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The information contained in this book is for general information only, and is not to be taken as a substitute for specific advice from a professional consultant in business transformation or corporate turnarounds.

Use caution and seek the advice of qualified professionals. Check with your accountant, lawyer or other professional advisor, before acting on this or any information including the careful consideration and evaluation, before reaching a business decision.

Every company and situation is different and the advice and strategies contained in this book may not be suitable for any specific set of circumstances. You should seek the services of competent professionals before beginning a business transformation or corporate turnaround.
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THE MANDATE FOR CORPORATE RENEWAL

At some point in the lifecycle of most companies, a strategic inflection point can determine if the future is poised for growth or decline. Markets may have shifted, causing disruption to a company’s core business. Or it may have stumbled due to poor products, customer service or leadership. Perhaps they attempted to achieve growth through the introduction of new products or services but these attempts have failed. Or the company has attempted to grow through M&A but has chosen poorly or integrated poorly.

In most cases the causes are complex combinations of these factors that may have taken years to reach critical mass. Sometimes these inflection points are visible as they are occurring. But in some cases, they are only clear in hindsight. The best-run companies plan for these strategic inflection points and follow the processes outlined here on a continuous basis. The net result is a consistently growing company that has established market and thought-leadership – precisely because they have anticipated and planned for these inflection points. Most companies will not have the extraordinary combination of vision, market timing, and execution that lead to the absolute heights of corporate performance, and for those, an inflection point, whether sudden or slow in occurrence, is inevitable.

A company balanced on a strategic inflection point has two potential outcomes. For companies that successfully navigate through the inflection point, the potential outcome is a re-energized and renewed company that grows and delivers increased shareholder and stakeholder value for years to come. Iconic examples of this include IBM after Gerstner, Oracle after the financial problems in the early 1990’s, and Apple after Jobs’ return as CEO. The second potential outcome is a declining company that misses the critical inflection point and does not take the leadership actions necessary for renewal, leading to an inevitable decline with an asset sale as a high-probability termination point.

The industry is littered with many examples of these companies: Borders, Digital Equipment Corporation, and Netscape, among others, all missed a critical leading indicator of fundamental change – the move to online books in the case of Borders, the move to Unix systems in the case of DEC, the fact that the value was in the search - not the browser - in the case of Netscape. In some cases, fragments of assets remain within an acquirer, but sometimes even the fragments have disappeared. Sometimes the decline is short and explosive – usually coupled with revenue recognition or accounting errors -- causing an immediate and catastrophic decline in shareholder value. This includes companies such as Worldcom, Enron, and Nortel. Sometimes the decline is long and slow. But for companies that fail to recognize the inflection point, or who fail to take prompt action to safeguard the company’s survival, the outcome remains the same – destruction of shareholder value.

The key differentiator between these two outcomes is leadership. Whether you are a new CEO leading a company-wide renewal, or an executive leading a division or sub-entity of a large
CORPORATE RENEWAL: AN ACCELERATED PROCESS-BASED APPROACH

Congratulations. You are about to embark on the exciting and rewarding path to corporate transformation. You’re here because some element of your company’s previous strategy, execution, or management did not yield anticipated results, and remedial action must be taken. A huge task lies ahead to turn the ship around. In all likelihood, this will not happen immediately. In fact, the first few months are most critical in determining the overall success or failure of the transformation.

The steps outlined below follow a simple sequence: assess where you truly are with an unbiased and analytical eye; assess what the likely outcome will be if no action is taken; follow a three-step process to define where you want to go and what the financial and operational metrics of success will be; define the operational and financial guideposts to get there; and integrate the detailed next steps to get you on your way with the company’s financial plan to achieve success. Lastly, every company needs to have a strategy for maximizing shareholder success, which sometimes may entail M&A activity. Understanding what the possible endgame scenarios might be is a fundamental part of corporate renewal, and incorporating end-game thinking into a company’s operating strategy is an essential role of company leadership.

The process outlined in the figure below guides company leadership through a “three-by-three” process: the first phase provides context through an assessment of the current situation and analysis of the likely outcome of continuing along the same path; the second phase is the core 3-step strategic and operational transformation process that defines the end goals and intermediate milestones; and the last phase defines a strategy for maximizing shareholder value for multiple potential exit scenarios while continuing to run the business for standalone success.
**Phase I: Define the Current State and Business-as-Usual Outcomes**

The first step of any corporate transformation is to clearly assess the current state and the likely outcomes if no corrective actions are taken. One cannot overstate the importance of a true and clear understanding of the Current State. The single most important element of defining the Current State and the likely outcomes of inaction is a blunt assessment of the true state of the business and an in-depth analysis of the root causes responsible for the company’s current situation. This is typically much easier for an incoming leader than for a founder or existing leader who was surprised by a sudden business downturn. Nevertheless, without the first step of understanding and acknowledging the root causes of the current situation, no progress can be made.

Assessing the **Current State** entails an examination of the *market, customer, and internal* factors contributing to changes in the business, and an analysis of the true root causes of the business disruption. Did the market or customer buying patterns change? Did the company not anticipate customer needs or maintain sufficiently high customer satisfaction? Did an innovative and faster-moving competitor insert itself into the customer base?
The **Business-as-Usual Outcome** is 1) a high-level analysis of the likely impact of these market and customer trends on future business, 2) the likely impact to the business if no changes to the company’s internal operations are made, and most importantly, 3) the *timing of when* those factors will manifest in the business.

The *rapidity* with which the Current State will transform into the Business-as-Usual Outcome will help set framing parameters for the speed and extent of the immediate-term actions outlined below. For example, consider a company in which a “cash cow” business is slowly declining, but with clear visibility through long-term contracts to a modest rate of future revenue declines over a multi-year period. This requires very different actions than a company that is low in cash, in a loss situation with rapid declines in its core business, coupled with an acquisition in which the acquired company’s revenue declined catastrophically post-closing. This is a company with significant revenue declines, a considerable increase in the expense basis and minimal cash reserves. The former company must transform itself, but likely has a year or two to achieve significant changes; the latter must take immediate action that is likely to involve significant restructuring and workforce adjustments in a timeframe of two months or less. The actions taken must be bold to avoid a significant loss of shareholder value.

