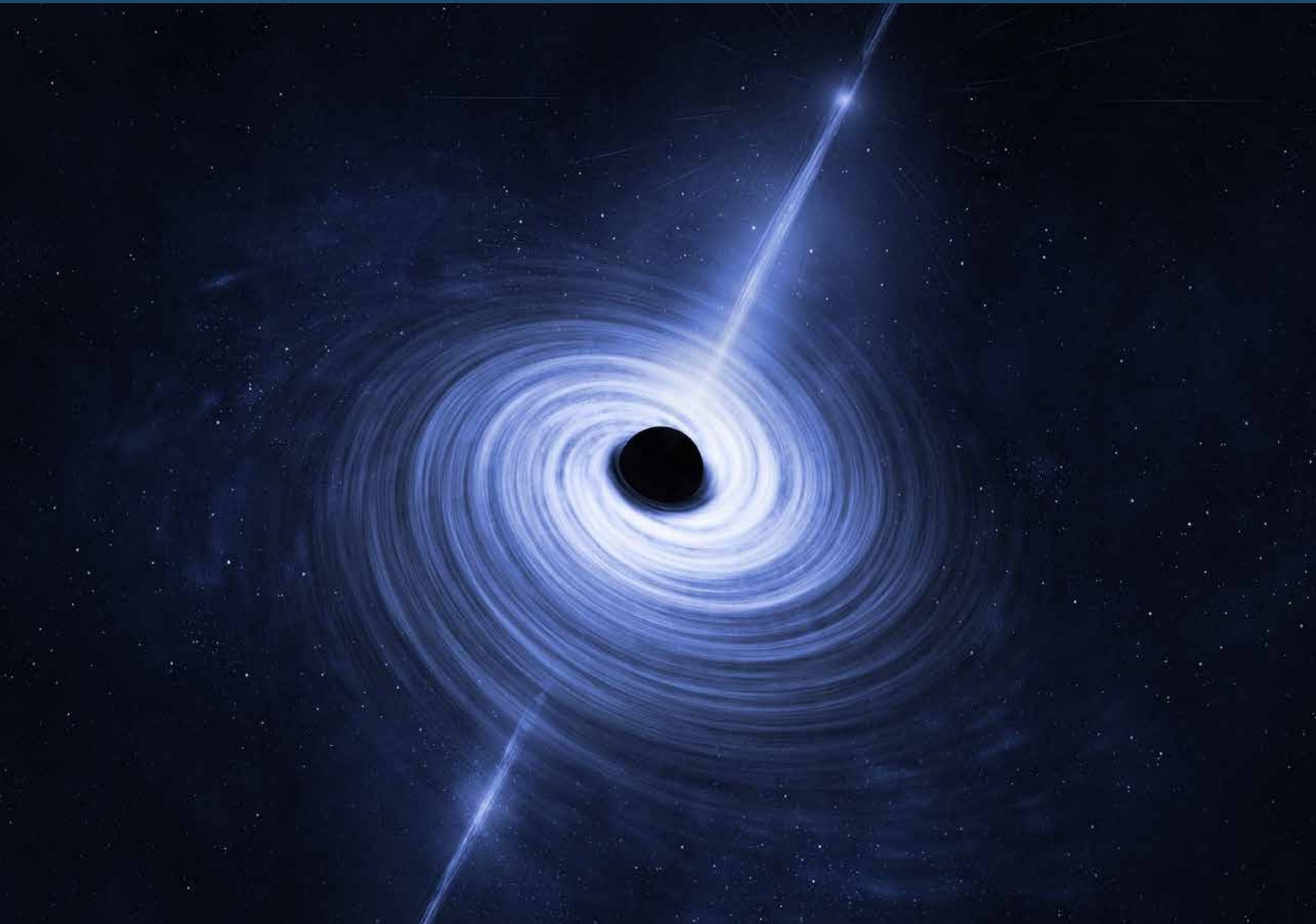


INSIGHTS

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THE BLACK HOLE OF BUSINESS TRANSFORMATION

How to cheat gravity



WELLINGTON
Consulting Group

FACT:

MOST BUSINESS TRANSFORMATION PROJECTS FAIL.

