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SPOTLIGHT ON REINVENTION

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*Six mistakes that can derail  
your company's attempts to  
change.*

## Accelerating Corporate Transformations (Don't Lose Your Nerve!)

by Robert H. Miles

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# Accelerating Corporate Transformations (Don't Lose Your Nerve!)

## Idea in Brief

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Six problems can slow your corporate transformation to a crawl; attack them sequentially.

**Cautious management culture.** Compel all executives to confront reality and agree on ground rules for working together.

**Business-as-usual management process.** Run a no-slack launch on a parallel track with regular systems; make sure there are early, visible victories.

**Initiative gridlock.** Limit the company to three or four initiatives.

**Recalcitrant executives.** Compress launch to quickly engage key executives and to identify and confront those not on board.

**Disengaged employees.** Rapidly cascade the changes to all employees to boost engagement.

**Loss of focus during execution.** Anticipate and defuse postlaunch blues, midcourse overconfidence, and the presumption of perpetual motion.

*Six mistakes that can derail your company's attempts to change.*

SPOTLIGHT ON REINVENTION

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# Accelerating Corporate Transformations (Don't Lose Your Nerve!)

by Robert H. Miles

Ask any CEO who has overseen a corporate transformation what should have been handled differently, and you are likely to get this answer: "We should have—and could have—moved faster."

Such executives have a long list of regrets: They wish they had unified the leadership team right away. They wish they had engaged employees sooner and quickly drummed up support for the new vision. They wish they hadn't waited so long to test their assumptions and refine their key initiatives. And they wish they had generated some visible returns early on, to accelerate the commitments and reinforce the expectations of employees, customers, suppliers, and investors.

Any corporate transformation—launching the next major phase in an organization, executing a new corporate strategy to achieve breakthrough performance, enabling a new executive leader to take charge, or integrating an acquisition—is fraught with challenges. More than 25 years ago, I began chairing an innovative program that convened groups of

CEOs and their executive teams for two-week sessions at Harvard Business School, where they collaborated with faculty members and noncompeting peers on solving their most serious challenges. They met again nine months later to share their experiences. Within a few years, a clear pattern emerged from the program: The biggest barrier to corporate transformation was getting organizations to execute their bold new ideas quickly. Since then, from my direct involvement as principal process architect in more than 25 corporate transformations led by new and sitting CEOs, I've concluded that many talented executives don't fully appreciate the following subtle but powerful insights:

- Transformation launches must be bold and rapid to succeed. Yet, embedded in most organizations are six kinds of "speed brakes" that can slow things down to a grinding pace.
- During business-as-usual periods, these brakes may be irritating, but their effects on performance are reasonably benign. However, during a bold transformation, which requires

rapid action, any one of them can derail the larger effort.

- To accelerate transformations, managers need to release each of these brakes, in a particular order.

Let's examine the different types of brakes and discuss how and when to release them.

### **Speed Brake #1: Cautious Management Culture**

When companies pursue variations on the same business model for an extended period of time, they become preoccupied with incremental improvement. Rather than teeing up big ideas and targeting big results, executive decision makers try to avoid big mistakes. They hunker down in their respective areas of responsibility, believing they are too busy with daily operations to get involved in reimagining the entire business. The problem is, transforming an enterprise requires intensive cooperation among executive peers. Strong traditional units have to share resources with unproven or underperforming units, and often they must sacrifice something they value for the good of the whole.

An incremental, parochial mind-set also affirms the traditional executive pecking order. Those who control the most resources or institutional assets tend to monopolize discussions, trump new ideas, and strong-arm decision making, thereby reinforcing the status quo. The management culture in the U.S. automotive industry was so cautious a couple of decades back that General Motors had to create Saturn, a geographically separate greenfield subsidiary, to free up the executive attention and the design and development resources needed to respond to the small-car challenge of foreign competitors.

In a conservative culture, no one is certain that the leader in charge will stay the course on a transformation agenda. Typically, a history of half-baked, half-hearted, and half-lived change programs undermines confidence that the current challenge will be treated any differently. Without a clear vision and definite commitment from above, even the most capable and energetic members of the leadership team will hesitate to raise new ideas for moving forward—and the less-proven executives will feel even more reluctant to speak their minds about what is wrong and how to improve things.

Successful transformations call for a rigorous confrontation of reality, both external and internal. But all that work will be wasted if the leader hasn't paused to establish that all executives must help chart the new course. Every member of your management team must understand the requirement to take an active role—no exceptions. If you permit wallflowers during the planning phase, they are likely to cast long, passive shadows over the organization when it comes time for execution.

