1

A THOUSAND CURES

Which One Is Right?

COPYRIGHTED MATERIAL

Like a broken record, business authors, journalists, government leaders, and economists continue to warn that the pace of change is accelerating, and that managers need to move faster, get ahead of the curve, be more proactive, reduce cycle times, speed up production. Speed is everything. Speed is winning. Speed is surviving.

The messages are unrelenting, but they are off-target: the leaders of our corporations and other institutions don't need this advice. They are acutely aware of the forces reshaping the environment in which they operate. They see what has been happening to the U.S. automobile industry in the forty years since it began responding to the competition from fuel-efficient, high-quality cars from Japan—and then from Europe. They saw what happened to IBM when the personal computer changed the information management model. They see globalization sweeping hundreds of thousands of jobs from one country to another. They see technology rapidly obsolescing the mainstays of traditional economies, like telephony. They see digital imaging driving companies like Kodak and Polaroid into life-and-death struggles. They watch awestruck as Wal-Mart moves across the landscape leveling virtually everything in its way.

No, those who are leading major organizations today don't need to be told to wake up to the issue of change. They want to know what they can do about accelerating change. How can they respond to these challenges in ways that will ensure success?

The good news for managers who want more insight into how they can master major change is that tons of advice on that subject have been published in the past twenty years. But the bad news is that consulting the most popular parts of that literature will yield not an answer but a thousand answers. Moreover, the answers generally consist of fragmented elements of change ideas rather than comprehensive, tested change strategies.

Worse, most of the formulas consist of large-scale, go-for-broke change efforts. These titanic programs, mainly consultant-inspired and installed at astronomical fees, carry a high risk of disappointment.

Rapid Results is different. It presents a comprehensive change strategy, but it begins in ways that pay their way almost at once, that require no major investment, and that are very low risk. This chapter introduces the concept and shows how it can serve as the fundamental building block of large-scale change.

Overlooked Opportunity

In our years of work with hundreds of organizations all over the world, we have encountered virtually none where it was not possible to generate fresh, reinforcing, improved results within a very short time—several months at most. And by *results* we mean real, tangible, bottom-line results: increased sales. Reduced turnaround time. Increased inventory turns. New products marketed more rapidly. Welfare services provided more effectively.

This has been true of large, well-known corporations like General Electric, Avery Dennison, Georgia-Pacific, Siemens AG, GlaxoSmithKline, Citigroup, Motorola, and Zurich Financial Services, as we detail later in the book. It has been true of many smaller companies. It has been true of hospitals and schools. It has been true of city and state governments. It has been true of agricultural and health organizations and government agencies in developing countries.

Not only is it fairly straightforward to generate results quickly, such projects can serve as the foundation and backbone of large-scale, sustained change and improvement. In fact, because of their capacity not only to yield immediate payback but also to lay the foundation for large-scale change, we have found that such rapid results projects are the best way to launch any major change or improvement effort. What is most surprising about this phenomenon is how few managers or consultants use this powerful approach and how few organization researchers have opened their eyes to the possibilities.

The Blurred Road Map

Consider the challenges faced by a senior manager whose company has been losing market share but who has no certain way to turn the situation around. Or one whose company needs to carry out a number of simultaneous large-scale changes in product lines, information systems, and market strategy but is not confident that the plan for making it happen is really soundly based. Or a CEO who, to keep the company in the race, must transform it into a high-performance, rapid change organization. Or the agriculture minister of a Latin American country whose farms must lower costs and raise productivity if they are to compete.

If senior managers like these want to learn how best to organize a comprehensive attack to deal with such challenges, they will have trouble finding the answers in the published literature on change. One reason is that there are so many articles and books. Moreover, while many of them provide interesting perspectives and insights, they don't provide comprehensive strategies that can serve as strong guides to action. This is true even though many of the writers are top-level thinkers and doers, and many of the experiences about which they write have been bold and highly successful.