Here's a fictitious example of how it can happen, based on real life experience: Frank is the COO of a successful, but struggling, company. In the past four years, the company's financial results have slipped as new rivals have picked up market share.

To turn things around, the executive team knew they needed to develop new strategies. To accomplish this, the C-Suite went to an offsite planning session with a thought leadership consulting firm. The conclusion: the company had to make significant front office improvements, by offering more products and services, while saving time and reducing back office costs. To make this happen, the company selected a new system that promised to achieve these objectives.

To lead the transformation, the company turned to Mary, a rising star in the organization. Since becoming VP of Operations four years ago, Mary had reduced costs by 15%, while increasing throughput by 10%. Mary was honoured and confident when selected, however, her confidence eroded as she struggled to manage her day-to-day duties while also leading the business transformation project.

What was the problem? Mary had a plan but it seemed like a moving target. The company had a great strategic vision, but Frank and other executives were vague and even evasive when Mary asked for clarity and direction.

Mary worked for Frank, who headed up Operations, but the transformation project was enterprise wide and touched all aspects of the business. Mary had trouble getting commitments from Marketing, Sales, Technology and even her own people in Operations.

Mary needed to prepare a report on the project for Frank to take to the Board. While Frank was aware of the issues and had been supportive, he insisted she develop a new approach that would get some real traction.

Quite frankly, she was stuck.

Survey after survey confirms the challenges and frustrations faced by Mary are common, if not the norm, for transformation initiatives.

Successful transformations are elusive. There are real and present dangers of being sucked into a "black hole" where projects are derailed and buckets of money are wasted.

In a 2014 survey by McKinsey, only 26% of respondents said business transformation projects were "very" or "completely" successful at improving performance and allowing the organization to sustain improvements over time. ⁱ A 2013 survey by the Economist Intelligence Unit found that 44% of strategic initiatives over the previous three years had outright failed. ⁱⁱ

Over the past 30 years, study after study has shown similar results, and all have recommendations on how to fix the problem.

So why are we not learning these lessons? Why don't the surveys show that business transformation success is improving over time?



THREE KEY PROBLEMS THAT CAUSE PROGRAMS TO FAIL

In our experience there are three key problems that hinder the success of most programs.

- 1. *The Leadership Problem:*** The business sponsor is a busy person and becomes even busier by taking on the sponsorship of a mission-critical project. How do they effectively manage the day-to-day business, while also trying to drive the transformation of the business? Their answer is usually to delegate, but there are correct and incorrect ways to do this.

Business transformations need business leadership, and, by the way, all programs and projects are business transformations. They all should have business leadership. There is no such thing as an IT project or an Operations project – they are all business projects, and their success should be defined by the achievement of business objectives.

Leadership requires visible engagement, open two-way communication, creation of organizational buy-in, awareness of progress or obstacles, and offers of support. However, too often businesses ineffectively delegate or even abdicate transformation leadership to those in the organization who do not have the knowledge, skills, or authority to be successful. Then leaders become frustrated when the transformation team keeps coming back and asking for more direction, clarity, or just general help.

In the example above, Frank is expecting great things. The future of the company could depend on the successful execution of this program. Unfortunately, Frank and the other members of the executive committee are not properly engaged in the transformation. They are busy running the day-to-day operations and trying to make the quarterly targets. They thought their job was essentially done once the off-site session produced a high level strategy. Frank was not willing, or not able, to help Mary get the stakeholders to properly engage and provide the direction that Mary and her team desperately needed. The combination of inadequate engagement and wanting to be seen as moving forward forced Mary and her team to make “best guesses” at a myriad of issues, and, not surprisingly, they did not get everything right. Now the stakeholders are frustrated, timelines are getting extended, and more money is needed. They are sinking into the black hole of business transformation.

