

Engaging the Top Team and Leading the Change

The immense pressures and demands of leadership are often described in terms of high-stakes decision making: Executives “face hard choices” and “make the tough call.” But whenever we ask executives about what “keeps them up at night,” we hear “How am I going to get the job done?” as often as we hear “What is the right decision?”

In other words, the “How?” of making a major change is just as important as the “What?” By far the hardest thing about the “How?” is getting the hearts, minds, and behaviors of the individuals in the organization aligned behind the change. In Booz Allen Hamilton’s experience with implementing change, we see that top teams need five critical elements to successfully implement major transformations: executive capacity, the ability to make the case for change, a clear and shared direction, the right values and alignment, and a tangible plan (see Exhibit 1, page 2).

One of the more interesting recent examples of leadership engagement in a major transformation comes not from the world of business, but instead from the realm of sports. In the early 1990s, the Oakland A’s embarked on a transformation that led to four straight division championships at one point, even while having one of Major League Baseball’s smallest payrolls. The A’s organization had these five critical elements in abundance.

In 1990 the A’s general manager was Billy Beane. When new ownership demanded that Beane slash his payroll

expenditures by over 50 percent, he gambled that the A’s could stay competitive by finding undervalued players that no one else wanted. Players with limited but complementary skills, he believed, could achieve just as much as a team of individual stars.

Beane pushed through a series of revolutionary changes: No longer would the A’s use home runs and batting average as metrics, but instead on-base percentage. The team would not draft sensational high school all-stars with unlimited potential, but solid college performers who could do one or two things very well.

Beane lived the change every day, explaining to field manager Art Howe what his philosophy was, calling potential draft picks and asking them to accept less money than other teams would offer, and purging the team of scouts who did not buy into his new way of thinking. The result was that the entire franchise rallied behind the transformation and, in the space of a few seasons, the A’s had become one of the best teams in baseball.

Though it may not have consciously realized it at the time, the A’s leadership team was onto something very unusual, and it had nothing to do with their unique approach to building a baseball team. Team executives were working together to take a new idea and cascade it throughout the organization in a way that everyone understood and embraced. The new idea didn’t die because the executive team was fully aligned behind it, and the subsequent transformation was characterized to everyone in the organization in a very dynamic way: *Here’s a great new way to get things done, and no one has ever*

Exhibit 1

Elements of Top Team Adjustment

Element	Description	Effect of Missing Elements
Executive Team Capacity	Top team works well enough together to effectively deal with the stress of change	<ul style="list-style-type: none"> ▶ Project does not progress on plan ▶ Middle management frustration with lack of decisive leadership ▶ True agenda is not made public
Case For Change	Very strong and shared views on the problem and pressure need to change	<ul style="list-style-type: none"> ▶ Lack of sense of urgency ▶ Procrastination ▶ Conflicting messages to the organization
Clear and Shared Direction	Very clear vision and a shared sense of direction	<ul style="list-style-type: none"> ▶ Anxiety and confusion ▶ Reactive decision making ▶ Conflicting directive to management
Values and Behaviors	Understanding of what can be leveraged in the culture and what needs to change	<ul style="list-style-type: none"> ▶ Change initiatives fall flat ▶ Cognitive dissonance on the part of rank-and-file employees—they don't follow leaders
Tangible Plan	Plan to engage the management team and to cascade change through the organization	<ul style="list-style-type: none"> ▶ Unclear game plan ▶ Different parts of organization moving in different directions

Source: Booz Allen Hamilton

done it this way before. The A's made history. Any company can if the management team can perform like Billy Beane and his executives did.

Do the top executives work well enough together as a team to drive and implement change effectively?

