

Agents of Change: Lessons from guiding business transformations from start to finish

Welcome to the PharmaVOICE Webcast Network.

In this episode, I meet with Chandler Goodman and Hillary Goodman, two experts on business transformation from Gagen MacDonald.

I'm Dan Limbach, your host and producer of the PharmaVOICE Webcast Network.

Dan: Welcome to the podcast program Chandler and Hillary.

Chandler: Thanks for having us. I'm very excited to be here today and talking about a topic that we are both very passionate about.

Hillary: Likewise, thanks so much for having us. Excited to jump in here.

Dan: Me as well. So I want to start out our discussion talking about one of the recent published works at Gagen MacDonald. You just published a white paper centered around why so many business transformations fail to deliver the expected return that executives anticipate when they undertake them. Why is this dynamic so prevalent and what are the common root cause issues that you've identified? Chandler, let's start with you.

Chandler: Yeah. So thanks for the question, Dan. So it's really interesting. In the mid 1990s, *Harvard Business Review* published an article that has become sort of a common phrase within the corporate lexicon, which was culture eats strategy for breakfast. The entire premise of that article – which is almost 25 years old now – was really the idea that these major strategic undertakings that large corporations take very frequently failed to deliver the value that the executives who developed those strategies expect.

And so that's really been a common nugget of knowledge within kind of the broader corporate environment for at least two decades. The interesting thing though is that even though empirical research continues to show that our rate of strategic execution is not getting a lot better over time, we don't see companies necessarily changing their approach. They're still very wed to the idea of these strategies as sort of silver bullet solutions to their business issues without a total appreciation for the fact that developing a really good strategy is only the first step in delivering really good results.

And I think there's a lot of reasons for that. The biggest reason is that when a large organization develops a strategy they typically do it in consultation with lots of MBAs, lots of consultants,

lots of in-house talents who are very, very versed in sort of financial terminology and financial concepts, sort of elevated and advanced in these concepts in terms of how do you organize things to achieve synergies and to streamline operations and to consolidate market gains, like these sort of concepts that are very exciting in a boardroom, but often very difficult to translate in the frontlines of an organization and what we see is that these ideas that really sparkle in a boardroom and get executives and the people that sort of surround executives really excited, they often end with a thud on the frontlines and that's because large organizations really fail to grapple with or deal with the human struggle of change, which is how will an employee who is concerned about their financial stability, their well-being, their career development, whether their purpose and their values align with those of their employers, like how is somebody who's dealing with the emotional reality of being an employee and a citizen in sort of a very dynamic disrupted 21st century, how will they receive these very abstract strategic concepts?

And I think the failure in translating those concepts to sort of your average frontline employee lower in the organization, that's where we see these strategies that seemed very exciting initially just continue to fail to deliver the results that C-suites and boards of directors are expecting.

Hillary: Yeah. And just to add to that Dan, I think while no two transformations are alike from a human perspective as Chandler was just describing, what we see across the board is that what employees want and need are relatively consistent. They want security. They want to know that their position is going to be safe. They want clarity around their role, their team structure, the reporting structure. They want, as Chandler was mentioning, this sense of purpose and shared values and to know that they're going to be proud of ultimately what it is that the company is trying to accomplish through the transformation and they want opportunities to be able to personally grow and advance and gain new skills and experiences. And so that's the piece that I think while it is consistent across all of these transformations it doesn't translate well from the strategy that is ultimately approved in the boardroom.

Dan: And so the takeaway is that transforming a business is hard especially if it's been set in its ways for a long time. In your change and transformation practice, how do you help leaders maintain the stamina and focus to see strategies through to their successful completion while avoiding any unforced errors? Hillary, what are your thoughts?

Hillary: Yeah, thanks for the question Dan. And this is one that companies across the board are struggling with, and I think part of that is due to the fact that it's as if when a company starts a transformation and is ultimately at the end of completing it there's a new one that's right on its heels and so one of the things that we see across the board with our clients and prospects is that companies are suffering from serious change fatigue and it would not be any surprise to you we're seeing that particularly at the leadership level because they're the ones that are at the center of having to figure out how did they not only deliver on the strategy that was approved in the boardroom, but also get their organizations to execute on it successfully.

I think a big takeaway for us as it relates to helping leaders stay focused and stay in it for the long haul is helping them understand that they don't have to have all of the answers and I think too often what we expect of leaders is somewhat unattainable. I think we need to give them the support to be able to deliver on the strategy, but we also need to let them be free of having to figure it out all on their own so that they should share not only in the development of the strategies that they need to execute on, but also in the execution itself.