Even in situations that are relatively well understood, it is still important to quantify the potential results of inaction in order to determine the *urgency* for transformation. In particular, if the need for transformation has been precipitated by a crisis such as an unanticipated and rapid decline in revenue, it may be easy to dismiss the situation as a one-time event rather than a warning sign of a more systemic problem. Especially if the company has been historically over-optimistic and focused on potential positive outcomes without adequately understanding the potential downside risks, it is very likely that no one fully understands the extent of the risk to the business. It’s highly likely the company is in denial about the potential extent of business degradation and likely outcomes if no actions are taken.

These downside risks must be discussed and understood because no leader operates in a vacuum. A leader who hasn’t built support for the end state within their management team or board will not succeed.

The **Business-as-Usual Outcomes** provides a qualitative and quantitative analysis of the result of inaction for four key metrics: Market & Competitive Factors, Operating Results, Products & Services, and Customers. The analysis should include downside models of varying degrees of revenue and margin degradation, which will serve as the basis for determining the necessary changes in the next two steps. In summary, understanding the extent of the consequences of a Business-as-Usual strategy helps management and the company’s board realize the *context for change* and, determines the *urgency* with which action must be taken as well as the *extent* of the changes needed.
Once the context of the *urgency* (timeframe) and *extent* (degree of change) mandated by the *Business-as-Usual Outcomes* analysis is understood, the proper transformation process can begin.

Shown here is the executive summary template for the Business-as-Usual analysis, followed by an example:
PHASE II: TRANSFORMING THE BUSINESS – A THREE-STEP PROCESS FOR BUSINESS TRANSFORMATION

This phase consists of a guided process of successive refinement of the strategy and actions required to transform the business. The business transformation phase begins with defining the Transformational Goal (the aspirational goals of the business as viewed through fundamental operational metrics). Once the Transformational Goal is defined, the Transformational Arc provides structure for getting from the Current State to the Transformational Goal by establishing a roadmap of annual operational and financial guideposts over a multi-year period to achieve the Transformational Goal. The final step consists of a very specific and detailed set of quarterly 12-Month Goals tied to executive MBO’s and the company’s financial plan. This creates a focused goal- and metrics-driven operational transformation in which the goals of every employee are directly tied to the success of the
company’s goals.
**THREE-STEP BUSINESS TRANSFORMATION STEP 1 - WHERE DO YOU WANT TO GO? DEFINING THE TRANSFORMATIONAL GOAL**

The first and most important step is a clear definition of what the company’s aspirational goals are, and what the end result will look like in operational and financial terms. The key is to have sufficient specificity about how the business is changing in order to create an operational roadmap that measures progress towards the Transformational Goal.

The most dangerous mistake, and the one that most often gets leaders into trouble, is to define the company’s aspirational state through Mission/Vision statements, which are often couched in such fuzzy terms that the statement is not meaningful in providing useful metrics and guideposts for the company. Examples of non-functional definitions include statements such as “Our goal is to have the highest customer satisfaction”, “We aspire to be the best online marketplace”, or “Our goal is to create a high-value company”. None of these statements provide any context or metrics for measuring success. Moreover, the existence of these “warm and fuzzy” statements create confusion by unintentionally leading stakeholders to believe that the nature of the transformation is understood and defined, when in reality, words such as “best” and “highest” are terms with a multitude of meanings. Thus, the Transformational Goal must provide detail and context for the following questions:

**How is the business transforming?** How will the financial metrics improve and/or change? What goods and services are provided today versus in the future and how will that impact the company’s operating performance?

**How is the customer of the company’s products or services changing?** Will the decision-maker in the future be different? Will new distribution channels be added? Is the company leveraging existing products or services for new markets, such as taking a consumer product and making it more robust / feature-rich for the enterprise?

**How will pricing need to evolve to suit the new business model?** For example, is the company moving from a one-time product fee to a recurring or SaaS pricing model?

**How do the company’s internal operations need to change to accommodate the business model change?** Do some business units need to be divested? Does the company need to reorganize certain units? Should the organizational structure change from functional to business-unit, or vice versa?

How does the service model evolve? This may not be applicable to all businesses, but classically-speaking any business that has been in existence for a number of years will likely have an outdated services model. This may require one to three years of planning to evolve, but is often an overlooked source of incremental margin. The following chart shows a disciplined format clearly highlighting the overall transformational goals and the relevant operational and financial metrics that will be modified.
**Transformational Goal Definition Case Study**

Below is an example of a Transformational Goal definition for an equipment manufacturer that faced a significant unraveling of its business and had to evolve to survive, eventually transforming its business model into a strategic solutions provider. The core business originally entailed selling high-end telephony equipment to very large enterprises and carriers. But due to a convergence of three powerful factors, the company’s business had declined.

The first factor negatively impacting the business was a fundamental market shift combined with changing competitive dynamics that caused a decline in demand for the company’s products and an erosion of margins due to competitive bidding pressures. Secondly, although the company had historically sold very high-quality products, the most recent product transition had been difficult, eroding customer satisfaction and further reducing sales of the company’s products. The third factor was that the company’s high-touch support model, which historically led to extremely high customer satisfaction ratings, was unable to adapt to meet the new demands arising from the product issues. Nor was it able to handle additional customer demands for more integrated support because the necessary IT systems were not in place. These factors led to significant erosion in the company’s services margins.
This complex situation with multiple root causes is symptomatic of the types of large-scale corporate renewal transformations this guide addresses. Most large companies have arrived at a strategic inflection point through a similar set of circumstances: market pressures, changes in competitive dynamics, perhaps a late product cycle or one which missed the market, or unforeseen dynamics in which a previous core strength of the company has now become an impediment to responding to the surrounding changes.

