AT Kearney

Strategic Transformation: Critical Reflections and Practical Insights

Changing an entire organization can reinvigorate a company, but it can also be controversial. Answering a handful of questions can help forward-thinking companies succeed.



What is the best trigger point to kick off a strategic transformation? Can a strategy be future-proof? Where is the ideal place to start: with organization or processes? How do you ensure a strategy is ready to go live? Should digitalization be part of a strategic transformation, or would this put too much stress on the organization?

We at A.T. Kearney have collaborated with an array of companies on strategic transformations over the past few years. During the course of these projects, we have repeatedly been confronted with these questions. With this in mind, we set out to share our insights and address these common questions.

In this paper, we begin by discussing the spark that ignites change. Behind this discussion lies the question: Why don't more CEOs take the initiative to make the necessary changes? Then, we shed light on the details—and the debate—that need to be worked out prior to implementation. Next, we discuss how to change business models without disrupting day-to-day business, and we examine the factors that are crucial to a successful implementation. And we conclude by focusing on when to declare the goals have been achieved.

While writing this paper, we engaged in some controversial discussions and touched on some crucial points of strategic transformation. Our aim is to shed light on what is so essential and yet controversial about changing an entire organization. We believe that simple advice that follows a consistently valuable pattern is not a particularly promising path to success.

We hope you will join in on the discussion and share your insights. We look forward to revisiting this important issue with you and your teams.

The Spark That Ignites Change

When an organization begins to fail and loses the confidence of its stakeholders, one common solution is to replace the leader. In the corporate world, a new CEO typically arrives with a turnaround mandate and a 100-day plan to effect change. Assuming that not all CEOs who are removed are unfit for office, this does beg the question: why don't more incumbent CEOs take the initiative to make the necessary changes? Clearly, individuals who have spent time and energy on a strategy are likely to have a greater emotional attachment to it. However, many are reluctant to change course in times of growth and success and might have a tough time making the case for change, which can be difficult even in the most challenging of times. And as hard as it is to create momentum and generate the energy required to start a transformation, it's even harder to sustain it.

New brooms have it easier

We have worked with many CEOs who have proactively adopted transformation strategies when other leaders might have opted to rest on their laurels. One such forward-thinking leader was the head of a German-based global conglomerate. He was in the enviable position of announcing the firm's most successful year ever while also announcing the launch of a major reorganization to make the business more customer-focused and define ways to build new crucial capabilities while nurturing the corporation's culture.

A CEO's success is often measured by the company's performance during his or her tenure, but there is something to be said for considering the condition in which a CEO left the business. Superstar CEOs often glow brighter amid the failures of their successors, when in reality these

failures might also be a partial reflection of their own performance. By making hay while the sun was shining, our client was able to pass on the business in the best possible state.

Arguably, it is easier for a new CEO to kick off a transformation than it is for a successful, established leader. Such appointments are often made for this very reason: to initiate a major change. When the new leader comes from within the company, this change of direction may mean simply executing what the previous CEO has prepared. However, this is not always the case, even if the new leader was already part of the company's leadership team.

Large-scale change programs require quick action, and new CEOs aren't weighed down by the baggage of legacy. Investors often eagerly await announcements of C-suite changes and new strategies, and this will be reflected in changes in the share price. For example, C-suite shake-ups at Tesla have financial investors feeling jittery.[1] And yet, regardless of what you may think of Tesla as a business, one thing is for sure: it's not seeking to be fit for yesterday or, some might argue, even for today. The company is always thinking about tomorrow. In Elon Musk, Tesla has a CEO who spends so much time preparing for the future that many investors are willing to overlook many normal business metrics. For example, as analysts were worrying about the viability of Tesla's affordable sedan at the end of 2017, Musk unleashed an electric truck. And Amazon, arguably the most successful retailer ever, has yet to turn a profit in a business that is defined by perpetual upheaval—of itself and of other industries.

