

INTRODUCTION

*“If you do not change direction, you may
end up where you are heading.”*

- Lao Tzu

Many of us are afraid of change. We establish our daily routines and, over time, become comfortable with our patterns of behavior. To change is to take a risk—to give up a current state in an attempt to reach a potentially more desirable one. We tend to resist change. We may fear failure or be uncomfortable with the uncertainty surrounding change.

Corporations are no different. Over time, employees become comfortable with their daily work schedules. Processes become embedded in the inner workings of the organization. Gradually, the energy and competitive temperature of the business settles down to room temperature. As Alan Lafley, CEO of Procter & Gamble, once said, “People get used to being a player without being a winner.”¹

However, despite a natural resistance to change, employees want to be part of a successful company; they want to win! Take a trip to your local bookstore and you will find that achieving success in business is quite a hot topic. Lining the best-seller shelves are titles such as *Good to Great*, *Winning*, and *Ahead of the Curve*. Business leaders devour these books in hopes of discovering the secrets to keeping their businesses on the cutting edge.

In practice, however, there are no secrets. Competing in today’s marketplace is like competing in any other game. To stay competitive, a player must be dynamic in the marketplace, constantly revising its own strategy in response to the strategies of its opponents, as well as aligning itself with the changing demands of its customers. The organizations that can most quickly respond to the marketplace, particularly those that adapt faster than their competitors, are the ones that make it to the top.

HOW DO ORGANIZATIONS CHANGE?

Change can come either in small, baby steps or in large, giant steps.

Baby steps feel safer and can be conceptualized as evolution, or gradual, incremental change. However, in organizations, incremental change is effective insofar as all else is constant

and maintaining the status quo is the goal. According to Procter & Gamble's Lafley, evolutionary change is "like a classic military strategy, where you just keep putting on the pressure, you just keep extending the lines, you just keep rolling up the weakest competitors" to gain "another half a share point and another half a margin point."² Although incremental change should be a routine part of any good manager's or leader's job, it promotes a parochial outlook and attitude in the rank and file if it becomes too routine. After a while, people show up at work to play rather than to win. Through incremental change, the thirst for outside-the-box thinking is lost.

When tiptoeing around is no longer effective in the current environment, the organization may consider taking large, giant steps to improve the organization's performance by leaps and bounds. These drastic moves are often better understood as revolution, or transformations. Leaders often turn to transformations when they are in dire need of a cure for their ailing organizations, though transformations can be quite effective in less desperate situations.

So what exactly is a transformation in the organizational sense? At its core, a transformation is a fundamental shift in the company's functioning, and its goal is to significantly improve the current performance of an organization by better aligning it to changing market conditions and demands. It typically encourages change at every level of the organization, from the executive-level management down to the individual employee of a company.

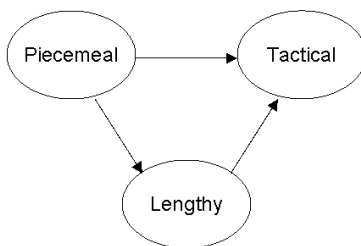
Historically, leaders who have tried to revolutionize, or transform, their companies have tried to do so through reengineering, which in practice turned out to be attacking one key section at a time. Typically, some of these sections are finances via cost cutting, culture, services or products, strategy, and processes (usually one, or at most several, at a time).

Such piecemeal, serial efforts, however, have not proved to be very effective in improving the company's overall performance. A study conducted in the mid-1990s found that approximately 70 percent of reengineering efforts were considered failures within five years after they were undertaken.³ Why are these popular reengineering efforts ineffective? Below, we highlight the interplay between some characteristics of reengineering efforts that cause their ineffectiveness (see figure I-1).

- *They're piecemeal.* The piecemeal nature of reengineering efforts is often their core problem and a root cause leading to the manifestation of other symptoms, such as being lengthy and tactical.

- *They're lengthy.* Reengineering is lengthy not only because it's piecemeal, but also because companies undertake these piecemeal changes serially.
- *They're tactical.* Tactical changes, as opposed to long-term changes, are more focused on the immediate and short-term future. Reengineering efforts are tactical mainly because they are lengthy and piecemeal. The lengthy nature means that quite often, the cycle of internal change becomes lengthier than the cycle of external change. Hence, by the time the reengineering effort has been completed, external market conditions have changed beyond what was anticipated when the effort was first undertaken. Ironically, the effort initiated by a need to adjust to the changing market conditions is the same effort that prevents the organization from catching up to those changes. Additionally, the piecemeal nature of reengineering translates to an oversight of the interplay between different processes and functions. By failing to take advantage of the synergies between various functions, processes, and business units, reengineering fails to provide a holistic perspective or a strategic plan of attack.

