



Lessons From the Real World of Major Business Initiatives

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Introduction

Every modern business needs to undertake fundamental change initiatives, but not every initiative delivers all the results. What makes for success? Where are the pitfalls? To get real-world answers, we recently interviewed a wide range of senior executives in various industries, including international banks, pharmaceutical companies, government agencies, hospitals, and trade associations. We asked them to consider the best practices for managing major business changes. In these conversations, they used their own examples, which included:

- Mergers and acquisitions (including buying major product lines)
- Major information technology (IT) installations
- Automating the delivery of medicine
- Changing customer sets
- Transforming branch operations
- Migrating from a centralized decision-making organization to a decentralized environment
- Revamping a product line

What have these executives learned about change management that can help you reduce time-consuming surprises and achieve the results you want? Some hard lessons, as it turns out, which this early look at our interview data summarizes.

Four Lessons

Many of the executives we interviewed affirm that initiatives often fail to reach their realization potential. Their collective wisdom about how to avoid this comes down to us as four key lessons. Think of these as warnings that must be addressed early and well:

1. Define your criteria for success in advance
2. Take an active leadership role
3. Remember that people are your greatest variable
4. Correctly estimate your capacity for change

Define Your Criteria for Success in Advance

The executives who participated in the interviews issued a warning about the real risk when executing critical changes. What we heard was that major initiatives usually don't "fail" outright as much as they deliver less than the original promises. The interviews draw a clear distinction between what we'll call *installation* versus *realization*. Mary Anne Elliott, Executive VP of CIBC, pointedly states that, "We need to understand up front what we're looking for, and be very concrete and specific about what that looks like." Along these same lines, Robin King, Vice President of Public Affairs at the Aluminum Association, notes that "we've invested in most of what we need; now we need to use it. It's installed, people are trained, but we are not realizing benefits yet."

Success is not defined merely by installing the applications, acquiring the products, or signing the merger agreement. Success happens when you realize the benefits that caused you to launch the initiative in the first place. The interviews provide a clear warning: Don't be seduced by *installation* success; *realization* of your change objectives is what you're really after.

Clear criteria make it easier to garner support. Otto Salguero, Vice President, Information Services for Bon Secours Health System, told us that this multistate health-care system business stumbled on the difficult integration of newly acquired medical centers. He explains that, "We have been able to get the results we expected, even with a lot of pain and a lot of problems. We defined and achieved success in a standard IT implementation across the entire system of hospitals. We have been able to implement our pharmacy on budget with a high level of customer satisfaction." Why? Because the criteria for success were clearly defined and well-understood by the users, who became strong advocates for change.

When asked why some things worked while others didn't during his company's implementation process, Dr. Wayne Hockmeyer, Chairman and Founder of MedImmune, Inc., replies that the reason is, "First, the decision, project, or goal must be clear, visible, and well-articulated. People have to have a clear goal; then you can be successful."

Although defining the criteria for success can be a complicated and difficult task, the downside is worse. Hockmeyer cautions that, "When you don't achieve all the goals, or don't set them high enough, expectations start going down." That is a spiral that can threaten the entire business.

Once you have clearly established your criteria for a successful initiative, these executives suggest that active leadership becomes important.

Take an Active Leadership Role

How much of the change initiative can you delegate? According to our executive interviews, very little. It's your own attention that's required. Mary Anne Elliott calls this "active leadership."

Wayne Hockmeyer is equally clear. According to him, projects that did not achieve the expected outcome lacked focus, as well as personal intervention by two or three senior people within the organization. He contends that good people are not enough to guarantee success. "Team members have to be very competent, skilled, motivated, and dedicated. But they also have to be led well—not just managed."

Effective management requires a single leader. "When we've been successful, we had somebody, or a team, act as the architect and oversee the whole thing and look for integration points," adds John Madigan, Vice President of The Hartford Financial Services Group, Inc.

And it seems crucial that the "somebody" be the senior-level executive for important initiatives. "I say it over and over again to people: I am going to be here on this project, I approve your salary and increases, I take an interest and I expect you to take an interest. Expect increased focus from me," notes J. Stephen Larkin, President of the Aluminum Association.

Hockmeyer echoes this. "The key is to get senior people sufficiently engaged, to invest sponsorship and personal commitment and accountability. They need to put pressure on the organization and stay on it until problems get resolved." He also observes that senior management sometimes "trusts too much in structure and normal function to take care of things."

Active leadership also means selling your ideas repeatedly. Tariq Hassan, Global Head of Purchasing for Deutsche Bank, says that "nearly 50 percent of my time is spent selling credibility, strategy, and the fact that this can be done. They blow you off the first time, but the third time they say, 'Maybe we can do it.'"

Although some executives may think this level of effort should not be necessary, our executive interviews clearly indicate that change must be sold, resold, emphasized, and monitored throughout the change management process. Each successful initiative described in our executive survey required ceaseless sponsorship and ongoing internal selling. People need to be on board.