Beyond mandating involvement, you have to provide safe passage—enable managers and employees to be brutally honest about what they see as the company's greatest weaknesses and encourage them to contribute ideas on how to launch the transformation and keep it going. You can start by getting the leadership team to agree on a simple set of ground rules for discussing ideas, engaging in critical thinking, and making decisions. Be ready to enforce them, because team members are likely to revert to their old ways if you don't.

Next, clearly spell out how everyone in the organization will move from the current state to the desired new state. You must describe the major steps and deliverables in your launch process as well as how and when people at different levels in the company will become engaged in the transformation launch and journey.

After that, have an objective third party conduct a round of interviews with key leaders about what's working or not working and what's the best way to proceed. Guarantee anonymity, and assemble the findings in an unattributed, verbatim fashion. In addition, gather fact-based insights from inside and outside the organization to test the assumptions underlying your new business model.

Once you've completed those tasks, convene a well-designed "confronting reality" event so that you and your team can work your way through all of the new information to develop and refine the vision and supporting business model. And then road test everything in the organization before drawing conclusions and finalizing the transformation plan.

The above steps will enable you to quickly address important issues and make difficult resource-allocation decisions. By avoiding a false start with your management team, you won't have to revisit strategic questions, redo key elements of your business model, or reprioritize

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initiatives—all of which would bog down your launch and sap energy from execution.

**Speed Brake #2: Business-as-Usual Management Process**

In most cases, the day-to-day management process is already operating at full capacity when the firm's leaders sound the call for big change. There isn't room within established systems to plan and launch a transformation—in fact, they often get in the way. Forcing the launch process into the organization's preexisting calendar of meetings will give short shrift to this important work and not allow adequate time for the structured dialogue that's so essential to breaking new ground.

The solution is to create a turbocharged, no-slack launch process that runs on a separate track and promotes both high speed and high engagement. Running a no-slack launch alongside the routine management process for a few months will enable you to accelerate the transformation, gaining not only precious time but also energy, commitment, and momentum (see the exhibit "The No-Slack Launch").

You'll need to lay out for the management team, and then for all employees, a road map with specific waypoints and dates. The road map must be spare. With proper preparation and good design, your team and the ones reporting directly to it should go from confronting reality to finalizing initiatives in three to four meetings, interspersed with prework, testing, and refinements. The accompanying

schedule must be highly compressed. If team members feel they don't have quite enough time, you probably have it about right. When people receive a few extra weeks to complete a step, they often wait until the last week or so to bear down. Just a few extensions can balloon a three-month launch phase into six months or even a year.

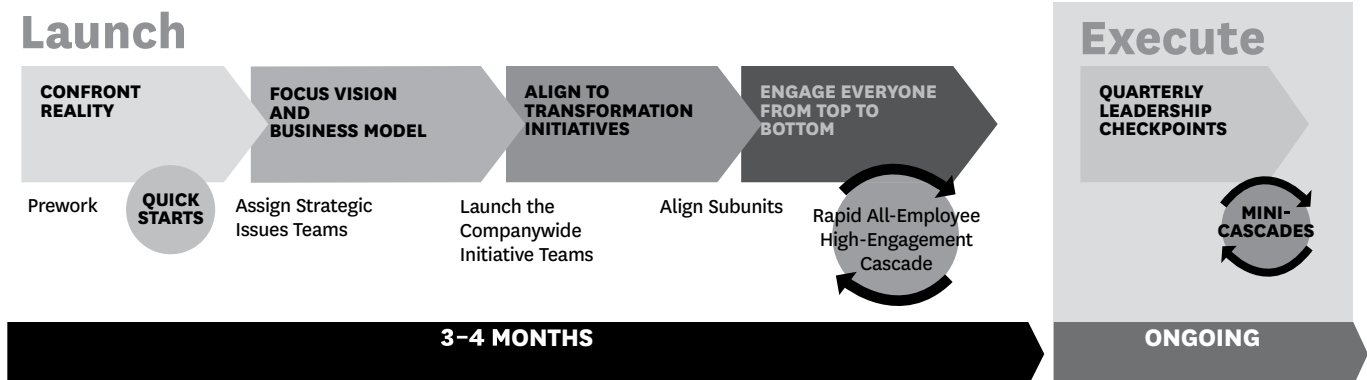
The senior executives should each be asked to help craft one of the transformation initiatives and later to oversee its execution companywide. They will perform these cross-organizational duties in addition to being responsible for their own departments' progress on all initiatives. By performing both roles, executive leaders will greatly increase the transformation's traction.

