Successful Change Begins with Results

Most large-scale change initiatives fail to deliver the intended outcomes, yet there are many well-known examples where dramatic, large-scale change happens quickly. In this article written by Fernando Lerdo de Tejada Servitje, former general manager of BIMBO de Uruguay, and Claudio Avila Tobias describe how they helped the organization turn around the operation after loosing money for three straight years.

Most large-scale change initiatives fail to deliver the intended outcomes – be it a merger between two large companies, like Chrysler and Daimler-Benz; a regional company becoming global, like Wal-Mart or BestBuy; or a company trying to innovate like Nokia. Surveys show that the failure rate is about 70% and that the most mentioned frequent causes are unclear goals, unclear accountability, lack of plans, and cultural differences too.

However, there are many well-known examples where dramatic, large-scale change happens quickly. Take the example of Tylenol. In the early 1980s, Tylenol introduced a new package and a new label in a matter of weeks to stop violations to its products that were damaging their sales at the drug stores. Before this happened, Tylenol's product development process used to take more than a year.

Or take the example of the Bayway refinery in New Jersey. In a single day thousands of workers went on strike and the remaining four hundred or so supervisors and managers continued to operate the refinery for three months without missing a single shipment to their customers. Before the strike, managers were complaining that a recent headcount reduction was making it almost impossible to operate the refinery successfully.

The truth is, these managers had no other option: they had to operate the refinery with fewer people, and quickly. If they didn't do it, they would upset many customers. They did whatever it took to make that happen: supervisors took on the workers' jobs; administrative positions were substantially reduced; front line positions were merged with other positions; work activities were streamlined; big maintenance turnarounds were postponed– it was like a game, figuring out these methods. The "must do" situation elicited the productive behaviors necessary to make things happen quickly.

Everybody has seen "must do" situations that produce these miraculous outcomes. In fact, there are some features common to virtually all of them:

- Sense of urgency – the task must be done
- Challenge – the goal is usually very challenging
- Success is near and clear – unlike most business goals that are far distant, these goals must be done immediately
- Freedom to experiment –people try ideas and learn from experience
- Visibility – people hold each other accountable because there is much at stake

In trying to make major changes, however, business managers do not have to wait for a crisis. Rather they can design change efforts to take advantage of these very same dynamics in a planned fashion.

About a year ago we were asked to turn profitable one of the business in Latin America of Grupo BIMBO, today the largest bakery in the world. This particular business was the result of a series of acquisitions and was meant to become the regional supplier to other sister companies in the region. However, over the years the business turned unprofitable: there was more competition in some product categories, management had not realized the synergies behind the operations previously acquired, and the country lost competitiveness to other nearby countries as a whole.

When we met the organization, we found that each functional area was very busy doing their thing. Goal setting and planning was done by functional area. And everybody had in mind that sometime in the future they were going to turn the business around, once each function delivered on their own part. But despite the high level of activity, results were not being achieved.

Results and speed changed dramatically, in fact in just four months, when we applied the dynamics of crisis or "must do" situations. Here is how we did it:

- **Sense of urgency.** We challenged the management team to generate $1 million of profits above the original breakeven budget.
- **Challenge.** Additionally, we set expectations for managers to make collaboration across functional areas work and to demonstrate results quickly.
- **Success clear and near.** The managers responded with a goal to achieve $200,000 of additional profits in 100 days.
- **Freedom to experiment.** The managers organized people into teams and asked them to propose their ideas. Managers approved the teams´ plans on the spot and set them free to try their ideas. One team consolidated the distribution of products coming from the three different plants and reduced the distribution cost. Another team used independent operators to serve small retailers more efficiently and reduced product returns in one small retailer. A third team reduced manufacturing costs, generated new sales by managing discounts to retailers in a better way, and also introduced higher margin products that were outsourced to more efficient producers.
- **Visibility.** We conducted a series of company-wide meetings to review progress, to hear from front line people what they were learning from the experience, and to hold the managers accountable too.

The teams launched in mid February and by late May they together exceeded their 100-day goal. This effort, in conjunction with other cost reduction initiatives and programs the

company implemented, helped change the company´s operating profit from -5% in December to 1% in May. Everyone felt like they were working in a new company: they kept other important priorities going; areas collaborated with each other; people did not ask permission to do things, but took the initiative; and people thought of the goals as "must-do", rather than "just try".

During this time we never heard complaints from people about unclear goals, or lack of commitment; there were no disagreements about cultural differences – despite the fact that the company, being part of a global corporation, had people from different countries and backgrounds. The business challenge just broke right through those commonly known barriers.

Achieving Results Requires a Change of Mindset

To achieve these results wasn´t easy for some of the managers and we had to support them with training and coaching. In the end the managers realized that in order to achieve and sustain results they had to change their mindset. Here are the shifts we helped them make.