In this case study, the business transformation shown below effectively addressed all of the root causes diagnosed above. The market issues were addressed by deeper integration of the operationally-focused telecomm infrastructure with an enterprises’ front and back-office systems, shifting the ROI equation from saving pennies to saving dollars per transaction and enabling a much more strategic sale to the CxO (instead of a lower-level operations manager) to significantly deepen the business benefit.

The company “changed the rules of the game” versus its competitors by switching to commodity pricing for its hardware and emphasizing strategic software, which resulted in significant revenue growth, and had the added benefit of significantly improving support margins. Fundamental product changes enabling remote management enabled the company to switch from its costly high-touch service model to one that provided improved 24x7 support. It also adopted a “team of experts” approach that provided superior service and skill redundancy, a capability the previous on-site model did not support. The results were significantly improved operating results and cash flow, and improved customer retention.

To recap the steps to defining the **Transformational Goal**: specify the Current State and the desired end state (Transformational Goal), and define the key operational and financial transformations that will lead to a renewed business. Do this interactively with your management team, and obtain buy-in from your board or management. The vision comes from and must be driven by the leader. But a leader who hasn’t built support for the end state will not succeed. If you don’t have agreement about where you’re going, you will not get there.
**THREE-STEP BUSINESS TRANSFORMATION STEP 2 – DEFINE THE OPERATIONAL AND FINANCIAL GUIDEPOSTS TO GET THERE: THE TRANSFORMATIONAL ARC**

Now that the beginning and end state targets are understood from defining the **Transformational Goal**, the overall target timeline and intermediate metrics for the transformation need to be defined.

It is very important to note, however, that the draft of the end state, transformational arc, and timeline that you develop is exactly that – a draft. It will take weeks, and in some cases months, to find all the issues and uncover all the problems, as well as talk to customers and market-test your strategic direction to fully align your operating plan with the strategic direction. There can be no substitute for time spent on these issues that must be conducted in collaboration with a skilled and competent management team. It may be that as you delve deeper, major elements of the strategy may need to be altered. Nevertheless, keeping the Transformational Goal and the Transformational Arc as living documents will let you refine the plan and to better track the changes.

The **Transformational Arc** consists of a **baseline** and a set of **future timeframes**. Each timeframe includes one or more **primary operating activities**, and target **financial metrics** to be achieved.
by the end of that timeframe. The primary operating activities are sequenced over time and tied via the operating plan to the financial results. The financial metrics should, as a minimum, include revenue, operating income (or loss), and ending cash. For example, the baseline for a company may be a loss situation combined with revenue decline from prior years, combined with excess facility capacity due to anticipated hiring delays. Year one of the Transformational Arc may require workforce adjustments to return the company to profitability on a non-GAAP basis, as well as laying the foundation for future growth by signing partners for indirect revenue, and consolidating facilities. Year two may see a return to revenue growth through partners, and years three to four see both revenue and market share growth.

In setting the Transformational Arc, the endpoint should be in the 3-5 year range in most cases. The timeline should be aspirational but not so aggressive that it cannot be accomplished no matter the effort or market circumstances. The questions to ask in defining the Transformational Arc are:

What is the sequence in which the company achieves the desired end state as defined in the Business Transformation?

What are the concrete visible intermediate milestones, and the criteria that signal that these intermediate milestones, and ultimately, the end state, have been reached?

How long will it take to get to each of the intermediate milestones? What is the potential variability in results, the range of potential outcomes, and the range of actions that must be taken? More importantly, what is the required timeline in which these actions or milestones must occur so that the company does not slip into a Business-as-Usual outcome?

What financial resources are required to achieve these milestones? Can the company both accomplish new directions and maintain its current business without high levels of risk?

Working backward from the end state, what is the sequence of actions required to achieve that end state, and are the “working backward” milestones compatible or incompatible with current state? For example, if the intermediate milestone in two years is to derive a percentage of revenue from distribution channels, and you don’t have a channel-ready product today, and it will take at least a year to develop such a product, your timeline probably needs to be closer to three years – one to develop the product and 18-24 months to develop an effective and functioning channel.

The template for defining the Transformational Arc serves as a guide to the discussion process as well as living milestones for the business’s transformation. The Transformational Arc must be accompanied by a high-level financial plan to validate the planning process and to serve as a clear measures that the operating plan is yielding the appropriate financial results:
Transformational Arc Template

Baseline
- Baseline Operating State
- Baseline Financial State:
  - Revenues:
  - Op (Loss):
  - Cash:

Year 1
- Key Operating Goals & Metrics
- Target Financial State:
  - Revenues:
  - Op Inc:
  - Cash:

Year 2
- Key Operating Goals & Metrics
- Target Financial State:
  - Revenues:
  - Op Inc:
  - Cash:

Years 3-4
- Key Operating Goals & Metrics
- Target Financial State:
  - Revenues:
  - Op Inc:
  - Cash:
A NOTE TO NEW INCOMING LEADERS:

Although it may seem counter-intuitive, your Transformational Goal, Transformational Arc and your First Six Months Plan should ideally be defined in draft form before your first day on the job. How is this possible? Whether you are a CEO taking over a company needing renewal, or a business unit manager receiving your first promotion, you should be walking into any transformational position with eyes wide open and some definition of success criteria. Key strategic items such as how much cash you have on hand to achieve your desired results should have been discussed ahead of time, and some common understanding reached, before you undertake the job. Most importantly, you should have at least a preliminary idea of how you are going to effect positive change in the company or business unit. Anything less will court disaster.