The 1982 book *In Search of Excellence* is the wellspring for much of the improvement literature.[1] In it, Tom Peters and Robert Waterman summarized a number of factors that they identified as the keys to success for forty-three companies they regarded as excellent. The authors provided this list of success factors, but they did not convey a workable strategy for becoming excellent.

In the quarter-century since *Excellence*, well over fifteen hundred other business books have been published about making change—five times the number that had been published in the same period before *Excellence*. Virtually all the ones we have seen follow the essential pattern set by *Excellence*, with its strengths but also with its three fundamental limitations:

Backward-looking analysis. All the books describe backwards analyses that offer the authors' ex post facto explanations of why certain organizations succeeded. For example, in 2001 James Collins and his team examined eleven companies that had made a leap from being "good" companies to being "great" companies. In *Good to Great*, he and his team name the factors that, after the fact, were found to be statistically more prevalent in the successful companies.[2]

A large number of the success stories focus on a single company. Jack Welch's *Straight from the Gut*, about General Electric, and Larry Bossidy's *Execution*, about AlliedSignal (and then about Honeywell, which absorbed it), and Andrew Grove's *Only the Paranoid Survive*, about Intel, all exemplify this genre, as, in fact, does Albert ("Chainsaw Al") Dunlap's *Mean Business*. In all these cases the explanations of what contributed to success were constructed after the fact.[3]

Fragmented theories. Most of the key advice that authors provide consists of fragments rather than of coherent strategies. Each author lists three, five, or eight keys to success rather than outlining an overall implementation strategy. There's Peters and Waterman's "seven S's" and Collins and Porras's "big, hairy audacious goals" and Jack Welch's "speed, simplicity, and self-confidence" and Rosabeth Moss Kanter's "enabling the change masters" and Kotter and Cohen's helping key players "see and feel" the need for change and Mitchell, Coles, and Metz's "focus on unblocking stalled thinking," and so on. By the time you've read ten books, never mind fifteen hundred, you are drowning in the "keys to success."

Untested prescriptions. Perhaps most serious, the authors never take the prescriptions they have formulated on the basis of their backwards looks and test them in new environments to see if they really work. All scientific and medical theory similarly begins with hunches and guesses. But no one publishes about scientific or medical theories until they have been tested experimentally. In contrast, the writers on organization change take their thousands of hunches and hypotheses—derived from their ruminations on the past—and offer them as certified "answers."

Moreover, most of the studies studiously ignore the other published work on the same subject. Each presents itself as a pioneering effort into a fresh subject.

One of the few scholars actually to have hypothesized a comprehensive model rather than mere fragments is John Kotter.[4] He has developed a thoughtful and well-elaborated eight-step process for executing change. But, alas, he fails to present the experience of any single organization that has actually employed the process and succeeded.

All of this is not to deny the benefits of reading the literature on change. Many of the ideas and insights are provocative and interesting. And many books and articles share insights on aspects of change without purporting to provide answers. For example, in the late 1980s Michael Beer headed a team at the Harvard Business School that studied a number of attempted corporate transformations, some successful and others unsuccessful. Their book cited the factors the authors identified as differentiating one from the other.[5] Their findings and hypotheses offered novel insights into large-scale change. And the same can be said of Kotter's work and that of Collins and the others cited earlier.

But because the literature consists of fragmented advice and of hypotheses rather than validated methods, managers cannot find research-based information on

- How an organization can best begin the process of change
- How it can keep the process going once it is begun
- How it can tie all the elements of change into an integrated effort

Big Gaps and Big Gambles

This absence of a reliable methodology for large-scale change and performance improvement leaves many managers in a quandary. And management consulting firms have stepped into the breach with huge, big-bang programs. Senior executives, impatient with the pace of progress and having no alternative strategies, are highly susceptible to the idea of home runs and dramatic game-changers. Having no deliberate, controllable process in which they can have confidence, these impatient senior executives grasp for bigger and bigger solutions. These big-bet programs take a variety of shapes and forms. Here are the most common ones:

- *Massive restructuring*. Reorganization, reengineering, and large-scale downsizing offer tempting opportunities for dramatic changes that carry the promise of major bottom-line improvement. Instead of the hard work of organization transformation, these can be done in one sweeping change—often by outside consultants. AT&T's attempt to resolve its problems by spinning itself into three separate businesses is a perfect example. More recently, massive outsourcing and the movement of operations to different countries have become increasingly popular modes of restructuring.
- *Radical strategic shifts*. Enron, an oil and gas pipeline company, sought market mastery through becoming a financial trading company. Vivendi went from being a water company to a media conglomerate. Seagrams transformed itself from a liquor firm to an entertainment company. Westinghouse went from a power equipment manufacturing firm to a financial services company.
- *Large-scale mergers and acquisitions*. There's a plethora of examples: AOL's merger with TimeWarner; Daimler's acquisition of Chrysler; and Chase's acquisition of JPMorgan. Acquisitions promise to produce huge growth steps without having to expend energy getting the current organization capable of new achievements. No wonder they are so popular.

- *Major technology upgrades*. These include huge investments in new technologies, new products, or massive new systems that promise companies the ability to leapfrog the competition. Current examples include customer relationship management systems and the even more comprehensive "enterprise resource systems"—large-scale multimillion-dollar systems projects aimed at bringing together all information about everything into one place.

Unfortunately, the track record of these big-bang strategies is quite dismal. More than half the large-scale mergers and acquisitions of the past decade not only failed to pay off, they actually destroyed shareholder value. Restructurings of troubled companies such as AT&T more often than not created several smaller troubled companies. Massive downsizings and radical reengineering of processes have produced as many downward spirals as uplifting transformations. Moving into totally new business paradigms has been costly for many firms. Many developing countries have adopted programs modeled on the same gigantic big-fix approach as corporations and have created debt burdens that have made their problems even worse.

As if these disappointing results are not bad enough, in many cases the pressure to close the gap has also created ethical and legal issues. Enron, for example, was perpetually pushing the envelope of how fast and how many deals it could create in constantly new areas, even if its people knew little about them. It created a culture where all but the strongest people succumbed to the pressure to do almost anything to succeed, including cooking the books and creating companies that didn't really exist. The same was true of many other companies that chose the crooked road as their shortcut to success. The same with the accounting firms—under pressure to win business and cross-sell with their consulting arms—who went along with client practices rather than question them.

These are not new phenomena—just writ larger in this era of speed and size and instantaneous communication. As we and some others have been writing for decades, senior executives are very frequently seduced by the next new program, the next fad, the next new thing that promises to transform their company. (See, for example, Robert Eccles and his associates' *Beyond the Hype* and Ron Ashkenas's "Beyond the Fads.")[6] With the pressure to succeed driving them to do "almost anything," managers have often grabbed the next big program like castaways drowning in the sea.

Being "Right" Is Cold Comfort

The irony is that in many if not most cases, the big bets that companies, governments, and other organizations make are analytically and logically more or less correct. While some big bets are ego-driven and impulsive, most are based on extensive analysis, financial modeling, and strategic dialogue. They generally derive from thousands of hours of hard work by dozens of extremely bright people—and untold millions of dollars of consulting help. Yet being right is not enough. Consider the following case:

A large electronics manufacturing company, like others in its industry, was being battered by overcapacity, high debt, and a plunging stock price. As part of a turnaround strategy, the company began a massive reorganization to combine its consumer device division with the division providing components to system manufacturers. Financial analysis suggested that this was the right thing to do to reduce costs and "rightsize" the company to match lowered business demand. However, the consumer division had a very different set of processes, systems, and culture from those of its sister unit. It was younger and more entrepreneurial, and it had much looser methods and procedures.