The no-slack launch stands in stark contrast to the counsel that everything must be perfectly prepared ahead of time, with troves of analyzed data, a completely articulated strategy and new business model, and all the right people in the right positions. Many leaders who follow that advice find themselves shunted onto the side tracks, still waiting to fire up their engine as the market roars by and valuable employees leave to find better vehicles to advance their careers. Preparation is important, but not at the expense of motion. And motion is critical, because it allows you to accrue small victories that entice the undecided to come on board.

Perhaps the most important reason to get moving is that every day of action accelerates the cycle of organizational learning and adap-

**The No-Slack Launch**

Day-to-day processes can get in the way when you're trying to get a corporate transformation off the ground. The solution? Create a compressed launch process that runs in tandem with established systems.



tation. The moment a solution is envisioned, put it into play. If it proves to be faulty, quickly drop it—and chalk it up as a lesson to apply to your transforming business.

### Speed Brake #3: Initiative Gridlock

Executive leaders may lack the insight and courage to discard efforts that have come up short. A common fear is that if they admit they've chosen a wrong path or gotten the timing wrong, they will lose their ability to motivate the team to try other things. So instead, they pile new initiatives on top of the ones that are struggling—and the result is gridlock.

Initiative gridlock often starts simply, innocuously. Suppose that Finance puts new tools in place to better control overhead costs. And then Human Resources introduces a new employee performance management system to better identify top contributors. Marketing initiates a campaign to boost sales of new products. Manufacturing kicks off a Six Sigma program that will eventually touch Marketing, Sales, and Finance. And the top executive team embarks on a culture-change effort to improve morale and retention (ironically, the low morale stems from too many initiatives overloading the system and the people). Individually, each project makes sense, but when launched simultaneously, with no regard for strategic alignment or prioritization, these multiple layers of activity easily overwhelm the organization.

Executives who try to stuff too much into the organizational pipeline will clog it. Workers' capacity to execute will become a choke point if the programs are not prioritized and sequenced.

The best response is triage. In the most successful corporate transformations, managers restrict their action agendas to three, or at most four, well-articulated companywide initiatives—each one containing only two or three carefully selected areas of focus tied to clear outcome metrics. When you start multiplying the initiatives by the areas of focus, you'll quickly realize that exceeding this guideline will gridlock the organization.

For example, a new CEO's first order of business at a global retailer was to disband 1,000 teams and work with a largely inherited leadership team to distill three crucial initiatives from all the complexity. Having to oversee and guide the work of so many teams, the previous

CEO had led the whole company into gridlock. When the new leader's compressed transformation agenda made it possible for everyone in the organization to focus time, attention, and resources on the turnaround, people were able to contribute much greater value to the effort. As a result, the retailer dramatically improved shareholder value, customer satisfaction, and employee retention by the end of the first year. If the transformation agenda hadn't been tightened, managers and employees would have been forced to develop their own ways of coping with directionless and oppressive gridlock.

Focus is not about doing more with less; it's about doing more *on* less. Making choices about what not to do so that resources will go to the most important initiatives is not easy, but it must be done to release this brake on your firm's transformation.

### Speed Brake #4: Recalcitrant Executives

Protracted tolerance of recalcitrant team members, or of those who are incapable of performing within the expectations of the transformation agenda, constitutes another inhibitor. Many executives, even if they acknowledge this problem, choose to avoid conflict and hope that the clarity and efficacy of their grand plan will quickly win people over. And they're mostly right. After the top leader creates safe passage, establishes a reliable process architecture geared for speed and high engagement, and brings performance and behavior expectations into sharp focus, many team members will commit to the new transformation agenda.

But what do you do with the senior executives who do not come aboard? More important, how soon do you need to act? The simple answer is sooner rather than later, or run the risk that just one or two people will disrupt the speed of your organization's progress from planning to achieving breakthrough results.

The best approach: to quickly identify and confront executives who might undermine transformation. Even during the first few weeks of your launch, time compression helps to highlight three types of managers who could cause problems:

- the quick adopters, who jump aboard before they fully grasp what is involved and who view mastery of the new agenda as a spring-

## Simple meetings

The executive vice president of human resources at a global big-box retailer reflected, "The agenda, the meeting design, and even the questions asked need to be simple. This lets people focus on the thinking rather than on running through a complex program. The value is in the discussions with one another."

## Quick Starts

Nothing builds a sense of urgency like visible progress and early wins. At the beginning of the launch process, target a few high-value initiatives or obvious obstacles for immediate action. These "quick starts" will serve as early symbols of the seriousness of your transformational intentions. The boost in energy and momentum will be palpable.