- 2. *The Governance Problem:*** A 2015 Harvard Business Review study concluded that only 8% of leaders are good at both strategy and execution. Too many companies assume that because a leader is good at running day-to-day operations they will be good at leading a transformation. But, time and time again, we’ve seen bright, talented people flounder at business transformation. Business transformation is always seen as vital to the success of the organization. So, why do companies continue to put the leadership of transformation into the hands of people with limited, or no, experience in transformation?

Confusing the skills of managing a business with the skills to transform a business can be expensive, time-consuming, and damaging to careers. It is like asking a world-class sprinter to run a world-class marathon and vice versa. Both are runners, but they are worlds apart in the experience and skills needed to be successful.

Mary is a bright talented individual who knows how to run an operations department and increase efficiencies within the department. However, asking her to run an organization-wide business transformation is setting her and the transformation up for failure. There is likely a key role on the project for Mary, but it is not leading the day-to-day transformation.

- 3. *The Change Problem:*** At its core, effective transformation is about people. Yes, systems, operations and procedures can be changed, but unless your people are engaged and embrace changes your business will, at best, struggle and, at worst, fail.

The irony is that often when projects get into trouble the first thing to be cut is the Change Management budget. People will not change their behaviour or support a new way of doing things unless given reasons and the capability to do so. When are corporations finally going to learn this lesson?

A BETTER, DIFFERENT APPROACH TO ENSURE SUCCESS



Reframing the transformation is the first step to ensure the success of business transformation programs.

1. The Leadership Solution: First and foremost, all projects are business projects. That means there should be a business leader in charge with an expectation of positive business outcomes. To be clear, there are only three possible business outcomes, they are:

- Increase sales
- Reduced costs
- Risk mitigation

All other goals, such as better customer service, improved efficiencies, and even system upgrades, should be boiled down to one or more of the above.

With the success of the business transformation defined in business terms, companies need a business leader fully engaged to ensure its success. This is a leader who has the ability to get all stakeholders engaged and excited about the coming changes, a leader who can envision the future, and who can encourage others to commit themselves, and their teams, to realizing that vision. A leader is also someone who is able to make tough decisions when silos form or people to protect the status quo.

In addition, a leader will assemble the right team to properly execute the project. This includes appropriate representation from all stakeholders but also a day-to-day leader who is experienced in transformation.

For too long, companies have tried to blame Technology or Operations for program failure. However, the unavoidable truth is that only the business can set up and manage a transformation for success.

The primary jobs of the leader or business sponsor are to do the following:

- I. Ensure the transformation is defined in terms of business outcomes.
- II. Sell the vision of the new transformation across the business at every opportunity.
- III. Keep the team focused on the business objectives and stop scope creep from taking them off task.
- IV. Engage the team and the right leadership to drive the transformation
- V. Facilitate getting the right information up to the sponsor and back down to the team executing the transformation, so that everyone can make smart, business oriented decisions.
- VI. Break down the barriers that naturally form when the status quo is challenged.

New Chief Control Officer defines it all in record time. At the height of the financial melt-down that resulted from the Enron scandal in the early 2000's, one of Canada's largest banks took the lead to transform its business to one that the regulators would hold up as a model for others. The executive assigned to lead the change had a daunting task. How do you transform the operations and culture of the company and satisfy a regulator who was still crafting the details of the regulatory requirements while still meeting the extremely aggressive timelines?

They chose to split their team into two. The first team consisted of internal staff and two of the Big 4 accounting firms that helped them define **what** needed to be done. The second team was made up of internal staff and external consultants, but was lead by an outside firm that specialized in **how** to transform the business. The splitting of duties kept the first team focused on Items I, II, and III above while the execution team focused on the rest. This allowed the business leader to create clarity on the “what” and defend it to the regulators, while ensuring that the implementation team was driving the “how” for both the program and for the on-going operating units that were being built as part of the program.

The result was that this bank was one of the first in the world to be compliant with the new regulation and this allowed them to switch their focus to other issues while their competition was still struggling to gain regulatory approval.