For example, if you are brought in as a CEO, and believe it will take you 3 years to accomplish your end result, but you only have enough cash for 1.5 years, it is important to have that conversation with the board and establish the key milestones so there are no unpleasant surprises the first week. In this case, you may need to achieve some preliminary results in a year or less to allow time to raise money needed to reach your desired end-state. Or, you may need to obtain agreement for additional funding from your current investors before you start.
A NOTE TO EXISTING LEADERS:

An existing leader who has been at the helm while the company or business unit reached an inflection point, and who is determined to continue leading the company through a renewal and a return to growth, will face a tremendous challenge in leading a transformation. This challenge will be harder in many ways than the challenge faced by a new incoming leader. The existing leader will need to undertake nearly identical tasks to those undertaken by a new incoming leader – define the Transformational Goal, Transformational Arc, and 12-month Plan. They will need to evaluate existing employees, hire new employees, and make difficult staffing decisions.

An existing leader will have the advantage of already knowing the organization and the company’s problems. Ironically, they will also have the huge disadvantage of already knowing the organization and the company’s problems. That may seem like a contradiction, but in transformation, it is possible to be too close to the problem. An incoming leader by necessity is more dispassionate about the tasks at hand. They can, for example, evaluate an employee based on their current contributions, versus viewing them as a summation of their lifetime contributions to the company. Those two points of view may yield different results – the employee may have been incredibly valuable in the early days of the company, but they may be completely out of their depth at the current company size and scale. An incoming leader will make a rapid evaluation and decision to replace or reassign the employee. An existing leader may color their opinion more positively because of past performance by the employee, and hesitate in making a change. That is why new leaders are brought in frequently. But an existing leader who is passionate about their business and determined to bring it to success again can also succeed if they follow the advice in this section.

The most important act that the existing leader can perform is to embody Gandhi’s quote, “You must become the change you wish to see in the world.” What does this mean, from a practical perspective, to an existing leader? It means that, for you to be successful, you must pretend to be a new incoming leader. You must compartmentalize your knowledge of the company, — its strengths, weaknesses, and people. And you must evaluate everything anew, from the perspective of an outsider. Assume nothing. Verify everything. Strictly separate your assessment into two buckets: the first is being “the new leader”, which entails making decisions based on objective metrics. The second is your data warehouse: the knowledge you have on your company. The knowledge in that warehouse can be used to assist in decision-making, but nothing in that warehouse can actually be used as a “decision by default”. A prior decision taken out of that warehouse must be re-examined in the light of the new situation, not in the light in which the decision was originally made, because, by definition, circumstances have changed.

This will be extraordinarily difficult. It is strongly recommended that you engage an outside consultant to assist you in your renewal process. An outside consultant can provide fresh eyes,
can question assumptions, challenge conclusions, and provide information that your current employees are reluctant to give you. They can be an invaluable resource in helping you achieve objectivity, make the necessary tough decisions, and renew your business for success.

Your highest chance of success is to follow the instructions in this guide strictly – including the ones discussing a new leader’s first six months. Meet with your employees the same way that a new incoming leader would. Review every aspect of the business the same way that a new incoming leader would. Evaluate your current employees and make the tough decisions the same way that a new incoming leader would. And seek the assistance of an operational consultant and likely an HR consultant as well. The combination of “become the new outside leader” together with professional outside assistance will place you on the road to success.

**Three-Step Business Transformation Step 3 - 12-month Goals: Establish Quarterly Operational and Financial Goals Linked to Transformational Goals**

Successfully executing on corporate transformation and renewal requires laser focus on the end state, coupled with bite-sized execution steps that are clear, measurable and tied back to the end state through a hierarchy of detail. In order to do that, each **Transformational Goal** is broken down into one or more **12-Month Goals**, each of which has quarterly objectives.

**Tie to MBO’s and Compensation**

The final step is in clearly identifying who is responsible for which actions, specifying who will be accountable, and reflect that in the employee’s personal MBO’s tied to variable compensation. To provide maximum clarity to the organization, reinforce that executives - not just rank-and-file - are ultimately responsible and accountable for meeting these objectives.

The key takeaway is that, rather than setting MBO’s by functional area and implicitly connecting the success of those goals to the company’s success, there is an explicit connection that flows from the overall Transformational Goal, to the timeline of the Transformational Arc, to organizational and individual goals. This ensures there is 100% correlation between individual success and the company’s success, and that correlation is explicit and visible.

The following template facilitates this:
Let’s go back to the Transformational Goal Definition Case Study example, which described a company transitioning from tactical equipment manufacturer to strategic supplier. One of the transformational goals involved transitioning the support model from using dedicated on-site resources (which resulted in a 25% GM support business), to a model where customer specialists centralized in a call center are able to handle most support problems, and only dispatch resources to the customer site in unusual circumstances. That change results in a significant increase in the operating results for the support business to 70% GM. It also yields improved customer satisfaction because rather than a single individual residing at the customer site, who may take sick or vacation days and therefore create a service discontinuity, there is a "pod" of dedicated specialists providing 24x7 service dedicated to a small number of customers. So the customers still have personal associations and know the name of their support person, but the support load is distributed among several people.

However, in order to make this support model work, the software must be updated so it can be remotely serviced. Without this capability, the software must be locally serviced and a remote support model is infeasible. In addition, there are multiple support databases in different...
To provide centralized support, these databases must be integrated. In addition, some of the contracts in different geographies have different T&C’s, so these also must be reconciled.

So, to execute on the long-term transformational goal of transitioning support from 25% to 70% GM, two things must happen in the next 12 months:

- **The software must be updated to enable remote management** in order to enable the shift in support model to remote support “pods” administered centrally; and

- **The support organization must be unified on a geographic and operational basis**, including consolidation of multiple geographic databases containing product and support contract information. In addition, the multiple customer support contracts, each with slightly different terms and conditions depending on geography, must be reconciled and integrated into single master global contracts with the current installed base of customers.

The company should also conduct its first electronic customer satisfaction survey.