For CEOs who need that extra bit of motivation, a Harvard study has found that more than 100 hedge funds are engaged in frequent activism, and more than 300 others have launched activism campaigns in recent years.[2] This, combined with a wall of private equity, is getting the attention of boards and pushing leadership teams to stretch their targets and aim for continual improvement.

But not all strategic transformations are reactive. In Europe, which has been historically bereft of activist shareholders, CEOs are engaging with a new breed of constructive activist investors to make their businesses as fit and lean as possible. However, while such investors do hold a carrot, they also carry a stick. Just ask Credit Suisse, which the *Financial Times* reports is facing calls for a break-up from an influential activist investor.

The most common triggers for large-scale transformations include an array of early warning signs, including slowing revenue growth, diminishing profits, falls in the share price, and the emergence of disruptive competitors and new business models. If these signs are overlooked and the business slips into a performance crisis, change initiatives to try to keep the business afloat can be painful—and the opportunity for a strategic transformation can quickly turn into an urgent need for restructuring.

And then there's an inner flame

Some transformations don't require an external spark; they self-ignite. At one company we worked with, employees were acutely aware of the changing landscape in their industry. Fearing that their business would not survive, they demanded a strategic transformation. Management's kick-off of the program met with a great deal of relief from employees, albeit with understandable concerns about the changes. Management was also relieved that their fear of meeting with resistance was proven wrong. With the right communication and change management approach, we were able to turn the in-house energy into a collaborative joint initiative.

[1] "Tesla Executive Turnover Causes Concern Among Investors," The Detroit News, 7 February 2019

[2] "Dealing with Activist Hedge Funds and Other Activist Investors," Harvard Law School Forum on Corporate Governance and Financial Regulation, 25 January 2019

We expect to see more self-igniting transformations in industries that are undergoing massive change, namely the upstream oil industry, where companies are redefining their position in the energy value chain; the automotive industry, where changing customer requirements and technological change such as electric vehicles and autonomous driving are causing massive disruption; and the telecommunications industry, where traditional business models are under threat from innovative companies such as Facebook and Google.

Positivism breeds positivism—even when you don't expect it

In our experience, employees are often more willing to help reshape their company's business than many leaders are ready to believe. But this requires honest and transparent communication, an inclusive approach, and a shared vision. The leader of the German conglomerate we discussed earlier again offers a good example. Determined to bring about significant change, he was prepared to make some unpopular decisions. Imagine his surprise when people across the organization greeted his announcement with enthusiasm. Over the course of the 12-month program, we all expected the atmosphere to change along the typical change curve, but the downturn in support never occurred.

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Transformation programs can be like a treadmill: costly, distracting, and exhausting. Many times, change fatigue occurs in established organizations, business units, and functions and among employees. But strategic transformations are unavoidable, and a change of course is often necessary to reset the organization and regain strength. What is avoidable, however, are inertia and starting a transformation without a spark that is strong enough to ignite the whole organization. That's why proactive transformations and those that are carried by the whole organization do better than those that are forced from the top or where an organization has to play catch-up with competitors, customers, or legislation.

Details Are Essential, but So Is Passionate Debate

Strategic transformations can set the entire organization on a new course. But when is the course to be taken clear enough? When is the strategy ready to be implemented? Which details need to be worked out prior to implementation? How long should you hold this course?

These are the kinds of questions our clients often ask us. Once an organization has gotten under way, large corporations—like enormous oil tankers—struggle to quickly change course. Executing a strategic turnaround requires navigating a number of building blocks, such as the organization's processes, IT, resource configuration, competencies, and culture. All the more important, then, that the strategy is weatherproof, so to speak. So, how do you do that? Next, we share some fundamental insights and experiences about how to make your strategy weatherproof.