## The Two-Drawer Method

The internal due diligence process in a large retail company uncovered an underground survival technique: an unwritten “two drawer” method for keeping up with all the corporate initiatives for transformation. All new memos about initiatives went into a desk drawer. If anyone from corporate followed up on a memo, it was pulled out and tagged for action. At the end of the month, if nobody called about the rest of the memos, that stack was moved to a second drawer. And after two months, anything left in the second drawer was thrown away.

## Perils of Hesitation

Reflecting on his successful corporate reinvention several years after the fact, a high-tech CEO said, “We had one or two executives who I knew from the get-go were not the right people, and there were two or three others who over time basically came to me and said, ‘What the process expects of us is too hard.’ So part of the defining moment for me was determining who was going to stay on the team and who was going to go. Don’t hesitate. Give yourself 90 days in total to do all the assessments and evaluations. But after 90 days, make those changes. Don’t wait two years for people to quit on you.”

board to success;

- the deniers, who harbor a deep foreboding about being on the losing end of the inevitable power and resource shifts in a reinvention; and
- the commitment averse, who may not believe in your approach but remain on the fence, possibly because they see that the transformation is beginning to bear fruit.

The more focused and explicit your launch process becomes, the easier it will be to identify the one or two members of the management team who could undermine the whole effort. Deal with those individuals first. That will send a strong signal to the other members of the team as well as to the rest of the organization that you mean business. Then you can coach people to rise to the transformation challenge.

### Speed Brake #5: Disengaged Employees

Only after you have dealt with leaders who will not commit to the transformation can you attend to employee engagement and motivation. But it is essential to confront the latter issue as quickly as possible because disengaged employees can really slow down your progress.

Many transformation efforts stall because the great ideas and strategies never make it far enough down in the organization to have an impact on the people who relate directly to customers or make the company’s products. If you can’t rapidly engage all employees and get them to commit to the agenda initiatives early on, the top team may move on to new challenges and strategies before your initial message reaches the full organization.

Most employee programs established to support a transformation aim to combine training and development with employee alignment and engagement during the launch period. Employee events during launch—often held off-site—usually take place over several days, sometimes a week or two. But such events won’t do a bit of good if you (a) wait too long to hold them or (b) fail to engage and align employees from the outset.

The CEO of a global semiconductor company undergoing a turnaround spent several months with the top three levels of management building the basic constructs of the transformation before deciding it was time to bring all 50,000 globally dispersed employees

aboard. The CEO decided to assemble a team of HR professionals to lead the global rollout of a five-day communications and competency-development program, but securing employees’ engagement, alignment, and commitment in achieving the new initiatives was left for a follow-on program. By the time the second program reached all employees, almost two years had passed, and the company was shifting to the next phase in its ongoing transformation. Because employees had received extensive training before they were properly indoctrinated, many were not sure what specifically to do in their jobs to contribute to the first phase of the company’s transformation.

A much better response is to deploy a rapid, high-engagement, all-employee cascade. Contrast the approach described above with the experience of a major retailer that took only a few weeks to engage and align its 40,000 employees around the world with its transformation plans and initiatives. On the first day of the cascade, the regional vice presidents (executives three levels below the CEO who had been part of the intensive, three-month, no-slack launch) gathered in a room with their district managers. The major initiatives were presented, one at a time—and then the regional VPs, sitting at tables with their teams, shared the commitments they had made to drive each initiative before facilitating a discussion about how their district managers could contribute. At the end of the day, all participants turned in their preliminary commitments to action in their immediate areas of responsibility. Within one week, the district managers met with their regional VPs to finalize their commitments; a couple of weeks after that, they gathered for a day with all the store managers in their districts and went through the same process, which the store managers repeated with their teams. The cascade concluded with a three-hour companywide event early on a Sunday morning, right before doors opened to customers at all 800-plus stores.

Discussions were entirely devoted to rapidly engaging all levels of employees in the launch and establishing clear line-of-sight accountability for the major transformation initiatives from top to bottom in the organization. A conscious decision had been made to defer essential training and development until managers and employees were engaged and committed,

because then people would be better motivated to learn. The entire global high-engagement cascade took less than two months to complete.

### Speed Brake #6: Loss of Focus During Execution

Once you have executives and employees on the road to reinvention, it is important to keep them focused on the journey by setting concrete and visible intermediate goals. The last thing you need is an early chorus of “Are we there yet?” from the people who led the planning and launch phases. This is critical, because the more intensive and engaging the transformation launch, the harder it can be to sustain the heightened levels of energy, focus, and performance.