The next figures show the 12-Month Goal Template to achieve these two simplified objectives along with quarterly milestones and employee MBO responsibility:
Phase III: Define the End-game and Alternate Exit Scenarios

All too frequently, when asked, “What is your exit scenario?”, many leaders and CEO’s will give the standard pat answer: “We’re going to create a market-leading company with a $1B valuation.” Unfortunately, in situations where market and other conditions intrude, change is too rapid to react to, or management or the board misreads the health of the company, the value of the company, or its desirability as an acquisition can plummet. As a result, leadership may wind up with a forced sale in which equity is lost to shareholders, founders, and management.

The way to avoid these forced exit situations is to embrace the possibility of multiple exits, and to plan to maximize value for a range of alternate exit scenarios.

It is an essential responsibility of the leader to understand the capital markets environment, and actively lead the End-game Scenario discussion with their board or management, revisiting yearly or more frequently if appropriate. Why, if your goal is to remain a long-term independent company, should you plan for an alternate end game? Because circumstances change, and more than one company that missed a market consolidation marker, or a deleterious change in the market or customers, winds up as a distressed sale. Truly distressed
situations are not our subject here – see Resources for help – but our goal is to stress the
importance of planning for alternate exits and help you position and plan so as to avoid the
distress sale.

Planning for alternative exits need not be incompatible with growing your business and
planning a long and healthy independent existence for your company. The trick to combining
these is simple:

First and foremost, understand who your likely acquirers would be. They will segment
themselves into competitors and partners. Your goal is to develop outstanding relationships
with your partners who are also potential acquirers, and to cause market and competitive pain
with your competitors who are also potential acquirers.

The following chart helps to visualize the integration of your M&A strategy with your partner
and competitive strategy. The leader’s focus and company’s efforts should be on the
companies in the red and green boxes. The key word is indeed focus: partners who are not
potential acquirers should be secondary to those who are potential acquirers – i.e. bring
revenue to a small number of partners who may acquire you, thereby increasing revenue per
potential acquirer, versus partnering with too many companies and thereby restricting enough
revenue critical mass to maximize the M&A attractiveness of your company.

For additional ways to maximize exits, read: http://www.forbes.com/
**ADDITIONAL CONSIDERATIONS**

**PRIVATE COMPANY EXIT SCENARIOS**

**IPO.** This has become an increasingly rare occurrence over the past 10 years, and companies on an IPO track need to meet exacting criteria in terms of consistent revenue growth, distinctive or unique market category, “popular” market category, as well as stringent governance and accounting regulatory mandates.

**M&A.** For the vast majority of private companies, this is the likely exit. Indicators that you are not on an IPO path include: <= #3 market position and the company’s market share growth is insufficient to overtake leaders in the company’s space; revenue inconsistency; borderline profitability such that the cost of being a public company pushes the company below profitability; not a true standalone market category; M&A consolidation wave with competitors.

**Private-to-private transaction.** While at first glance, these may have appeal, in reality the complexity of blending two cap tables together makes this an almost impossible outcome.

**PUBLIC COMPANY EXIT SCENARIOS**
**Continue as Public Company.** For healthy companies with good balance sheets and shareholder return, continuation as a public company is the likeliest outcome. For companies with one or more of the following - unclear strategies, poor balance sheets, declining business, changing markets, complex revenue streams undergoing transformation, or financial restatements - there will be shareholder pressure to evaluate alternatives. It is the board’s fiduciary responsibility to review all alternatives, even if, for good reason, the continuation path is chosen.

**Private Equity Buyout.** It is a common mistake to assume that Private Equity is the dumping ground for failed companies. In reality, companies must, in general, meet several strict criteria for a private equity investment: good cash position and repeatable cash flow; assets with clear value; the ability to layer debt; solid management teams; and, most importantly, good value. For companies undergoing complex transformations, it is sometimes better to undertake those efforts out of the eyes of the public markets. However, a buyout must be balanced carefully against the return of value to existing shareholders.

**Merger.** Sometimes, despite best efforts, a company’s market is dwindling, the cost of entering new large markets organically is too high, and there are no viable smaller, adjacent markets to enter through more minor acquisitions or organic efforts. In those cases, the merger of two compatible entities can create revenue growth and economies of scale. In evaluating this potential route, it is important to evaluate both channel and product potential economies of scale. Many companies make the mistake of only examining the technology synergies with potential partners and fail to analyze the go-to-market synergies. Combining two companies with radically different go-to-markets or distribution strategies may seem theoretically appealing, but in reality the lack of synergy will mean significantly reduced economies of scale in the sales force.

**Acquisition by Larger Company.** Developing strategies for maximizing value in an M&A situation are critical. This includes, in addition to strong financials, establishing deep and sticky customer relationships and a deep and pervasive partner and channel value chain. In addition, it involves deeply understanding the company’s value to the other companies in the green and red boxes in the Maximizing ROI in M&A chart.
Leaders who have been recruited to take over a company or organization in order to lead a transformation and turnaround must address all of the items laid out in the section on Transforming the Business – A Three-Step Process for Business Transformation, including completing a Transformational Goal, Transformational Arc, and Twelve-Month Goals. In addition, they will have to deal with a host of immediate personnel priorities.

You will have no more than two to three months to demonstrate to your management and peers that you were the right person for the job, and that you can create the positive cycle of change that leads to corporate renewal or transformation. That doesn’t mean the transformation is complete – that may take twelve to twenty-four months or longer – but the actions you take in the first 90 days will determine the ultimate success or failure of your corporate transformation effort. This is why the First Six Months Plan provides a proven template and timeline for all the things that need to be accomplished in that timeframe. This chapter is a step-by-step guide to the leadership skills you will need to succeed during this demanding challenge as you implement your First Six Months Plan and beyond.