One might think that, by definition, the leaders of a major company are equipped to manage the stress of a major transformation effort. But all management teams are different. Some are seemingly hardwired to *make* decisions, not necessarily to assist employees thrive under the new conditions. Others do an excellent job of seeing change through to the end, helping company employees thrive along the way. Generally, though, effective leadership teams share some common characteristics when working together to manage change:

- Mutual trust
- Full disclosure (open communications with one another, where every concern and opportunity is put on the table)
- Streamlined decision-making processes
- Processes for encouraging, managing, and resolving constructive conflict

- A common vocabulary detailing the need for change, the desired direction, and the end vision
- The ability to work across functions
- Commitment to organization goals that supersedes the pursuit of individual interests

Beyond diagnosing the top team's capacity to implement change, a critical challenge lies in how to address any white spaces so that the required changes can go forward. An agricultural client wanted to reduce its operating costs. Several actions were required to make this happen, but a critical element was an organizational one—managing its production units (farms) as businesses with individual profit and loss statements rather than in the company's previous command and control structure. Decisions that had been made at the top were instead to be delegated to the head of each individual farm. For example, the amount of irrigation, varieties of stock, types and frequency of fertilizer application, and field rotation schedules that had been made centrally and communicated to the farmers were now the farmers' responsibility.

Driving these decisions out to each farm meant a significant loss of power for individual members of the top team (CEO, CFO, COO, etc.); consequently, the plan encour-

tered significant resistance. There were two options for addressing this resistance: changing the behavior of individual top team members or replacing them. In the end, the solution lay in a mix of actions: Key members of the top team were ultimately replaced because they could not adopt the required behaviors. This did not immediately yield results: Some of the internal replacements still did not buy into the change, and the outside replacements, while they bought into the change, did not have the necessary credibility with the management team. The tipping point in the change came when a new Vice President of Farms was promoted from within. Because he had run a service division for the farms, he had first-hand experience in the disconnect between the top team's decisions and the specific needs of the farms. Therefore, he believed in the new strategy. Because of his prior experience, he was trusted and had credibility across levels of the organization, and he was able to become the primary change agent for the successful implementation of the new strategy.

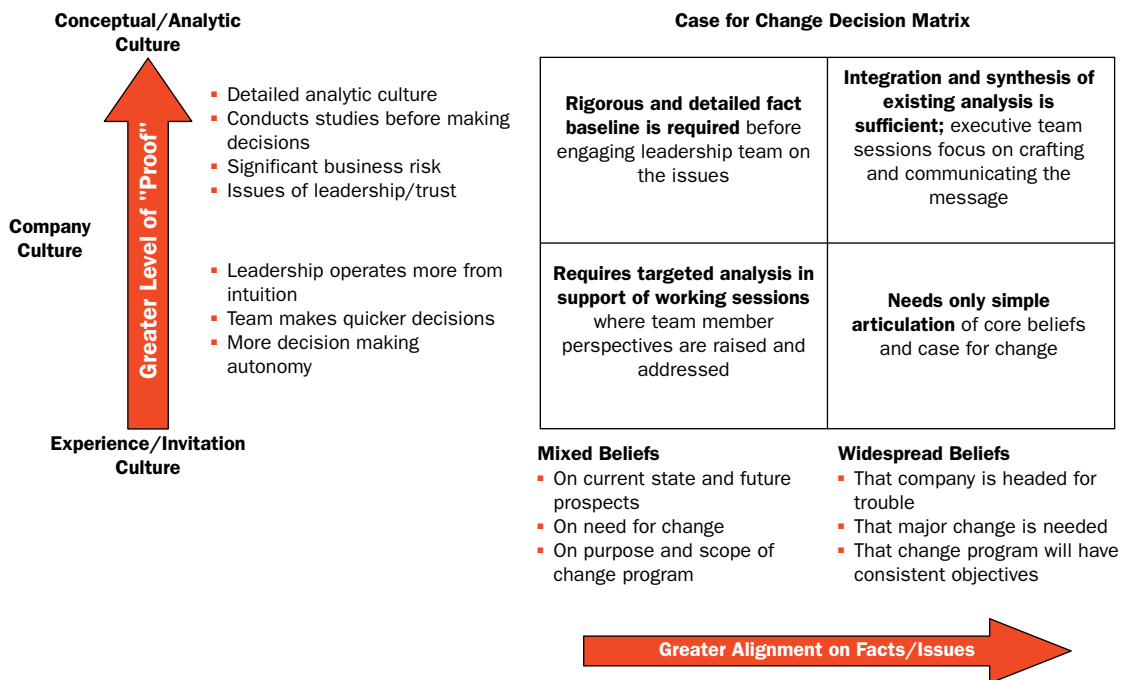
Do the top executives feel strongly enough about the need to change?