WELLINGTON’S FOUNDATIONS OF BUSINESS TRANSFORMATION



GOVERNANCE

1. Translate the strategy into a realistic plan with clear milestones
2. Coach your sponsor
3. Engage your stakeholders
4. Build the right team (resources)
5. Build an environment of open, honest communication
6. Manage the day to day issues, risks, changes and reporting.

LEADERSHIP

1. Ensure the transformation is defined in terms of business outcomes
2. Build a vision of the transformation that is exciting and compelling
3. Lead the charge in getting everyone engaged
4. Facilitate open and honest communication so everyone is making informed decisions
5. Break down the barriers that lobby to keep the status quo
6. Say “No” to additional scope that does not help achieve the business objective.
7. Hire the right person to lead the change

ORGANIZATIONAL CHANGE

1. Build a ground swell of support
2. Make the change, new, fresh and exciting – the place where people want to be.
3. Communicate, communicate, communicate
4. Engage the best people and quickly silence naysayers.
5. Effectively execute the mechanics of organizational change.

Source: Wellington Consulting Group

1. **The Governance Solution:** *Engage leadership with business transformation experience.* We know that most business transformations fail. As noted above, part of problem lies with leadership and the business sponsor. A good program manager, however, understands these realities, and they will be able to coach the business sponsor on what they need to do to help ensure success. A good program manager also knows how to get all stakeholders engaged, all teams working together, and all communications flowing in an accurate and timely fashion, while never losing sight of the fact that business objectives are being pursued.

In our experience, most businesses do not grow this talent in house. An executive at one of Canada's largest banks once commented that because their business is banking their energy went into developing the skills and talent necessary to be the best bank. He recognized that Wellington's business is to lead companies through business transformation, so our energy has gone into developing the skills and talent necessary to be the best at leading companies through business transformation. He recognized that the bank didn't have the business transformation skills in house, so he worked with us because it is our core competency.

The program manager has five key jobs:

- I. To build a plan that translates the strategy into a realistic, achievable plan with clear milestones and deliverables for each milestone.
- II. To coach the sponsor. The sponsor is very busy with many competing priorities. The easier the program manager makes it for them to understand your program and take any necessary actions, like the ones highlighted above, the more success there will be in getting the sponsor appropriately engaged.
- III. To engage all stakeholders. Similarly to getting the sponsor engaged, all stakeholders also need to be engaged. Just like the sponsor, they are very busy with many competing obligations. The program manager and the sponsor will need to "sell" them, and once they are sold it needs to be easy for them to engage. When they need to do something, (e.g. make a decision, help get their team engaged) it is important to understand how the stakeholders like to receive information and then provide them with all the information they need in short concise ways in their preferred format.

- IV. To build an environment of open and honest communication. Information is power. The more the program manager communicates the right information the more they empower their team and sponsor. Too often teams minimize or even hide serious issues because they are afraid of the reaction of the sponsor. This is a two way problem. If sponsors react poorly and search for blame when problems arise then they create a culture where issues get hidden. If team members are hiding issues that need help from the sponsor they are creating a culture of secrecy and misinformation.
- V. To manage the day-to-day governance. Program managers need to manage the program's overall day-to-day governance to ensure it is on track, and that accurate information is flowing. This allows sound business decisions to be made, while the objectives of the program are placed above any individual or departmental objectives.



New CFO sees a clear path to better results. The new CFO of this large bank broke with the status quo and built his own program management office inside his organization. His view was that, "if we want our new initiatives to be successful we have to take ownership." While many in the organization were uncomfortable with the new structure the results quickly proved that this business focus delivered results. The leader understood the basics of the leadership solution above, and received coaching and insight from the Wellington program manager on how to effectively execute large business transformations. Together they put the outcomes of the projects into business terms that were easier to understand and sell. They engaged business oriented project managers to help keep the focus on the business outcomes. Business issues were identified faster and with the right level of information, allowing smart business decisions to be made. This resulted in more projects implemented with more business success than they had ever seen in the past. If imitation is the sincerest form of flattery, this executive received a lot of flattery as many divisions around the bank adopted the same model.