The First Six Months Plan

The First Six Months Plan provides a highly structured, urgency-based, top-down approach that has been proven to work in many situations requiring rapid turnaround and crisis response. This methodology is appropriate to a “hit the ground running, no time to waste” approach; however, once a level of stability has been reached, the First Six Months Plan format and timeframe flows seamlessly into the 12-Month Goal format. This drives lower level goals in a cascading fashion from the Transformational Goal, and directly ties team MBO’s to corporate goals and the desired results in the Transformational Arc. The First Six Months Plan is a one-page summary of the most relevant actions you must accomplish in the six-month timeframe and should serve as a measure of your progress and a communication mechanism with your boss or your board. By its very nature, the Six Months Plan will be somewhat more fluid in the latter months – there will be many unknowns and inevitably surprises. Nevertheless, best practices in corporate turnarounds dictate a rhythm and timing to sets of actions that are universal across industries and situations. While the actions outlined below may appear to be extremely rapid, in most circumstances the timeframes below are completely achievable, and in many cases dictated by the financial constraints of the business.

Immediate Strategic Priorities

In any new transformational or renewal role, regardless of industry or situation, there are certain invariants that must be immediately addressed.
**Stabilize and Secure Sources of Cash.** In any transformation, it is of primary importance to understand how much cash runway you have available to effect the transformation, and if the company has a cash cow business, how quickly it is likely to decline. Debt may need to be restructured, vendor contracts re-negotiated or deferred payment arrangements made. But, if the company is in a negative cash flow situation, especially if total cash is also low, all necessary steps should be taken to reduce cash outflow and reduce overall expense burn.

**Establish Trust with Customers.** Particularly in situations where there have been visible misses in terms of forecast revenue, or where there have been customer-impacting issues such as product or support problems, customers may have concerns about the future of the company, and a management change at the top may increase that concern. Therefore strong customer outreach is essential in order to reassure and stabilize, as well as open channels of communication and receive feedback on customer needs and requirements.

**Analyze Prior Financial Performance and Issues.** Having a qualified CFO as trusted partner is essential to a thorough analysis of past financial statements. The cleanest situation will be a public company with clean financials. However, even in this situation a thorough analysis should be undertaken. Companies that have had revenue reporting issues and private companies must receive the highest level of scrutiny, and if a qualified CFO is not in place, contract resources must be utilized. Smaller private companies in particular will need a complete examination of past revenue recognition practices, reconciliation with contract T&C’s, verification of receivables and payables, as well as validation of bookings and commission payments.

**Model Financial Plan, Downside Plan, and Worst-case Plan.** While the company likely has a current operating plan, an immediate responsibility is to examine the plan and make a business judgment about its accuracy. Based on this risk assessment, a Downside Plan should be modeled which reflects a significantly reduced risk profile. Finally, Worst-case plan should be developed which models situations of increased risk such as a more rapidly declining mainstream business than historical precedent would indicate, or a greater falloff in planned revenue.

**Establish Forward-going Spend Levels and Take Immediate Action.** Based on the sensitivity analysis above, it will likely be necessary to take immediate cost containment actions to ensure the financial health of the business.

**Examine all Functional Areas.** Since the activities cited above will be time-consuming, triage should be performed on the functional areas that appear to need the most focus. For example, support margins may have been significantly decreasing, so the support organization may need to be examined first, or product issues may be at the forefront, in which case an analysis of the product organization may be needed. Often the initial flash point may prove to lead to a different root cause; for example, support margins may be increasing because of decreased
quality in the product. The First Six Months Plan should encompass deep operational reviews of all functional areas, but the timing should be adjusted so as to address the most critical areas first.

**Address Immediate Personnel Priorities**, see below

**Begin Cultural Transformation**, see below

**A Timeline for Success**

The format for the First Six Months Plan is organized as a matrix with time across the top and areas along the vertical axis. Because there will be many things you do not know initially, the timeline provides greater clarity in greater detail in the short term and is “fuzzier” as you approach the six-month milestone. So, for example, typical timelines would be: First Two Weeks, Second Two Weeks, Second Month, Months 3-4, Months 5-6. The rows consist of the key areas that will need investigation. While this will be dependent on the specific situation, typical categories would include “Strategy”, “Financials”, “Personnel”, “Customers”, “Sales”, “Services”, and “Operations”.

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**Initial Six-month Plan Template**

<table>
<thead>
<tr>
<th></th>
<th>1st 2 weeks</th>
<th>2nd 2 weeks</th>
<th>Month 2</th>
<th>Months 3-4</th>
<th>Months 5-6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy</td>
<td>Transformational Goal</td>
<td>Transformational Arc &amp; 12-mo Plan</td>
<td>Refine &amp; Finalize</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>Initial Analysis</td>
<td>Reductions</td>
<td></td>
<td>Re-check</td>
<td></td>
</tr>
<tr>
<td>Personnel</td>
<td>Triage Team</td>
<td>Hire &amp; recruit Expanded Team</td>
<td>&quot;One&quot; Team</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customers</td>
<td>Meet customers</td>
<td>Test</td>
<td>Communicate</td>
<td>Continue meeting customers</td>
<td></td>
</tr>
<tr>
<td>Functional Areas</td>
<td>Triage Key areas</td>
<td>Intense review Key areas</td>
<td>Review Other areas</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In most cases, a good First Six Months Plan will result in clear visibility to your board or management, and a reputation will be established for both accomplishment and transparency. The First Six Months Plan is a living document. As time progresses, it should serve as a tracking mechanism for milestones met or not met, using simple visual clues. For example, highlight completed items in green, incomplete items in red or yellow, deleted items crossed out. You can even make your Six Months Plan accessible online, with click-able details for each item.

As the first six months come to an end, a smooth transition to a Rolling Twelve-Month Plan as described in the section on Transforming the Business – A Three-Step Process for Business Transformation will ensure continued progress.

**Immediate Personnel Priorities**

There is a difference between leading and managing, and especially in a turnaround or renewal situation, where often difficult and prompt actions must be taken for the health or survival of the business. Inspirational and visible leadership is the essential component to preserving core people assets and can prevent key talent from leaving while righting the ship. The organization you have just inherited is one with a wide range of potential issues, including high employee attrition, low employee morale, and employee non-performance issues. In some cases, these situations may have taken years to create, but the nature of a turnaround mandates prompt action.