I think what we see oftentimes is that they feel as though they're in a position where they have to carry the load solely, and I think that that's where you start to see that overwhelm and that change fatigue really set in. What we want to see from leaders is that they are the hosts, if you will, of the transformation, but that they don't need to be the heroes. They don't need to solve it all, and I think that that is a behavioral shift that we at Gagen MacDonald are really pushing to see inside these large complex, multi-year transformations.

Chandler: Yeah. I think that that's exactly right. The only thing that I would add to that too that I think is a really exhausting dynamic especially at top levels at the executive and really senior leadership level is that what you often see is that groups of senior leaders or executives will gather together to set a strategy for an enterprise or for a large group of people and everybody at the end of the meetings says, "Yeah. We're on board with that strategy. That's where we're going together as a collective organization, but then when you return home to your desk, what you find is that actually a lot of times the way that our companies operate executives and senior leaders are sort of pitted in almost adversarial relationship against each other.

And so whereas trying to work collectively to share resources, share talent, share employees and sort of talent – sort of like your innovation capacity collectively, what you actually end up seeing is that people who claim to be aligned are actually fighting sort of against each other for budget, for headcount, for resources and that adversarial dynamic is really exhausting on a personal level. It's exhausting on an organizational level and it really undermines the ability of teams to be successful, so I think a thing we really are trying to work with our clients and the companies we work with to do is to figure out how do you disrupt that dynamic so that people aren't just kind of cosmetically in alignment, but really operate in harmony and operate in that kind of alignment.

Hillary: Yeah, it's interesting Chandler you say that because I think one of the great phenomenons here as it relates to transformation is that a lot of the companies that are trying to transform they're shifting from an archaic organizational structure to one that's more modern where it is easier to work across the scenes share resources, share budgets, share common ways of doing things. That all the while they're trying to shift that structure they have to almost – we have to help them to force themselves ahead of time to work in new ways to be able to accomplish their shared goals for greater good, and I think that that's the struggle.

Chandler: Yeah. It's really interesting, I mean when you read studies right now of what CEOs are most concerned about, they don't say HR, finance, legal, corporate communications, marketing. Those are the names of departments. What a CEO will say that they're most concerned about are things like strategy, brand, culture and reputation. Those are not the names of departments. The names we have for our departments, how we're organized is based in this kind of very traditional, orthodoxy that emerge out of business schools like in the 1950s. And so part of the tension that exists in large companies right now is we are still, by and large, organized according to one orthodoxy, but the things that really that leverage and drive our success exist in the white space between those functional departments and the more that we fight department to department to secure resources and to secure headcount and the less that we collaborate against the things that really drive our success, the more that I think our organizations and our teams really feel exhausted.

Dan: Okay. So we've talked about the challenges. Let's move on to the solutions. I want to talk about something that really caught my attention. Gagen MacDonald identifies the three things that change everything and these are a compelling story, committed leaders and an intentional roadmap that's key determinants of success. Can you share a couple of examples of the three things being successfully adapted by your clients and to what end? Chandler, we'll start with you.

Chandler: Yeah. I think that there are lots of examples of how the three things that changed everything can be successfully adapted by large organizations. My first example is thinking about how your employee experience as a collective or an overall experience, how well does it align with what you are stating as your goal. I'll give you an example.

I worked at one point for a relatively midsized pharmaceutical company and we were in the process, we were growing pretty aggressively and we were really going through a strategic shift from a small entrepreneurial sort of pharmaceutical startup, almost like more biotech, to a more than midsize, mature pharmaceutical company and that was a major strategic and cultural shift that had huge implications for the feeling that it produced for our employees.

So we were claiming on a very high level that what we really wanted was employees who felt entrepreneurial like especially in our sales force, we wanted them to feel entrepreneurial and we said we empower you to make the best decisions possible in terms of how to serve your customers, things like that, which were very common for a small sort of startup. At the same time, behind the scenes, we were really trying to strategically achieve a lot of the sort of the scale and efficiencies of process that make larger pharmaceutical organizations effective, and I think that that made a lot of sense. We just weren't at a point where our story was hey, our story is we want to help the greatest number of people who are afflicted by these neurological disorders, and in order to do that we're going to need to make some significant changes to our employee

experience because we have to achieve a scale and we need to achieve a certain level of efficiency and that's going to mean some changes.

So while we were telling employees we want you to be entrepreneurs, we want you to operate independently, we want you to basically sort of be rogue and come back and just do your job according 100% to your own personal processes and judgments. On the back end, we were doing things like we were making a lot of changes in terms of how they reported their daily activities, how they track their interactions with their customers, how they generally related to what we kind of call the mothership. And it all came to a head at a point when for years we had provided them with a cellphone subsidy. So they just received a check and were told you can go out and purchase whatever cellphone makes sense for you and your family.