Alignment. Prior to working with the organization, each functional area had been executing its own initiatives because managers thought they had to respond individually to their part of the budget. This caused an overload of uncoordinated activity as each functional area tried its best to respond to requests for collaboration from all areas. People in the organization had a hard time knowing which activity was most important. When we set the overall profitability objective this helped to align the members of the management team before they engaged the entire organization in the cross-functional teams.

Focus. When we introduced the challenge to achieve real profits in the first 100 days, it sparked great sense of urgency. Each manager gave immediate orders to stop many activities that would not contribute to the goal and also repurposed other activities in service of the goal. But more importantly, managers focused their people on specific areas where they could achieve results quickly. For instance, the supermarket team changed the original initiative from "reduce product returns across the supermarket channel" to "reduce product returns from 36% to 15% in one retail chain in two months"; the product line team changed from "create a portfolio of value-added products" to "introduce value-added products A and B by May "; the logistics team changed from "design an integrated picking facility" to "ship product line 1 and 2 together to customers of two routes of the capital city within a month".

Experimentation. The managers' natural reaction to the challenge was to take control of the important changes to be made and to carefully overanalyze what needed to be done. However, they quickly realized that unless they gave freedom to line people to throw their ideas out and test them quickly, they would not be able to achieve their 100-day goals. For instance, the sales manager held numerous meetings with the supermarket team to sort through large spreadsheets in an attempt to uncover the reasons behind product returns; however, a month into the implementation, product returns just got worse. A shift occurred when the sales manager allowed the sales supervisor to meet with the store's purchasing department to understand why products were being returned and to agree on a method for

tracking orders and actual sales. Within a few weeks, product returns were reduced by half and the method was applied to many other stores immediately. The logistics team tested two locations for consolidating products and simplified the delivery schedules for the routes to work.

Demand making. As said we held regular one-on-one meetings with each manager to ensure they were delivering on their goals. For instance, when the sales manager saw that his team was not going to achieve the goal for the first month, he asked the PMO to postpone the targets of the following months. The sales manager was stopped short directly by the general manager who insisted that the goals were non-negotiable and that he had to find a better plan to achieve them.

Adaptation. During the first weeks of the implementation the teams were not getting the results they planned for. As the teams tried and tested their ideas, managers quickly learned what worked, and what didn´t. There was so much going on that managers had to hold special work sessions with the teams to capture what was being learned and to adapt the work plans going forward. Before this project, review meetings were much too focused on the metrics and the reports and less focused on what people were learning.

Our experience is that while the above management behaviors are necessary to make almost any strategy deliver significant results, most managers are unaware of them. They only learn them when they face a business challenge like the one described in this story. Business leaders therefore have a great responsibility to continually set stretch goals that elicit these kinds of behaviors in order the advance the company's objectives.

In the case at hand, we challenged the managers to *double* the profits during another 100-day cycle. This meant to be twofold: for the organization to achieve better results, and for the managers to continue developing their managerial capabilities. The plan they came back with represented a much bigger challenge: the supermarket team now selected the largest supermarket chain in the country to make it profitable; the product line team decided to accelerate the introduction of more value-added products; the logistics team extended the consolidated supply chain to all customers in the rest of the country.

During the year the management team successfully generated a total of $1.5 m of profits, the behavioral shifts they made became the natural way of doing things in the company – more results driven (some people call it organizational culture). We are now retaking our challenge to supply our sister companies in the region, and we are confident that we will get there much more quickly this way.

A Call for Action

So if you are a manager about to undertake a merger between two companies, or to launch a growth strategy or a major initiative to transform your business:

- To what extent are the "must-do" dynamics in place in your own change initiative? What can you do to increase them to be successful? See Exhibit 1

- What managerial shifts may you need to make to achieve and sustain better results? See Exhibit 2.

Exhibit 1

Successful Change Begins with Results

Design change efforts to take advantage of the "must-do" dynamics in a planned fashion.

❑ **Sense of urgency** – must your initiative "get done" rather than "just tried"?

❑ **Challenge** – is your initiative's goal challenging and is it a stretch?

❑ **Success is near and clear** – must your initiative's goal be achieved immediately or is far distant or undefined?

❑ **Freedom to experiment** – do your people feel free to experiment with new ideas or are they just doing more of the same a bit faster?

❑ **Visibility** – do your people make their plans visible to others and hold each other accountable?

Exhibit 2

Delivering Results Requires a Change of Mindset

Managers who complicate execution	Managers who simplify execution
☐ Assume all functional areas agree on the same priorities and decisions	☐ Agree with all areas around a common view of success
☐ Ask people to follow too many goals and activities	☐ Challenge people to achieve rapid results on a few priorities
☐ Ask their people for the perfect solution before taking action	☐ Allow the organization to experiment with new ideas, and then scale-up
☐ Place demands to multiple people or through surrogates, or not at all	☐ Make demands for results to the person directly responsible
☐ Assume everybody will deliver on commitments	☐ Make individuals accountable and help them adapt plans with the learning

Are you complexifier or a simplifier?