As a new incoming leader, you must assure the retention of the key talent of the company, while at the same time moving swiftly to adjust headcount to meet financial requirements and align talent with responsibilities.

As shown in the First Six Months Plan template, the majority of these actions should be completed in a two to three month timeframe, though others, such as recruiting a complete team and building an integrated team, will take the full six months. The immediate steps to be completed per the First Six Months Plan are:

- Triage the Team
- Special Triage Situation: Dealing with a Prior Incumbent
- Make the Team your Ally
- Expand the Team
- Create “One Team”: Inspiration and Collaboration
Triage the Team.

One of the key tasks for a new leader taking over an existing group is to quickly triage the team into four groups: key talent to keep long-term (“Keepers”), employees to evaluate for performance in their new roles or in the new organization (“Evaluating”), employees to keep for a transitional period of no more than three to four months (“Transitionals”) and employees to terminate immediately or in the very near term (“Terminated Employees”). Efficiently and quickly completing this task is one of the most important responsibilities of any new leader, and the success with which this is accomplished is a direct determinant of the leader’s ultimate success. Nevertheless, few HR books or guides walk the leader through this difficult but necessary process, and without guidance, mistakes may be made.

Many new leaders are hesitant about undertaking this task, for a variety of reasons: they are reluctant to terminate employees, may not have done a workforce adjustment before and feel ill-prepared, may feel certain employees have essential knowledge or that continuity is necessary. In many cases, particularly with technology executives, the leader may feel that teambuilding and leading are “soft skills” that need to take a back seat to tasks that are more comfortable for many technologists, such as setting strategy or redefining product direction.

Workforce adjustments are difficult – for the leaders as well as the employees – and a good leader will work through this process swiftly and with high integrity, respect for employees, and fairness.

In most situations, depending on size of the team and whether the new leader comes from the inside or the outside, the first critical phase will take anywhere between two weeks and two months. In situations where the leader is internal to the company, and/or knows the group well, this should be as short as two weeks. In situations where an outsider is coming in, it could be one to two months, but should not be longer.

Leaders who ignore these “soft skills”, often doom themselves to a snowballing crisis of confidence in a short period of time which can be extremely difficult to recover from. A leader who is perceived as “bleeding talent out the door” can quickly lose the confidence of their manager or their board.

Assume All Employees Will Try to do Their Best

It is important to undertake any organizational or strategic transformation with the assumption that everyone is trying to do their best, and as far as possible make them part of the solution, rather than assume everyone is incompetent and take a “scorched earth” policy. Granted, in many cases, employees are actually not going to eagerly embrace transformation. It is nevertheless good policy to act as if they will.

The reason is simple: as often as not, you will find that employees pleasantly surprise you. If you assume they are competent and will do well, many will rise to the new challenge. Possibly they were poor performers because the prior incumbent was a poor leader who did not provide direction, and under your leadership, that person may be able to blossom and perform...
extremely well. But even if that is not the case, from a practical perspective, except under very unusual circumstances (bankruptcies, restructurings, etc), you cannot terminate everyone instantaneously, and you will fail as a leader if you are not able to effectively retain some of the key talent until you are able to add other key members to the team. In any transformation, retention and termination must be delicately balanced so as to keep the people you want to keep and terminate the ones that are not part of the forward-going organization.

**Segment Employees by Business Needs**

As described earlier, it is important to group employees into four categories. The actions to be taken depend on the category the employee is part of:

**Keepers:** Any organization will have a small number of people who are the brain trust of the company, who have either unique skills or unique IP. It is essential to safeguard these individuals and to ensure that they are going to remain with the company, and preferably, will serve as evangelists for the change. Do not underestimate the power of the thought leaders in an organization to create a groundswell of support and rally the doubters, or alternatively to subtly block the best laid plans. For those individuals you have identified as “keepers”, it is essential that you meet with each individually and personally emphasize to them their importance to the team, solicit their input, and enlist them to the cause. This need not be only your direct reports, but any top performers and employees who are perceived as thought leaders.

**Terminated employees:** There will be a set of employees who will need to be terminated. There are two key reasons for an employee to fall into this category: first, it may be necessary to rightsize the organization to changed revenue levels. In general, for an established company, as much as a 40% workforce reduction may be needed to return to acceptable operating levels. A deep reduction will also give the new leader the flexibility to add key hires and still operate with a significant reduction. The other key reason is quite simply that the position requires new or better skill sets. What is important with terminations is to do them all at once, do them swiftly, and afterwards immediately call the entire group together to explain why and emphasize that if they are not gone, they will be kept. This is essential to stabilize the employee population.

**Evaluating:** In a number of cases, some employees may fall in the indeterminate zone. Perhaps they appear competent, positive, and knowledgeable, but their group seems to be poorly run. Perhaps their group is well run and the employee appears skilled, but they state openly that they disagree with the transformational direction and appear disruptive in meetings and abrasive to their co-workers. Although the Keepers and the employees needing termination are often quickly identified, with the Evaluating employees, where the decision could go either way, nothing short of a more extended period of time working with the individual on a regular basis will provide the answer as to whether the person is a Keeper or to be placed on the
terminate, or possibly a transitional list. Perhaps, in the situation described above, they are indeed competent, positive, and knowledgeable, but they’re poor managers. They may turn into Keepers after re-assignment to a non-management role, or you may decide that you really need a manager and can’t afford to both hire a new manager and keep the employee. Or perhaps they are good management material, but had been promoted with no training, or perhaps prior management had policies which prevented them from being effective, in which case with some training or changed policies, you will have an excellent Keeper manager. Individuals in the Evaluating category will sort themselves into their respective long-term categories in the three to six month timeframe, and usually closer to three months than to 6 months.