The end is not in sight

A good strategy is an organism that lives within the company and the business environment. By strategy, we mean the three to five most important decisions made by top management that will make a real difference to the company's competitiveness over the next five to 10 years. In most cases, these decisions affect the company's value-driving elements. For example, for a consumer goods manufacturer such as Coca-Cola, it's the brand. Many of our clients—and we along with them—have come to realize that the most successful strategic decisions need to be constantly developed, updated, and adapted because the environment is always changing.

Based on our work with an array of companies, we have seen that a new strategy is valid for an average of three years and then needs to be overhauled. The time frame varies, of course, depending on the industry; for example, the consumer goods industry has different cycles than the pharmaceutical industry. However, regardless of the industry, strategy development is never complete. What matters is not only the level of detail—there can never be enough details—but the management team's joint focus on one common course, the big picture, and the team's willingness to answer the most important strategic questions and then make clear decisions.

(Mutual) Understanding

Time and again, we are faced with the task of implementing a ready-to-go strategy. If we ask specific questions about its implications and get an array of answers, then we know the time is not right, and the team is not ready to implement the new strategy. The point at which a strategy is ready for implementation depends primarily on what the top management team thinks of it. A strategy statement alone does not reveal any information on this. Understood and agreed? That's what we need to find out by asking specific questions.

The first and most important question is this: What criteria do you use to define and evaluate your company's success? Once this has been clarified, the next gap opens up: the step toward implementation, which often feels like an abyss. The best—but also rarely used—solution to bridge this gap is a charismatic leader who electrifies and involves everyone. We often help companies develop guiding principles that translate the big picture into clear, neutral criteria for the implementation process, which is what happened recently for a leading automotive supplier. For example, the principle of "strengthening the customer focus" makes it clear to every team, manager, and employee that, when in doubt, they must decide in favor of service and the customer experience. Top management must also fully agree on the guiding principles—another litmus test.

Three rounds of argument

If the strategy is not sustainable—or management doesn't back it—then it's back to the drawing board. It doesn't matter if you go to the mountains or by the sea for an off-site workshop on strategy, the main thing is getting away from day-to-day business for a while. And what then? Indulge in "thrilling" discussions that end at the bar—and in the end, the course to steer is clear to everyone? Sounds great, but in our experience, if all of the strategy discussions go smoothly, something has gone wrong. If it's going to produce real conviction and consensus about a future target picture, the process of developing a strategy often entails conflict, dissent, arguments, and tough decisions. After all, what does this sweeping look into the future with the promising title of "Vision 2030" actually entail? It requires a hard-hitting analysis of the present and a redistribution of power.

During strategy development, we ask three questions: Does your team agree on the basic facts of market, competition, and position? Are you talking about the same options? And what is your direction for the future?

Each question contains fuel for conflict and a huge amount of material to work through. We usually do this step by step in a series of off-site workshops so everything can sink in and participants can mull over important matters. In the end, some people may come out of the process weakened, but the team as a whole will mature and emerge stronger.

Timely and small = fast and big

Few companies have time to spare—least of all during turnaround projects. The three questions mentioned above can be worked through within two to three weeks. Above all, it's important that the open debates on controversial issues are hashed out at the beginning and not in the middle of the company's realignment. To save time, the transformation can start with what are called "no-regret moves"—measures that are correct and necessary in every case. After that, invest a few weeks in the strategy; this time is quickly recouped during the restructuring thanks to clear directional processes. And there's one more point we want to emphasize: We are skeptical about "democratic" strategy development processes that involve large teams of 20 to 30 managers. We prefer small decision cells that bring in other groups for input when necessary—not only in restructuring cases. Big decisions can only be reached by a handful of leaders; otherwise, it's a case of too many cooks.

It's important that the open debates on controversial issues are hashed out at the beginning and not in the middle of the company's realignment.