It is much easier to overcome the inevitable barriers to change, such as competing agendas or fear of the new model, if it's clear that the risk of maintaining the status quo has become greater than the risk of changing. In Billy Beane's case, the case for change was easy. He was forced to find talented, undervalued ballplayers because the A's couldn't pay the big stars.

Building the case for change, however, won't always be as easy as "we have to." The burning platform needs to be tailored to the situation in a given client (see Exhibit 2). It needs to take into account how well the facts of the company's situation are understood as well as how the company will hear the message, based on its culture.

For instance, at a major consumer products client, declining sales and profitability threatened the company's existence and required it to make significant cuts in the workforce. While everyone down to the most junior employee on the manufacturing line understood that the industry

Exhibit 2
Shaping the Case for Change



Source: Booz Allen Hamilton

was undergoing significant demand shifts, very few realized how urgent the situation was for their company.

We worked with the C-level executives to craft a clear message that articulated the need for change through one undeniable fact: The company was within a 3% discount per unit away from losing money; its survival required changes to every aspect of the company, including cuts in manufacturing staff and changes in brand strategy. Because the problem was framed in clear, easy-to-understand numbers that resonated with the company's analytically driven culture, the vast majority of the top 200 executives responded with an acceptance of the situation and a willingness to think company-first. This was a significant first step in preparing the team for the difficult actions that lay ahead.

Do the top executives have a clear and shared direction?

Once the top team is working on all cylinders and a convincing case for change has been made, people throughout the company will be asking, "Where are we going?" Here is where many management teams begin to stumble, because at this point they must demonstrate real commitment to – and faith in – the change process, including changes in their own roles (see Exhibit 3). Defining and believing in an effective vision for the future is the ultimate demonstration of the management team's belief that the organization will survive the trauma of change.

Let's return to our consumer products client for an example of how a company can develop a shared a sense of

direction. After the top 200 heard the case for change, many asked: Are we going to go through all this pain now, only to have to do it again in two years? Where are we headed so that the future is different from today? They knew it would take a positive but realistic vision of the future for the workforce to see the change through. Booz Allen designed a workshop where company managers were assigned to imagine themselves five years in the future, and then write a magazine story describing the company's success. This exercise allowed the team to develop a set of positive organizational paths. As various options were debated, the team built a common vocabulary with which to describe the future and resolved alignment gaps within the team. Belief began to build that the company could, in fact, emerge from the transformation process as a leader in their industry.

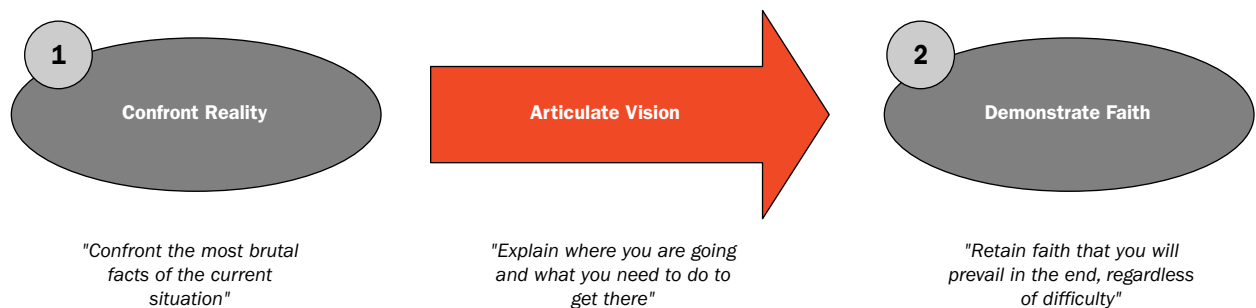
Does leadership understand which values and behaviors should be leveraged and which should be changed?

Corporate values, though impossible to see or touch, have a major impact on how a change program is designed, internalized, and executed. Some core beliefs and values may not support the new model and may need to be jettisoned. If a company does not understand its own values set, it will create significant friction on the road to change; on the other hand, if the top team understands cultural attributes, some attributes can be leveraged to facilitate the change.