Trying to put together these two organizations proved to be far more difficult than anyone had imagined, especially since senior management was hesitant to do anything that would disrupt the way either division functioned. As a result the only actual cost reductions came from eliminating a handful of management positions. The surviving managers, however, ended up with unwieldy spans of control over subunits—many of which they did not understand. In the meantime, with all the focus on cost issues and the politics of downsizing, the organization unintentionally shifted its focus away from customer service, and many of its service metrics deteriorated. Some manufacturing customers did not renew their contracts. The retail business weakened. Many managers had not yet familiarized themselves with the work of all their units and were not able to react quickly enough to stem the tide. Thus, after almost a year of analysis, consultant studies, financial modeling, meetings, and disruptions, the net result was that revenue losses and restructuring expenses more than offset the cost savings from the reorganization.

This case illustrates how senior managers, driven by the need to "do something," may take decisive actions. But just because the new big plan is right on paper does not mean that it will succeed. For the grand programs to work in practice, the whole organization requires the capability to implement, in a coordinated way, all the changes required to produce the big program's results.

That is why so many of these large-scale catch-up plans turn out to be wrong in terms of results even when the logic and analysis behind them are conceptually sound. That's what happened to the electronics company.

Missing in Action: Implementation Capability

These large-scale change efforts are usually run from the top of the organization, often with the help of teams of consultants, but every one of these major changes necessitates hundreds or thousands of changes at the grassroots level. A change in marketing strategy, for example, may require workaday shifts for hundreds of salespeople who must plan their customer calls differently, submit expense vouchers differently, and make dozens of other adjustments in their routines with customers and colleagues. Multiply this by a hundred or a thousand to get the picture of what is required.

The danger lies in the fact that most organizations are relatively weak in this ability to execute a large number of related changes simultaneously. Nevertheless, very few of the consultants who engineer the massive big-fix change programs ever pay serious attention to implementation capability—other than to complain about their clients' lack of it. Even though implementation capability may be the weak link that breaks their massive programs, they rarely build in any steps to strengthen this capacity along the way.

In addition to needing more basic implementation capacity, organizations need more skill in modifying strategic plans while they are being carried out. As Nadim Matta and Ron Ashkenas point out in "Why Good Projects Fail Anyway," impending changes in the environment, market, customers, and technologies as well as within the organization are essentially unknown at the beginning of a change project.[7] Thus no matter how solid a program may be when it is launched, it will become out-of-date while it is being implemented. Most organizations need much more skill in recognizing these shifts and reacting to them.

Unfortunately, these realities about implementation are all too often left out of the planning of organizational change. In the electronics company case, senior management firmly believed they had the right answer—they had the numbers and analysis to prove it. But the company's managers and staff lacked the capacity to implement it. And no steps were built into the plan either to assess that capability or to strengthen it.

Developing Implementation Capability

The irony is that when people at the organization's grass roots are encouraged, trained, and empowered to act—and given the freedom to make adjustments along the way—they can advance a change process much faster and more effectively than senior leaders and consultants can drive it from the top. For example, in the electronics company described earlier, in the midst of the massive reorganization, the following experiment was conducted: Fifty middle managers and technical specialists were assembled to work on improving the way the company handled "Q Alerts," notifications of quality problems from customers. Over the course of three days, these groups identified nine significant improvement opportunities. They were given the go-ahead to pursue them and were formed into small teams, each accountable for achieving one of the improvement goals.

The teams were given a bit of project management support to help them keep their plans on track, and the senior manager of the area received some modest coaching in how to encourage and empower the teams. In the next hundred days, the teams figured out what would work and what would not, and they learned how to change their plans on the fly. For example, one idea about restructuring the process flow for the Q Alert tickets proved to be unworkable and was abandoned. A new idea that emerged about reducing redundant or multiple Q Alerts turned out to be much more fruitful. So the team shifted its course. In just over a hundred days the nine teams implemented changes worth several million dollars a year. Equally important, they began to develop true implementation capability.