1. The Change Management Solution: *Never forget that it always comes down to people:* Most programs start with good plans around Organizational Change Management, but somewhere along the line they forget that, when all is said and done, transformation is about people. The new processes and systems mean nothing if the people do not buy into the need for change, understand how the need for change will affect them personally, and have an opportunity to participate in the change.

Often Change Management is pared back because budgets come under pressure. Something has changed and the original benefits cannot be delivered for the original cost. However, cutting the change management budget significantly increases the risk of becoming another statistic in the world of failed transformations. It is a “soft” cost so it can be easily reduced. Just because it is “soft” does not mean it is not critical to the transformation’s success. A good program manager with business transformation experience knows this and can help justify the expense.

An organizational change leader has five key roles:

- I. To engage the sponsor(s) and stakeholders in building a ground swell of support for the transformation. Business transformation is a perfect opportunity for leaders to model the new expected way of doing business.
- II. To create a picture of the end state that is new, fresh and exciting. In other words, the place where people want to be and thus all those affected by the transformation will be willing to help get there.

- III. To communicate, communicate, communicate. At every opportunity and in every fashion the organizational change leader should take the opportunity to tell people about this new amazing place where they will be able to work.
- IV. To engage the best people in making the transformation happen and along the way knock down the barriers that will naturally form. This needs to be done quickly or the naysayers could gain momentum and support from others.
- V. To quickly and effectively engage the mechanics of change. To train people in the new processes, implement new forward looking metrics, get new organizations in place quickly, and demonstrate the value of the new ways with quick wins.

CEO has to step in but finds the answer with a new change agent. A major insurance company was nine months away from going live with a new HR system when tragedy struck and the program manager left the project. A Wellington Program Manager was engaged to see if there was any way to right the ship. A quick review showed the project was significantly late and the team was demoralized and undermining the initiative. The business sponsor, with the help of the new Program Manager, was able to show the CEO that with minimal investment of his time they could get the project back on track. The sponsor and new Program Manager built a platform to showcase the new system and demonstrated the value to managers and staff. They quickly removed some of the roadblocks, including people who were fighting for the status quo, and engaged the right leaders to implement a global program to get everyone up to speed on the new system. The result was the new systems went in on time, and the users had been so well trained that the temporary staffing in the help desk spent a couple of boring weeks waiting for a flood of calls that never appeared.



NEXT STEPS

Unfortunately, there is a long and sad track record of business transformation failure. Your project does not have to be another statistic. There are some critical ingredients to ensure project success. One of those ingredients is engaging people who have the experience and the scars to drive success.

Remember, this is *your* program. Firms hired to help should have a clear mandate to engage as many of your people on the project as is practical. If this is not clear, there is a temptation for the firm to expand their own presence on the project resulting in higher costs to you and less transfer of expertise to your people. When the program goes live, the consulting firm should be wrapped up and your people should be managing the transformed business. Anything else benefits the consulting firm, but hurts you, the client.

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ABOUT WELLINGTON

Wellington Consulting Group is a leading Canadian consulting firm that focuses on the financial services sector. We assist clients in the development and implementation of their strategies. Our core skill is helping client's turn their strategies into results. Our core services are program management, organizational change management, business transformation through data governance and analytics, investment accounting transformation, finance business transformation, and technology and process implementation.

ABOUT THE AUTHOR



Brian McConnell
President/Founder

Brian has built Wellington on a foundation of integrity, professionalism and passion for building and managing team to solve complex business problems. In helping large and medium size enterprises effect change over the past 25 years, Brian believes Wellington thrives when it successfully completes projects and, at the same time, helps to strengthen a client's people and organization. It is an approach that saw Wellington rank as one of Profit Magazine's HOT 50 companies and landed them on the Profit 500 in 2015.

At Wellington Consulting Group, we pride ourselves on having a long list of clients that understand that first and foremost we are there to make them successful during the transformation and preparing for them to work without us after the transformation.

Please don't misunderstand us; we love repeat business but it has to be done on terms that are right for the client, not right for Wellington. For more information, call us at 416-901-3393, or send an email to info@wellingtoncg.com.



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