In the late 1990s, the United States Internal Revenue Service was in need of dramatic overhaul: Taxpayers

Exhibit 3

A Strong Vision Gives You Faith in the Future



Source: J. Collins *Good to Great*, Harper Collins, 2001

were confused; committees and commissions, as well as the general public, vocalized complaints about the IRS's methods for collecting tax. Fixing this required significant structural and process changes, supported by broad cultural change: shifting from an enforcement mentality to a customer service mentality—serving each taxpayer, serving all taxpayers. The top team identified two key levers for implementing this change—known reform agents and cultural centers. First, the team engaged known, influential reform agents in the detailed transformation design, giving the program service-wide credibility while building a new generation of leaders. Second, the leadership team knew that two groups drove the behavior of the rest of the agency: auditors and the service center manager. If these groups modeled new behaviors, the rest of the organization would fall in line more easily. The service center managers were trained to support each taxpayer through education to reduce confusion about the filing process and to help taxpayers voluntarily comply with their tax obligation. Auditors were trained to apply the tax laws equitably to all taxpayers so that people felt they were being treated fairly by the Service. Once other departments saw auditors and service center managers behaving in new ways, they began to adopt the new standards of customer service. When the transformation

began in 1998, no one in the agency used the word customer to refer to taxpayers; two years after the program began, over 100,000 IRS employees were regularly referring to taxpayers as their customers and taxpayer satisfaction with the agency was on the rise.

Does leadership have a plan to cascade change down through the organization?

Cascading a large, complex transformation down through an organization requires a beginning-to-end, customized plan based on a company's strategy and culture. The plan should do far more than address specific initiatives, like redesigning processes or IT systems. It must serve as road map to the new end state, where everyone in the organization lives the new change.

One of our major European manufacturing clients was experiencing a rapid deterioration in performance; a new CEO was advocating an aggressive change program but met with significant resistance from a divided team. The key to this CEO's success would be a new plan to align the top 20 executives and begin the cascading process. The team divided the change initiatives by pace into two clusters: Quick Hits and Long Term. The business unit heads were given top-down targets from the CEO to achieve the Quick Hits in the first four to six months. The CEO used the Quick Hits targets to change the mindset of the top 20 executives, many of whom thought "this too shall pass" if they just kept their heads down and ignored the changes. The CEO required each executive to report personally on his or her progress toward the Quick Hit targets every two weeks in a forum called "the War Room." Those who did not make required changes were quickly exposed in this forum, and experienced a range of repercussions. This compelled the top team to become engaged and created strong peer pressure to get on board. This also enabled the CEO to show some early successes that energized the team around other initiatives that would take longer to show results. Two to three months into the program, there was no doubt in anyone's mind about what direction the business was headed, what they needed to do to play their part, and exactly what each had accomplished and was planning to accomplish.

Components of an Effective Change Management Architecture
1. <i>Pace of change:</i> The right implementation timetable based on the organization's capacity to drive and absorb change
2. <i>Organization involvement:</i> What levels of the organization are involved in the change and when
3. <i>Depth of design:</i> Opportunity sizing and high level plans cascading down to detailed designs and comprehensive implementation plans
4. <i>Line involvement:</i> The point when the change become business as usual for the line managers rather than driven by dedicated project teams
5. <i>Targets:</i> quotas or bogeys embedded in line management's operating goals versus "open process"
6. <i>Steering committees:</i> One committee led by CEO versus many delegated committees
7. <i>Overall approach:</i> Program-driven with a formal program office, tracking mechanisms and clear expectations for deliverables; the balance of quick hits and longer term transformation to build and maintain change momentum