Figure I-1
Reasons for reengineering ineffectiveness



Despite these deficiencies, reengineering efforts have been rather popular and have been packaged and repackaged in different shapes and forms over time. While we highlighted the demerits of reengineering efforts, there must have been some advantages that created the hype. If we give reengineering the benefit of the doubt and assume that it was at one time effective, then has anything changed about the business landscape that can explain why reengineering has failed to live up to its expectation? Thirty-year General Electric veteran Dennis Donovan hints at the

some of the reasons for the ineffectiveness of reengineering in today's society: "From 1981 through the 1990s, Jack Welch [former CEO of General Electric] focused on one area of business at a time: structural revolution in the early '80s, followed by cultural revolution, such as the workout. Next, it was the process revolution, such as Six Sigma, followed by the digitalization revolution in the '90s. Today, we don't have that luxury. If you have an eight-cylinder engine, you have to run on all cylinders; you have to have an integral model that would focus on all aspects of business in parallel and quickly."⁴

To elaborate, the 1990s represented a major, fundamental shift in the corporate environment that transformed both the way companies were run and the way business was conducted. In that decade, the entire landscape shifted from an industrial, international economy to an informational, truly global economy, a shift that was facilitated and accelerated by the advent of the World Wide Web and rapid globalization. Amid these changes, an organization in the 1990s needed to address numerous new management challenges and reexamine its culture and processes because of the ready access to information. Companies had to rethink what they were doing and how to address the new and different challenges they were encountering.

This major shift resulted in what we call a postmodern world, dominated by postmodern companies. In this new, hypercompetitive environment, market transitions are a lot faster, and the cycle of innovation has gotten increasingly shorter. Because people and companies learned to innovate from anywhere in the world, new products and services started appearing more and more frequently, resulting in even more competition. Furthermore, this landscape change also saw the rapid adoption of e-mail and work group tools, and the rise of the power of real-time information.

It is amid these changes that reengineering found itself outdated. With the shorter cycles of innovation and hence increasingly frequent breakthroughs, the piecemeal, serial model was no longer effective in the new, fast-paced society. Hence, the interplay between the information revolution, the rapid pace of globalization, and fierce competition requires a new model of change.

Given the criticisms of reengineering and its ineffectiveness in the postmodern society, our research was hence interested in identifying the key effective principles and practices of transformation used in today's world. In thinking about the postmodern industries, however, we quickly realized that the turn of the millennium also saw another major event in the corporate

environment: the so-called Y2K, telecom, and dot-com bubble. This bubble saw unprecedented heights in company valuation by financial markets in the years preceding 2000, followed by an equally remarkable decline in the years following 2000. The prebubble phase was characterized by abundance, the postbubble by scarcity. During the research, however, it was less clear whether this bubble reflected as major a change in the landscape as did the advent of the Internet and rapid globalization in the 1990s. The research team was hence further interested in dissecting the findings into the prebubble and postbubble phases to identify whether the same tools, principles, and processes of change could be applied in both eras.

RESEARCH METHODOLOGY

This book is based on over ten years of research led by the author with the assistance of a panel of experts and a team of several researchers.⁵ The panel of experts consisted of:

- The CFO of a billion-dollar company, with senior management background in one of the Big Four accounting firms as an auditor
- A former partner of a well-known consulting firm, with over twenty years of experience in organizational change
- An expert in company valuation who works for a large hedge fund on the East Coast
- A finance professor at Stanford University

The research started with the quantitative analysis, using the *transformation performance index model* detailed in the appendix, which aimed at distinguishing between successful and unsuccessful transformation efforts. Of an initial sample of over five hundred companies that underwent changes in the past twenty years, fifty-six transformation efforts were deemed relevant for further analysis, and this final sample of fifty-six companies was categorized and ranked using the model.

With the companies categorized, the team proceeded to the qualitative analysis to identify the principles and tools that affected the outcome of the various efforts. The research team used its tremendous direct industry experience, in-person interviews with top executives, case studies, and archival studies to identify not only the high-level critical success factors but also the specific principles and tools used by the successful companies.

KEY FINDINGS: CRITICAL SUCCESS FACTORS

Our research found several critical success factors that differentiated successful transformations from unsuccessful efforts.⁶ Particularly, successful transformation efforts were all-encompassing, integrative, and fast and had full, passionate commitment and buy-in, especially at the top layers of the organization. Unsuccessful efforts, on the other hand, were missing either one or several of these factors. Note also that reengineering efforts typically lack several of these factors.