Strategy is not a gray area

A colleague from the telecommunications industry once told us his company discussed three different business models, and the board of directors decided on all three. This is by far the easiest way to avoid making decisions—and reason to think about a team change, too. Strategy decisions must be a black-and-white choice; anything in between dilutes the strategy and renders it less effective—or even ineffective. This requires bold moves, not fine adjustments. But to what extent does the strategy have to be geared to the prevailing conditions? For example, how realistic and effective is a digitalization strategy going to be in a company where middle managers describe themselves as digitally illiterate? In this situation, we would opt for a greenfield approach. However, this is only fruitful if new options come into play during implementation. In our example, the company could go beyond internal professional development and new hires and think about M&As and creating a new ecosystem.

No guarantee of the future

No one can predict the future. CEOs and we as their advisors don't have a crystal ball when developing a strategy. Teams must focus on and be guided by probabilities and potential scenarios—and expect unexpected developments. Even a future-proof strategy doesn't come with a guarantee. It does, however, take all scenarios into consideration and agree on the most likely, and it goes hand in hand with a flexible business model—for example, by integrating it into an ecosystem.

What makes a strategy fit for the future is not only the direction in which it points, but also the degree of agility it demands from and grants to the organization. In a strategic transformation, especially in so-called VUCA times (volatility, uncertainty, complexity, and ambiguity), many companies go in circles: think, make a decision, execute, and then think again. This approach is common among top managers as they lead their companies into the future—and they are often successful when teams are comfortable enough to argue openly, fiercely, courageously, and timely instead of elaborating the fine details by consensus.

Implementing Transformations—like Open-Heart Surgery?

If enterprises are living organisms, then the transformation process is like open-heart surgery. This analogy suggests the horror scenario with the headline "Surgery successful, patient dead." When it comes to implementation, the primary question is how to change a business model without disrupting day-to-day business. How deep can the incisions be? Do we start with the processes or the structure? Does shock therapy—a "big bang"—lead to life-saving measures with a forward-looking strategy and a new business model, or does the company need a gentler approach—a longer succession of small, more delicate steps toward a transformation?

That this analogy suggests a misguided degree of caution is something we know from multiple real-world projects—a world in which too many people still believe in the validity of this analogy. In reality, many transformations fail not as a result of some form of corporate cardiac arrest, but rather because the incisions made in day-to-day business are imperceptible and the desired effects never materialize. In addition to focusing on how to ensure operations run smoothly during implementation, ask the following question: How can you ensure the organization will actually change? After all, most businesses do not suddenly succumb to the depth of incisions from excessive surgeries, but rather slowly waste away as a result of resisting change.

Full-time employees wanted

During implementation, one of the most important issues is project personnel, which is all too often dismissed as a side issue. In most cases, transformation activities are put in the hands of staff who can only dedicate part of their time to the job because they are also involved in day-to-day business. On the operational levels, this is understandable, but if the bottom tier of management doesn't devote much time to the transformation—something we still come across from time to time—then something is fundamentally wrong at the top.

Top management's primary task is to shape the future with strategic foresight, not to keep day-to-day operations running. The levels below are manned by the employees who are closest to the business—those who know the company and are in close contact with customers,

suppliers, and production sites. Essential to daily operations, they are the most important movers and shapers of a transformation. Decisions about how these people are deployed must be made on an individual basis: Is their time better invested in working on change for the future or in day-to-day operations?

Special projects are also excellent opportunities to develop and challenge young talent—projects in which they are given more responsibility in day-to-day business in view of the capacity shortage or they are integrated into the program for change. Transformation programs are attractive for young talent because nowhere else can they build a career faster than in a company that is short on resources for high-level positions. A fundamental prerequisite is that the program is sold internally as an endorsement for ambitious talent. If management has trouble finding good people for the program, the lack of such an incentive is often precisely the reason why.

A question of history

We have seen cases in which it was vital to energize the organization for a short time and swiftly implement drastic measures. For example, during restructuring, taking one's foot off the gas for the sake of ensuring a smooth process would be a fatal mistake because the chances of survival decrease with each day.