Conclusion

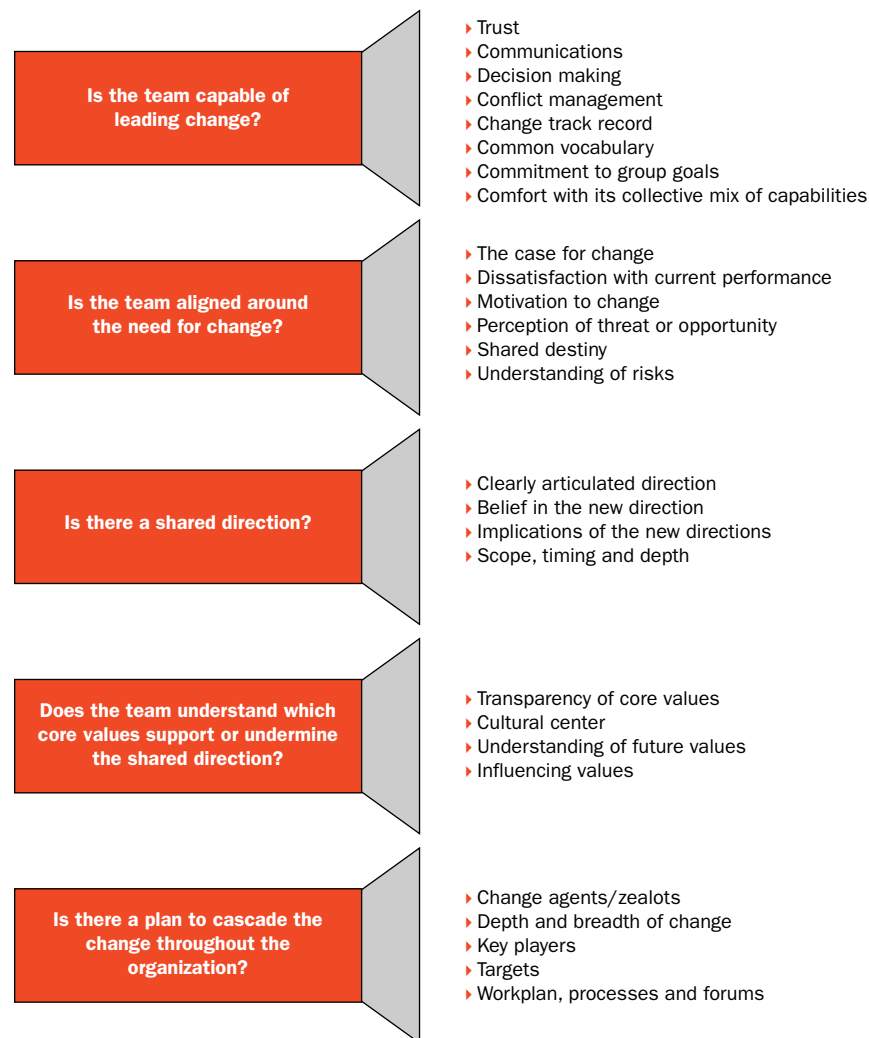
As they embark on the change journey, some leadership teams assume that once they arrive at a particular decision, everyone in the company will simply fall in line behind the change. These teams, not surprisingly, grow increasingly frustrated when obstacle after obstacle stalls progress.

To make critical, strategic decisions – and then implement them – the top team must internalize the change from the beginning of the process, so that others will

follow. Then the transformation must permeate the organization, with other influential employees doing their part to cascade the changes down to every level. And all the while, the five elements must be present to nourish the change, or real change will never take hold. If one thinks again back to Billy Beane and the Oakland A's, it's clear that the changes that took hold in that organization would never have occurred without his commitment and that of his team.

Exhibit 4

Top Team Change Readiness Diagnostic Dimensions



What Booz Allen Brings

Booz Allen Hamilton has been at the forefront of management consulting for businesses and governments for 90 years. Booz Allen, a global strategy and technology consulting firm, works with clients to deliver results that endure.

With more than 15,000 employees on six continents, the firm generates annual sales of \$2.7 billion. Booz Allen provides services in strategy, organization, operations, systems, and technology to the world's leading corporations, government and other public agencies, emerging growth companies, and institutions.

Booz Allen has been recognized as a consultant and employer of choice. In a 2003 independent study by

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To learn more about the firm, visit the Booz Allen Web site at www.boozallen.com. To learn more about the best ideas in business, visit www.strategy-business.com, the Web site for *strategy+business*, a quarterly journal sponsored by Booz Allen.

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