After working on alignment and commitment in the cascade sessions, people really do need to get down to the business of delivering on their commitments. Sometimes, the shift from planning to doing is mistaken as a departure from the big ideas that were the grist of the launch phase. As the day-to-day grind retakes center stage during the first quarter in the execution phase, old habits can gradually sneak up on the system. Leaders who had begun working in a more open and engaging way might switch back to command-and-control mode or turn their attention to other important activities. Priorities set in the launch phase will be challenged as people respond to more-immediate pressures to meet tactical goals.

You may begin to feel that you've done your part and that it is now time for the team to execute—but you must continue to actively champion the transformation initiatives by modeling the new desired behaviors. In addition, you must resist the temptation to constantly add new ideas to the mix to provoke or stimulate employees.

The transition from launch to execution is vulnerable to three predictable slumps. They cannot be completely avoided, but they are recognizable, and executive leaders and general managers can minimize their drag on the transformation effort. The moment you hear the words “Hey, we're over the hump,” you are about to hit the first one. Here are some ways to work through them.

**Postlaunch blues.** It can be tough for a leader to switch from playing a visionary role

to serving as “ballast and keel,” but that is just what is needed after a strong launch, because a real transformation is about execution. The top leader has to make sure managers at all levels receive and relay a consistent message about the need to drive the key transformation initiatives in the agreed-upon manner. One way to signal your shift into execution mode is to start weekly staff meetings with a review of progress on transformation initiatives, calling attention to people and plans that have drifted out of alignment and noting early lessons that need to be quickly shared.

Observable leadership behaviors such as this will renew faith that management is following through, build confidence that everyone is headed down the right path, and reinforce accountability to the commitments made during the planning. These behaviors will keep the transformation energy high and everyone's focus where it needs to be.

**Midcourse overconfidence.** The next major slump typically comes after two quarterly checkpoints have passed. The transformation initiatives are now well understood, and results have begun to register. A feeling of smooth sailing can set in.

You should not, however, turn on the autopilot. You will encounter unexpected execution challenges. The business model will need refining, and you will need to tweak initiatives based on lessons from early execution. As the excitement of the launch wears off, some executives may lobby for old, familiar methods that are more to their liking and better aligned with their existing skills. If you do not step up to affirm the commitments to transformation that have been so carefully put in place, other leaders may try to undo all the hard work that got everyone focused and moving down the new path.

One of your biggest midcourse challenges is to keep the transformation process focused, energized, and fresh. Beyond conducting a rigorous midcourse assessment of the transformation process itself, an effective way to increase both speed and traction is to hold quarterly checkpoint meetings that involve the top three levels of leaders and immediately follow each of them with mini-cascades, interventions that take place throughout the company.

Mini-cascades don't have to be expensive, time-consuming, overly produced events. In fact, it's better if they take only an hour or two

## Rapid Employee Buy-In

A year after a very successful turnaround, the retail CEO who oversaw it remarked in a magazine article, “The biggest surprise was how quickly people said, ‘Count me in. Let's go!’ I knew it would happen. I just didn't think we'd get there this fast.”

## Launch Redux

As you move out of the first year of execution and into the second, you'll need to reprise a streamlined version of the no-slack launch: Refine the major transformation initiatives, close any gaps that emerged during the performance year, and recommit everyone to the transformation effort.

*As the excitement of the launch wears off, some executives may lobby for old, familiar methods that are more to their liking.*

each quarter and are folded right into regular operations. For instance, field supervisors on a construction site can chat with employees over coffee and donuts on the tailgate of a pickup truck before people start working. The important thing is to keep everyone, not just top executives, engaged and informed so they can make timely adjustments to accelerate progress.

**Presumed perpetual motion.** As the first performance year comes to a close, many executives will succumb to the presumption of perpetual motion—the idea that things will continue to progress if the company simply sticks with the year-one game plan. You'll even hear a few executives say, "Let's not go through that again!" But the fact is, a fresh look at everything is necessary.

You'll need a "launch redux" to boldly kick off the second year of execution. Now that the organization has given the transformation initiatives an extended test drive, the leadership team should reexamine them and the thinking behind them, drawing on everyone's experience to make informed changes. Having been

through all this before, the leadership team should be able to accomplish the launch redux in a rigorous but streamlined manner.

Even one of the speed brakes can bring an entire corporate transformation and all related breakthrough-performance aspirations to a sudden halt. Some of the methods for releasing the brakes may seem counterintuitive. For instance, it might not be obvious at first how you can accelerate change by pausing to establish safe passage or setting time aside for structured dialogue, or how you can accomplish sweeping transformation by restricting your focus to a very few important initiatives. But the tactics discussed in this article will help you plan and execute a rapid corporate reinvention that actually sticks. This is a discipline that all CEOs and general managers will have to master to be successful in the twenty-first century.

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