In one of our projects, we worked with a financially successful but weary enterprise to boost its energy and agility while securing long-term profitability despite intensifying competitive pressure. We asked employees at various levels and in several units what level of savings could be expected, and the answer was surprisingly unanimous: nothing below 30 percent. Their reasoning was that if we didn't set the goal high enough, nobody would consider making radical changes. Rather, everyone would look only for incremental improvements, which would fizzle out over time. The motto was: The higher we set the goal, the more we can change the thinking and habits of the team. For companies that have failed to implement any change for a long time and have settled into a cozy stasis, it's helpful to strive for what may be a frighteningly ambitious goal and rapid implementation to shake up the organization and create a momentum for change.

We've also experienced the opposite. One international company told us about previous transformation programs in which extremely ambitious goals and implementation methods, together with a reduction in personnel, had resulted in a deeply frustrated company. The workforce struggled to get motivated for a new program because the goal seemed utterly unattainable. As a result, we advised a gentler approach with smaller steps and more manageable goals.

Whether we decide to go with open-heart surgery or small incisions depends on a company's transformation history, its culture, and its management style. And, of course, it's a good idea to choose methods that are differentiated according to regions, areas, and functions and take into account how the measures will affect the business. In every transformation, each business unit should be examined individually to determine how potential changes can be made quickly and sustainably. And the view of top management must always be compared with that of the employees on the ground because the gulf is surprisingly wide.

Minor change, big drama

We have also seen many measures that appeared to be modest in the overall picture of the transformation but were perceived as dramatic changes on the ground. For example, relocating a

workplace just a few miles away may present employees with greater challenges (such as taking their children to school) than switching to a new production principle. Changes in management can also trigger enormous unrest and uncertainty, even if on the face they appear to be no more than minor modifications to the organigram. Something as simple as renaming a business unit can throw a wrench in the works of a machine that had been running perfectly up to then. In one company we worked with, the employees were identified so closely with their business unit that some of them addressed each other by an abbreviation of their department and job title instead of their actual names. Meanwhile, what top management perceives as a major upheaval, such as new processes, IT, or products, may be perceived by employees as a normal course adjustment that doesn't affect them much at all. It's often all a matter of perspective.

But if nothing changes for employees, is it a real transformation? A transformation must impact employees, not merely be a diagram of an organization with a few boxes moved around. Employees carry corporate transformations throughout the entire organization as they work to develop and improve themselves, break with routine, and rethink the standard ways of doing business.

A company is a living, organic whole that can only be transformed holistically.

Process follows structure—and vice versa

The question about whether the processes or the structure must be addressed first—which element is most crucial to the transformation—is a matter for the experts. One argument in favor of the processes is that the transformation is conceived with the goals in mind. With this approach, the practical embodiment of the new business model is the starting point. Beyond issues relating to the organization's structure and responsibilities, we define what needs to be done differently: the processes that enable the company to achieve its goals determine the structure. One argument against this approach is that the processes are clarified at a time when responsibilities and the new balance of power have not yet been established. And especially in the case of highly disruptive changes, it is to some degree not possible to predict which processes will be the outcome. As a result, endless rounds of discussions and design meetings can arise that are difficult to control. Another weakness of this approach is that the processes are developed at a level that lacks the necessary vision and overall view. There is also the danger of a situation arising in which nobody has any interest in or feels responsible for installing the processes from start to finish.

We have learned from scores of projects that it is wrong to dogmatically give priority to either the processes or the structure since both are so closely interwoven that one cannot be changed without the other. We often recommend a parallel approach in which the most important business processes are derived from the new strategy, and at the same time, the new organization is set up so new managers can help shape the process. Then the analogy between an organization and an organism is valid: a company is a living, organic whole that can only be transformed holistically.

Taking the Organization with You

So now, the team has completed months of intensive concept development, the relevant business cases have been calculated, the organizational structure and processes have been defined and coordinated, and the major stages of implementation have been outlined. Now kick-off with the entire management team can begin—day one of the desired transformation. Two more questions emerge: What has to be taken into account during implementation? What factors favor a successful implementation?