Well, as we grew it became really clear that that was an extremely inefficient way to source a cellphone plan and that if we did some collective bargaining and did an enterprise cellphone plan, we'd save a tremendous amount of money and be able to actually grow our sales force and serve way more customers in alignment with the story that we were trying to tell. The problem is when we made that shift in our cellphone plan, our employee experience was so disconnected from what we claim to be our story, that we ended up brewing over what seemed like a totally minor change, an absolute brouhaha.

It became a huge distraction, a source of internal revolt. People felt like now with their enterprise issued cellphone plan we were disempowering them. We were Big Brother monitoring them. It was an Orwellian state. It became something that was a total fiasco.

So that's a situation where our story was how do we scale to serve more patients, how do you then get leaders onboard with the fact that yes, we are going to be going from this kind of entrepreneurial startup to a more mature organization, and then how do you ensure that what employees experience on something that's microscopic as their cellphone plan, how does it operate in harmony with what they're hearing from their leaders and what you're telling them from a story.

So that was a place where we really missed the mark. We created a ton of distraction. Ultimately I think a lot of our sales reps started to turn their eyes towards other job opportunities because they were looking for something that wasn't different than what they were hearing from what we were telling them. So that's a great example, I think, of where we could have done a better job of marrying the story, the leadership and then the experience.

Hillary: I'll piggyback on that Chandler and share an example of where we really helped to empower leadership to deliver better business results so that the second piece around committed leadership, Dan, in our three things model. So, a few years ago, we were working with a leading global biopharmaceutical company that was undergoing a significant transformation and the

results of that – what they were trying to accomplish was speed and competitiveness, improve their operating margins and ultimately ensure their long-term sustainability. And as part of that transformation as a way to measure it, they regularly conducted a behavioral pulse survey to understand employees and leaders’ preparedness to act on the transformation.

And what was really interesting at the time was that over a period of – I don’t know, gosh, maybe it was six months, the same survey was distributed as I was mentioning, every three or four months and what senior leadership observed because they would review the surveys is that there were virtually no change in the scores from one pulse survey to the next. You could put them on top of each other and you would see no change. The company came to us and said, “Gosh, can you help us turn this around? The survey results are virtually unchanged.” And so we said well, yeah, but part of that is going to be totally shifting the way in which you senior leaders are engaging with the organization. You need to be asking the organization more about what are their perceptions and their obstacles to overcome this change that’s in front of us. You guys haven’t done that hard work.

So a program that we put in place that was wildly successful with this company was to work with the senior most leaders in the organization to help them lead through the change by instilling this listening culture. They’ve never stopped to actually ask employees, like what’s going with them, what do they need to get over the hump of this change. What do they need to deliver the transformation and what was really interesting is that initially they were like “Absolutely not. We’re not doing that.” Like no, why would we do that. We’re not going to have all the answers. We’re being set up for failure and so on and so forth, every excuse under the sun.

We did get the support from the CEO who said ‘No. We really need to turn these results around. We’re going to embark on this effort.’ And so we did and we said, “Look, you don’t need to do anything ahead of time. You don’t need to prep, nothing. Just you need to get with your teams and you need to ask for feedback. You need to listen to them.

The first couple of times it was rough, I’ll be honest, Dan. I think it was very uncomfortable for them to be in this position where they didn’t have all the answers, but ultimately as they started to build that muscle memory and have those conversations, which at times, albeit, were tough and somewhat combative – over time because the leadership team kept coming back and kept digging in and having those conversations about a year after, we had the initial kickoff of this leader engagement program the behavioral pulse survey data that I had talked about it at the start of this little case study, the data showed a 10-point increase in employee measures around recognition of the need for the transformation, belief in the company’s ability to transform, to help the company to be more competitive, energy around embracing these significant changes. So it was hugely successful and in fact, it’s something that as we understand it, the company has figured out how to weave into their current state of being. So it’s something that they do as their regular leadership cadence.

So really, really important I think to set leaders up in a way where they are certainly owning their accountability and responsibility for the change ahead, but also doing it in a way that is encouraging feedback, encouraging dialogue, encouraging engagement of those who ultimately are going to be the ones who need to implement what's coming.

Dan: So the takeaway is change and transformation is hard, but it's worth the effort and it requires buy in at the executive level. This has been a great discussion. Hillary and Chandler, I want to thank you for sharing your thought leadership and expertise with us today.

Hillary: Dan, thank you so much for the discussion. This has been great.

Chandler: Yeah, thanks for having us.

And that does it for this episode. For more information about business transformation, visit gagenmacdonald.com. And don't forget to check out our other podcasts, webinars, white papers, videos, case studies and more at pharmavoices.com.

Until next time, I'm Dan Limbach.