variety of new products with higher value added and executed the required capital expenditures (CapEx) to optimize their production;

stabilized operations that, by the end of the year, were beginning to reach breakeven; continued walking the floor and calling every supervisor and most employees by their first names, stopping to talk with anyone who wanted to ask anything and getting ready for the challenges of the following year.

6. *Second year (2010)*: Continued to aggressively secure a more balanced and profitable backlog. Management continued to introduce new products of higher value added. The chairman and management continued to engage all employees and respond to their concerns, making sure all elements of the people's model were being addressed. The company completed the layout changes required to optimize production and reduce work-in-process inventory. This year, CAZEL was able to make a modest profit, which it had never seen in its entire life. The desired culture was fully ingrained, and the level of motivation was on the rise, as was the backlog for products with higher margins.
7. *Third year (2011)*: With renewed optimism, the team abandoned the early BP modus operandi and began working on long-lasting policies and procedures to maximize alignment with the strategy. Acquired a competitor of a similar size with support from GE Capital (Mexico), which saw the improvements in the operation. The key equipment from the acquired operation was moved and installed in CAZEL's facilities in Mexico City, and a new major plant layout change took place along with the CapEx required to accommodate the extra equipment and capacity. This took place without interrupting production, requiring from management a challenging coordination effort between engineering and production. CAZEL also considered another acquisition of a larger competitor, which in the end did not materialize. Management continued to engage customers with higher value-added products; to engage employees with frequent meetings to explore ways to improve communication and working and social environments; brought experts from JUSE (Japan) to work on quality improvements (6σ) and on lean manufacturing, particularly total preventive maintenance (TPM); instituted a coaching program to improve the engagement and career path for employees; and updated competency requirements and made competency improvement a key element of the HR process, establishing a continuous learning program to ensure that required competencies are present when needed. The results for the third year speak to the success of the transformation. The upgraded plant ran at close to 90% capacity, the work force increased by 40%, and the net income at the end of 2009 was in excess of 15% of revenues, a record for any company in this industry.

Against a benchmark of the best supplier of the automotive industry, the chairman completed for this paper, his evaluation of the situation of the company using the CMM framework as shown in Figure 5.

The company has continued its improvement program in all areas of the organizational model proposed in this article, engaging its people all the time. Confronted with the changing competitive environment and stringent requirements from the auto industry, CAZEL has most recently embarked in a major undertaking to upgrade its product design capabilities to maintain its relevant role in the market and is considering strategic alliances to prepare for future more demanding requirements.

CONCLUSION

Motivation in business transformation processes is an elusive term, because organizations either have it, in various degrees, or simply do not have it. This article discusses a model proposed by the authors on business transformation as well as more generic methodologies and their suitability for particular circumstances. The BP was used early in the process to secure alignment, a sense of urgency, and the need to change. Along the process, the proposed model was implemented to create a culture of trust and discipline and to achieve the desired superior performance.

There is no perfect people's transformation model; the one proposed was built based on experience and using the best practices found in the literature.

To secure commitment from the employees, they need to be told the options, participate in the design and implementation of the plan, and feel the pain; senior management needs to create confidence that the proposed transformation is viable and that the employees are going to be better off once the goals are achieved.

The DRW tool from TQM used partially in CAZEL has proven to be a successful tool in facilitating empowerment, because one of the requirements for its deployment is the alignment of everyone's objectives, clear lines of responsibility, and the levels of authority delegated to achieve the objectives. This is a key ingredient of the three intrinsic requirements to achieve high levels of motivation; the other two, mastery and purpose, are the joint responsibility of employees and the company leadership.

Changing organizational culture is a complex process and might take years, but in the case of CAZEL, the usage of the BP methodology, the participation of key stakeholders in the crafting of the new code of ethics, the willingness of the union to redraft the collective agreement early in the process, the extensive use of TQM tools, and the empathy demonstrated by the new owner and demanded from all management made possible a quick cultural transformation.

Relevant contributors to a superior financial performance are (a) the level of trust prevailing in an organization; (2) the alignment of the vision and culture of a company to meet the challenges; (3) the leadership capabilities of the team leading the transformation; (4) the prevailing rules and policies

of the company; (5) the competencies of all employees; (6) motivational enablers; and (7) the intrinsic drivers of motivation: autonomy, mastery, and purpose.

A lean management culture with emphasis in continuous improvement sustains this performance.

The case of CAZEL in Mexico is reviewed because this company, which prior to 2009 had achieved a high degree of process and IT sophistication but was losing money, and, as identified in early 2009 under the new ownership, was missing, among other things, an important component of business success: strategic alignment. Setting up the right priorities, a sense of urgency, and focusing on organizational (people and cultural) changes based both on trust and on an alignment of the priorities for the business proved to be the required ingredients for success. The case study provided insights on ways to enrich the model discussed, its effectiveness, and how, under appropriate leadership, a successful business transformation can take place.

The literature on the BP methodology is limited, and its effectiveness in different settings creates an opportunity for further research.

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