No one in charge?

Imagine for a moment it's the kick-off event—day one. Everyone is there on time, and top management is well-prepared. But one thing is missing: the chairs. Somehow nobody's taken care of the seating—a small slip-up, a tiny detail in the extensive plans for a big day, the official start of implementation. It may not seem like a major problem, but it is symptomatic of a process that may have been well-prepared and set up, but which lacks something essential: taking responsibility and ownership by people who not only carry out their own individual tasks, but also feel responsible for the success of a larger whole and look beyond the confines of their area of responsibility to ensure everything is working. Without such people, projects will collapse under the weight of a ton of minor details. The same holds true for a transformation program that employees have not embraced as their own—an essential factor for success.

> Ideally, a transition from a centralized program to its decentralized implementation is cascaded, taking the tedious but effective path from one level to the next.

Transformation programs should delve deep into the details of an organization. No matter how well-planned they are, it's not possible to foresee all possibilities. Before embarking on change, the organization must have this kind of appropriation, identification, and ownership by the people who play an important role in implementation—every employee from top managers to the gatekeeper and, of course, a management team that takes responsibility and vigorously defends its decisions.

Participation is not (yet) commitment, a business case not a story

But how do you create ownership? Broad participation processes are often seen as unnecessary time-eaters, involving large sections of the management team and the workforce. Large coordination meetings are not necessarily useful in all corporate cultures, and participation should not be confused with commitment, even if one does follow the other. Having said that, allow enough time and be willing to indulge in lengthy discussions at the beginning of the program to bring those who are in charge of implementation on board. Examining yet another

option that, for example, has been put forward by a particularly crucial divisional director may seem to be a waste of time, but it will pay off over the course of the project by ensuring that he is behind the program and will convince both his team and his critics that they too should get on board. It's better to secure the support of individuals early on rather than trying to bring hundreds of people on board halfway through. However, this is not to be confused with grassroots democracy. Even if everyone is invited to participate, there must come a point when top management pushes some disagreement to one side and makes decisions.

Some companies hope that the persuasiveness needed to generate commitment will arise from a multitude of business cases that have been calculated and validated right down to the last decimal place. However, this can be a kind of pseudo-accuracy that companies like to indulge in to protect themselves, possibly because of a lack of true leaders. A transformation program's success depends on leaders who have the courage to set a new course and do not hide behind business cases. In addition to a convincing story that shows why the change is necessary and what improvements it should bring, this includes forming alliances, coming up with the right arguments to fight for them, and if necessary, weakening or even neutralizing any opponents. It also means tolerating critics and giving them constructive roles.

Step by step: effort that pays off

A transformation program that aims to establish fresh ways of thinking and acting must penetrate the entire organization and find general acceptance. How does centrally developed content carry momentum and energy into an organization's decentralized branches? Many companies rely on direct communication between top management and the workforce while neglecting the most important resource: middle management. The crucial swing, the necessary implementation of the transformation program for the teams on the ground, cannot come from top management or the level immediately below. Although they are no doubt close to the program's strategic goals, they are a long way from the factory floor. The transition must be conducted by middle management, which has a powerful influence throughout the organization. Ideally, a transition from a centralized program to its decentralized implementation is cascaded, taking the tedious but effective path from one level to the next. This procedure is by no means self-evident; in fact, many enterprises are not good at following a cascade. Nevertheless, it forces all levels of the organization to grapple with the program, gives managers a voice and allows them to act, and implements and diffuses the program without missing a level.

The biggest hurdle: interfaces and new competencies

If you ask us what the biggest hurdle is in implementing a program, you'll find we have no definitive answer. Some say the interaction of processes and IT, others say interface management and interdependencies, and others point to the lengthy development of competencies. All of these are right, and they all belong together. For corporations that are heavily influenced by IT, such as telecommunications companies, making changes to IT (on which the entire company depends) is an extremely complex task. We have had good experience prioritizing at a very early stage which measures are dependent on scarce resources, such as programmers and system administrators, and examining what measures can be implemented very quickly on the IT side.