Remember That People Are Your Greatest Variable

Nearly all change initiatives require major shifts in thinking by employees (and sometimes customers). Robin King puts it this way: "The biggest variable for us has been the human side, especially the inability to understand and embrace change."

However, the CEO of a European pharmaceutical manufacturer argues that "success requires people—great people—with the interpersonal and organizational skills to put the whole shebang together."

Indeed, our executive panel repeatedly noted that systems are often easier to change than people. Salguero of Bon Secours Health System found that while "the system worked flawlessly, the human beings were prone to error." He explains that in selecting advanced clinical information systems, "we run into a lot of issues that are no longer about systems but about

transforming the way we think and operate. What should have taken 9 months takes 18 months and is still ongoing. We underestimated the difficulties employees had in learning to work with systems that require new ways of thinking and skills.”

Hockmeyer believes his company, MedImmune, Inc., has done well because it understands the human variable. “In the most severe conditions, we did some of our best work. Not because of great environment or pressure, but because people felt like a community with common goals and objectives.”

So what is the best way to manage the human side of change? To get the results you want, King asserts that, “You have to have a better understanding of the human landscape. Recognizing that it is different for different people and groups because the values of the desired model vary from the values of the old model. Even within a small organization, you’re speaking in many different contexts and languages.” So how do you get that better understanding?

Correctly Estimate Your Capacity for Change

What is your capacity for change? Do you really know? According to these executives, you need to ask sooner rather than later. For the Managing Director of a European investment bank, the issue wasn’t resistance or wrong solutions. The issue was that, “We didn’t have core skills. We hired people who were pretty good at strategy and vision and setting out the right kind of agenda, but we didn’t have doers to execute what had been articulated.” Execution trips up many projects, argues Jack Tootson of the Internal Revenue Service. “Decision making isn’t bad; the execution aspect of it is.”

Complexity makes the condition worse. Crossing oceans is an example. The head of one global technology firm notes, “When you go around the world and try to execute globally, you tend to underestimate the differences in the market and investment that it takes to deploy locally.”

The result? Unpleasant surprises that delay or block realization of key objectives. King observes that, at the Aluminum Association, the company president’s timeline for a major project would be six months; his, more like a year. “We’re roughly at two years now,” he adds.

No initiative happens in a vacuum. As an initiative unfolds, the rest of the business has to continue, complicating the process of change. John Madigan of The Hartford has been involved in major change initiatives, including “a full consolidation of two separate IT infrastructure organizations, and an acquisition that includes the integration of staff and information systems. Since some of our affected business lines have daily SEC reporting requirements, there’s really no possibility of shutting down to accomplish these changes. We are changing the tires while the car is in motion.”

Juggling multiple business functions impacts the change effort and can result in delays. It can also be hard on people. Larkin explains, “Change has come so fast and variety is so great that you have people who understand intellectually but their reflex action is in the 1970s.” Madigan notes that success happens more quickly when you take the time to put all change activities into a single context. “The human capacity to absorb changes is reduced when those changes are not seen as integrated, not part of one new approach to things.” When people cannot absorb change, change does not occur.

Hockmeyer summarizes the strategy that worked best for MedImmune: “You have got to be truthful with yourself about what is just not reasonable.” He states, “Where most people fail is in

thinking they can do something no one else has ever done. They kid themselves into thinking that won't have a consequence." In Hockmeyer's view, executives need to be objective about organizational capacity so they can accomplish the impossible sometimes. "Determine your capacity before you start," he warns. Part of that capacity is your ability to conduct normal business while you handle complex changes. This is one of the overall recommendations that comes from these interviews.

Their Counsel: Ask Key Questions to Help Facilitate Change

Many executives emphasized the lesson of asking the right questions often and early. Before you start a key change initiative, a best practice is to ask both yourself and your organization:

- Have you clearly defined your criteria for a successful initiative? Will everyone know the difference between the *installation* and the *realization* of the initiative?
- Are you and the rest of the executive team willing and able to invest personally and often in the success of the initiative?
- Have you anticipated what resistance will surface? Developed a strategy for building commitment? Determined what impact the culture will have on success?
- Have you measured your capacity for change? Does that capacity include your ability to change tires while you are in motion?

Major change initiatives may strengthen or grow your enterprise, but they can also cause extensive disruption, added expense, and user dissatisfaction if not managed correctly. These preliminary interview results show that the linchpin of successful change is active executive involvement. Success starts with asking the right questions and insisting on answers. Senior executives need to define success, stay actively involved, assemble the right people with the right skill sets, and realistically estimate their capacity for change. When you decide to undertake change, these executives would counsel that you need to ask such questions and demand answers. Only by learning these hard-won lessons can you lead your enterprise through major change initiatives that realize the objectives you originally envisioned.

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