Unfortunately, ignorance of these dynamics—and even contempt for those who pay attention to them—is the rule and not the exception. The consequence is that in the few organizations where the grassroots implementation processes are working well, large-scale change can be carried out successfully. But where infrastructure implementation skills are weak—and that is in most places—the big go-for-broke projects, no matter how well conceived, inevitably fall far short of their potential. This grim reality can be overcome only if, as part of any major change program, serious attention is devoted to strengthening the infrastructure implementation capability. And that is precisely what rapid results projects do.

Rapid-Cycle Projects: Building Blocks for Major Transformation

Rapid results projects are designed to achieve—in a very short time—some actual, measurable results in a strategically important sphere. They are designed also to introduce new ways of accomplishing the work and new ways of managing. Each project of a hundred days—plus or minus—is a miniature organization development step. Each is designed to bring together new mixtures of people and functions and to strengthen work methods and management practices. And each is designed to provide the reinforcement of success.

For example, if the long-term objective is to accelerate company growth, the rapid-cycle projects will aim at achieving some actual growth targets—not just doing market research or product testing or similar preparation. And those projects will aim at achieving their targets in ways that develop better collaboration among functions responsible for marketing and sales, that test new ways to call on customers, that sharpen the project planning skills of participants, that encourage people at all levels to assume more responsibility for achieving results (rather than just doing their jobs). In this way Avery Dennison was able to carry out more than five hundred growth projects involving more than two thousand people in just over a year. Not only were over $50 million of incremental sales delivered in the start-up year, but the company's overall implementation capacity was growing while its culture was shifting into higher gear on growth. (More on this in Chapter Five.)

Rapid-cycle successes are powerful vehicles for developing the grassroots capability to execute major change. Every project strengthens the organization's change capacity a modest but significant amount. All that is needed to make huge gains is to carry out many rapid-cycle projects, over and over, in expanding waves. Each one is carefully orchestrated, and as increasing numbers are run, they blend together into a symphony of change. As implementation capacity throughout an organization grows, and as the confidence of managers increases, the connection between large-scale visions and their grassroots implementation become more understood. Senior management can set increasingly large-scale goals with the increasing knowledge of how to mobilize the entire organization in achieving them. Thus do rapid results projects develop the essential capability that Gary Hamel and Liisa Välikangas call "resilient."[8]

In the rest of the book, we describe how to exploit rapid-cycle results to achieve momentum and to serve as the basis for major change strategies. We also describe how large-scale strategic transformations, to ensure success, must be carried out as a simultaneous blend of large-scale moves in conjunction with myriads of rapid-cycle projects. As you read about these concepts of change, remember these two points:

- While our early hunches and ideas were based on backward-looking, after-the-fact analysis (like the rest of the literature), the methodology that has evolved has been tested and validated and modified repeatedly over many years.
- Because the authors are practitioners first and authors second, the book outlines an integrated, comprehensive strategy for actually carrying out large-scale change, not just fragmentary observations about change.

We begin in Chapter Two by focusing on the fact that most organizations have major resources that are being wasted and not contributing to bottom-line results. These hidden resources are busy canceling each other out or lying dormant in the organization—unsuspected, untapped, and un-demanded. One of the reasons that rapid-cycle projects are so productive and so powerful is that they tap into these hidden reserves and put them to work in new and more productive ways.

Key Points

- Leaders already know they need to accelerate change. They want to know *how*.
- The change literature does not help leaders figure out what to do:

  It includes too many self-proclaimed solutions.

  It offers fragmentary answers rather than frameworks for change.

  It is based on backward-looking analyses—that never get tested in life.
- Lack of reliable methods leads to adopting blockbuster answers—the big bets.
- The big bets—even if logically right—often fail due to lack of implementation capability.
- The rapid results methodology, validated over many years, gets immediate results and develops implementation capability.