We also often no longer work sequentially, function by function, but bring together key players from various functions—such as IT, HR, and marketing—very early on to investigate along the

common interfaces how complex the implementation is and when the transformation can be implemented. As a result, some measures can be completed earlier than others, and the program becomes more agile. In addition, interdependencies can be managed better. Moreover, making a distinction between enabling and structural measures allows more flexible implementation in the sense that enabling measures in IT and HR are already being powerfully promoted and create the basis for structural changes, for example, in sales or product development.

Thinking and acting differently: long-distance runs and short sprints

IT and HR are long-distance runners that cannot simply be switched over within a few months. Staying power must also be seen as a factor for success as implementation usually takes 12 to 24 months. Developing new in-house competencies also takes time. The ability of an organization and of people, too, to rapidly acquire new skills is often overestimated. On the other hand, individuals' willingness to assume new responsibilities is often underestimated. Many people, if transferred from their old job to a cross-functional team in which responsibilities are entrusted to the teams and an individual, are capable of progressing beyond their old established roles and not only taking on but excelling in new roles.

Although real change requires not letting up after the first year, you cannot send an organization on a marathon run. A well-functioning transformation process is a long journey but with visible, tangible successes and breaks in between. Orchestrating the various steps and processes and finding the right pace is a question of not only leadership and courage, but also experience. When managing a transformation, it's useful, if not essential, to have partners on board who have experienced a major change process and can envisage and think through the transformation from finish to start to get the timing right.

In Search of a Good Ending

The question about how and when a transformation program should come to an end is not a trivial matter. In our project teams, we constantly think about and discuss what actually sparks change in the first place, the milestones of the process, how the process should be communicated, maintaining momentum and stamina, and the kick-off. We differentiate between continuous change and a strategic program with a beginning and an end, but we have no catchy name for the closing moment. Or should we simply call it a debriefing? What indeed characterizes the closing moment? Is it reached when the final goal has been ticked off the list? This can take time because programs often stretch out over several years and have to be adjusted to a number of factors. Or is it when the measures developed and adopted are anchored in the budget? Is it when program managers and change agents are released from their special roles and return to the day-to-day business? When does it make sense to suspend, pause, or wind up the program?

An important success factor in organizational changes is setting a clear beginning and a definite end and having a clear idea of when the change is successful and sustainable and when it's time to celebrate the success without destroying its magic. In a nutshell, success comes to those who plan the program not from beginning to end but from end to beginning. In other words, get the end right at the beginning. Change may never end in a rapidly changing world, but programs do need a definite end.

Picking the right time to wind things up

Companies that launch a transformation program should also have a plan for when and how they want to finish it. Normally, stages are stipulated in the project plan with assigned time periods and a specific completion date. However, business reality does not always comply with these timelines, so it would be too rigid to organize the end of a program in line with a timeline. A better approach is to focus on the goals or, even better, on the achieved successes. Some measures achieve their goals earlier than expected, while others take longer than the scheduled end of the project. It is then not a question of the quantified criteria but of management's discretion and judgment about whether the program is continued until all goals can be ticked off. Individual measures can also often be passed on to the regular line organization and implemented there.

> The overriding goal behind the extraordinary amount of effort invested throughout an entire organization is to install business processes and skills that enable the organization to continuously raise its performance level.

Our experience shows that a transformation program can be deemed a success if most of the goals have been achieved within the program's framework and that it would unnecessarily—and to the frustration of all involved—prolong the process if top management were to insist on fulfilling every single goal before bringing the program to an end. After all, the overriding goal behind the extraordinary amount of effort invested throughout an entire organization is to install business processes and skills that enable the organization to continuously raise its performance level. This includes developing a vibrant, powerful, and dynamic team that believes in its potential today and in the future, not a team of people who are already exhausted. The question is, therefore, not whether all measures will be implemented during the course of the program, but how long individual measures require the program's support.