We will discuss these factors further in the next chapter.

OVERVIEW OF THE 90 DAYS TRANSFORMATION® MODEL

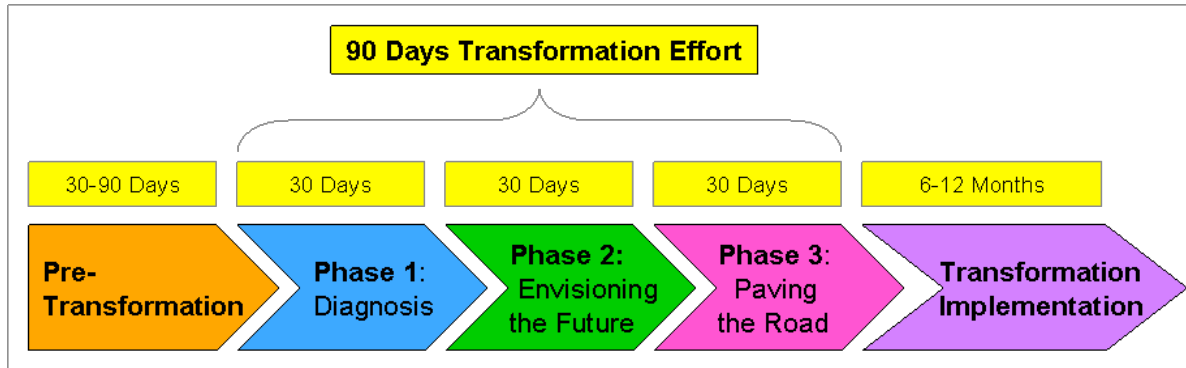
In addition to discovering the critical success factors of transformation efforts, in-depth research of the companies led to the development of the *90 days transformation model* (see figure I-2). The 90 days reflects the planning stage of the effort, meaning the problems are diagnosed and the blueprint for implementation is set. Actual, full-fledged implementation of the effort, however, will extend well beyond the 90 days. In spite of this, however, the 90 days model is effective in providing a framework for accelerating typical transformation efforts.

The 90 days model is particularly effective not only because it solves the problems associated with reengineering, but also because it embraces the critical success factors. We will reexamine the reason for the effectiveness of the 90 days model in the next chapter, and the rest of the book will be devoted to explaining the step-by-step processes of executing each phase.

Figure I-2

90 days transformation model

(90 Days Transformation is a registered trademark of Tabrizi, LLC.)



HOW IS THIS BOOK ORGANIZED?

This book is divided into the following chapters: Model Overview, Pretransformation, Cross-Functional Rapid Response Teams, Phase 1, Phase 2, Phase 3, and Transformation Implementation. Each chapter details the processes, practices, tools, and methodology needed to carry out the 90 days transformation effort, and gives numerous examples of the best-in-class practices that constitute the proposed methodology. The appendix details the transformation performance index model, as well as the results of the analysis.

WHAT SHOULD I TAKE AWAY FROM THIS BOOK?

Whether you're in industry or academia, this book illustrates an effective model of accelerating transformations. If you are a current or future leader, we advise you to read through the steps and think through the variations and adjustments you can make to tailor the model to different situations and environments.

If you are a manager, an executive, a CEO, a divisional manager of a for-profit or nonprofit firm, this book will serve as a guidebook for implementing a successful transformation effort by introducing you to a set of best practices. While we often discuss full organizational transformations in this book, the same process can be applied on a smaller scale, such as in a department or business unit.

If you are a professor in management, we invite you to use this book as learning material to spark a discussion about corporate transformations. Alternatively, if you are a student in management, such as an MBA student, the practical concepts presented in this book will add to your knowledge of different aspects of corporate transformations and will further prepare you to support, and one day lead, these types of efforts in your professional career.

CONCLUSION

When business leaders learn about the 90 days transformation model for the first time, their initial reaction is typically “That’s impossible! There’s no way a company can transform itself that quickly!” However, one intriguing finding from our research is that even in companies that engaged in accelerated transformation efforts, the transformation leaders often look back and wish that they could have carried out the transformation more quickly. For Example, when asked if there’s anything in the process he would have done differently, Bay Networks’ CEO Dave House said, “I would have done it more quickly.” Hence, difficult as the 90 days model sounds, organizations that have successfully carried out the 90 days effort demonstrate not only that it is feasible and effective, but that they can continue to push the boundaries in speed and effectiveness.

We now invite you to join us in the coming chapters to explore and learn more about the 90 days transformation model and how you can use it to quickly become a high-performance organization.