Success: more than numbers and check boxes

But how do we define success? How does it relate to the defined, often quantified goals set out in the beginning? Our experiences show that a program can be successful and sustainable despite a noticeable discrepancy between what has been achieved and the quantitative targets. For example, let's go back to the company we mentioned that set an ambitiously high target of a cost reduction of at least 30 percent. When 70 percent of the targets had been achieved, the management and its team—both of which were very proud of what had already been achieved—decided to declare the program was over. The managers sensed that the remaining 30 percent of the targets would ask too much of the organization and destroy the self-confidence and pride that had been built up. And they knew they had made extraordinary progress and had demanded a great deal of rethinking, questioning of, and saying goodbye to old ways from their employees.

Another good example comes from a German company that was not concerned with reducing costs but with improving performance, for which it applied several approaches, including lean management. Sixty percent of the workforce was located in what used to be West Germany, while the remaining 40 percent was in the former East Germany. In line with A.T. Kearney's Optimization from the Middle approach, we launched a pilot project in 2015 during which teams from the East repeatedly visited the factories in the West and vice versa. At the end of the project, more than the company's performance had improved. More importantly, the West German colleagues had recognized what they could learn from the East German plants, and the two sides have enjoyed a fruitful exchange ever since. This program broke down the barriers between the two working environments and created a new culture beyond the factory silos. The success of a program can, therefore, also be measured by the extent to which it gives the team the confidence and strength to deal with uncertain and difficult times and to continue to change.

Where does sustainability begin?

The way in which programs are executed, how knowledge is exchanged across functions, and how issues are approached and problems solved become sustainably anchored in the organization—as a change for the better, as lasting success. In other words, when managers and employees realize that the program's processes are paying off and creating value, that the spirit and philosophy of the program are making them more agile and helping them achieve more with fewer resources and get closer to the customer, then the program is well on the way to ensuring sustainable success.

The fact that the people within the organization feel the benefits, experience the improvements, and are proud of what has been achieved is a measure of whether a change will be sustainable. Sustainability begins when we go beyond the connecting lines and boxes of an organization chart, leaving the metrics behind and addressing the people within the organization. Do they identify with the vision and the objectives? Do they have a good feeling when they think of the program and the period of upheaval, or do they recall only the annoying, unnecessary painful things?

Again and again, we hear new statistics illustrating the failure of most transformation programs. One often-cited statistic indicates that 60 to 80 percent of all initiatives fail. Viewed in retrospect, such failure has to do with the human side of a transformation. Does it address issues that strike a chord with the people in the organization and that they can understand and implement? Are managers and employees empowered, for example through cascaded communications? Do new doors and new perspectives open up for employees and managers? If so, the chances are good that the program and its impact will be viewed positively in the organization's history. The fact that the organization will no longer fall behind and that the impulses for change are taking hold becomes apparent when employees no longer wait for instructions but begin to search for solutions on their own.

Back to the beginning?

A visible closing point must be set for the conclusion of a program with employees receiving recognition for their efforts and successes. That they retrain and rethink together, and as an organization, is far from being a matter of course and involves a huge amount of effort on the part of every employee. So we have to finish as we began: with a visible sign, appreciation, and recognition. This doesn't always have to be a lavish celebration; a final communication can suffice. In these volatile times, it's tempting to remain in transformation mode. But the extraordinary maneuvers made would soon lose their shine and their power to produce anything new.

Changes that aspire to be more than simple adjustments must not lose the aura of the extraordinary. There is a need for periods of rest in which the exhausted organization can recoup and regain its strength.

There must be very good reasons for putting an organization through such stressful times. Be certain that your workforce has the mental power to take on so many new things, and carefully on board. Like in the case of a health check, examinations should and can be conducted to determine when the next transformation program is necessary and possible. One thing's for sure: The more frequently a company undergoes radical changes, the less impact those changes will have.

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