**Transitionals:** In some situations, you may have determined that the individual is not a long-term Keeper, but they have specific knowledge that is important for a transitional period. These can be especially tricky to manage, but an up-front approach is recommended and can often be a win-win for the individual and the organization. In general it is best to be open – indicate a transitional period where they will remain employees, possibly put them on a consulting retainer (in exchange for them not going to a competitor and delivering certain needed services). Arranging a transition period will allow the individual to search for a job, enables the leader to bring in a replacement or seamlessly transition responsibilities to another, while providing continuity to the business. There is always a risk that the individual may instead choose to leave, but in most cases, if they have been dealt with forthrightly and fairly, they will effect the transition to the best of their ability.

**Special Triage Situation: Dealing with a prior incumbent**

In most situations, the prior incumbent who previously held the leadership position will be gone, or will shortly elect to leave. However, in certain situations, the old incumbent may be left for the new leader to decide whether to keep, transition, or terminate. *This is probably the most critical personnel decision a new leader can make, and must be handled with tact and finesse.* In order to make an appropriate determination, it is imperative to understand whether the prior incumbent has the **skills**, **knowledge**, and **disposition** to take a **full-time** role in the new organization. Let’s examine each of those four descriptors in detail, as they are all essential in determining how best to determine the future role of the prior incumbent:

**Skills** – Does the prior incumbent have a set of skills that can be used in a more constricted role? For example, was the prior incumbent a great sales person but was promoted too early to a broader GM role? Or were they a great technologist who could not scale to a larger group, or broader responsibilities? It is likely that those sales skills can be directly leveraged into a sales role, and the technology skills, if still current, can be leveraged as well. On the flip side, was the incumbent removed because they were not effective due to a general skill set issue? Are they not able to make decisions? Don’t have enough technical skills to make informed
decisions? These individuals will be nearly impossible to integrate into the forward-going organization. Placing that person in a limited role will lead to an individual who is unhappy and will continue to exhibit the behaviors that created dysfunction in the organization to begin with.

**Knowledge** – Does the individual have specific knowledge that is necessary to the business? Often this may be account knowledge, or knowledge of the software architecture. This, *by itself*, is not sufficient reason for keeping the individual permanently, unless all four of these requirements are met.

**Disposition** – Is the individual fully committed to the reduced/alternative role? If not, they have the high probability of becoming the “poison in the well” and should be transitioned out with as much dignity as possible.

**Full-time** – This is the one item most often overlooked by leaders who keep a prior incumbent – will this person have a full-time, productive job, necessary for the success of the business, or will they be there as “filler” or “keeper of knowledge”? If the answer is no, then no matter how important the knowledge, how positive the disposition, or how relevant the skills – the person must be placed on the “transitional” list. This does not mean you don’t treat the person with respect, particularly if they have been valuable long-time employees. Potentially an arrangement can be made to reduce hours while staying on the payroll, or provide consulting on a retainer basis – but keeping an employee on the payroll, ostensibly with a full-time job, who is actually not performing a full-time function, will only cause problems.

Why is the notion of “full time” employment for the prior incumbent so important? There are two very powerful reasons. First, the fact that the former incumbent’s job isn’t full-time, although you’re paying them as if it is, becomes almost immediately obvious to the entire team, with serious consequences; good performers (if you’ve done your job, you’ve pruned anyone who isn’t) will resent someone doing a part-time job but pretending they’re full time. If there is one recipe for quickly forcing your highest performers out of the group, it is this. Secondly, it is human nature to fill available time. Since the former incumbent is not fully occupied, they will want to appear as if they are, and they will spend potentially large amounts of time on peripheral activities that can create distractions with other employees. As time passes, often an element of disenfranchisement comes in, and the person, even if they did not start out that way, begins to create dissatisfaction with the new leader, the new strategy and new changes. Even if they are largely ignored, the damage mounts and eventually can undermine an entire organization.

Very significantly, as time goes on and the organization sees the former incumbent either doing a part-time job, or actively or passively causing disruption – and the new leader takes no action – the new leader’s position becomes undermined. If the new leader continues to take no action, eventually their entire position may become compromised.
**Make the Team Your Ally**

As stated previously, **assume all employees will try to do their best.** However, in a turnaround, it is essential to also assume dysfunction has existed, processes are broken, responsibilities are not aligned with authority and skill set, and people are distrustful of each other, of change, and of the new leader.

Nevertheless, it is your responsibility as a leader to create trust out of distrust, teamwork out of dysfunction, and most importantly to have employees trust you as the leader and be willing and eager to accept direction from you. Anyone can be appointed to fill a role – but the role does not automatically come with respect and trust. That has to be earned. The actual process of coming together as a group, having employees voice their issues, and guide everyone to a new working relationship is essential to crafting a “team” as opposed to a set of individuals occupying roles. If this essential step is skipped, employees can become disenfranchised, key employees may leave, and a dangerous and uncontrolled spiral of employee attrition may ensue. Attrition will happen: it’s up to you to control the “who” and the “when”. Making the team your ally in the transformation is the most important tool you have to control attrition and maximize chances of success.

**Assume the Positive**

Assume everyone is “in” until proven otherwise. Institute a “clean slate” for all members of the team that are not being immediately terminated.

**Work on Process**

The best way to both assess your team members and to start building the collaborative relationships that will be essential to future success is to work on the process for how to work together in the future as a group.

**Align Personal Aspirations with Corporate Goals**

It is important to meet with everyone on the team individually to determine career goals and the impact of change on them personally. Except in very rare circumstances, most employees want to know how change will impact them, and the sooner you can provide structure and resolution about what their role will be – even if the outcome may be negative for them – the happier and more productive an employee population you will have. It has been proven in repeated tests that people in environments with uncertain outcomes are less productive than those who have a framing environment that provides structure – even if the path to obtain the outcomes includes hardship or is more difficult. [TED Conversation: The Surprising Science of Happiness](https://www.ted.com/talks/erikstückler_the_surprising_science_of_happiness?transcript=true)

If you make your employees your allies in both moving the business forward and meeting their personal/career goals, you will have self-motivating employees and a significantly increased likelihood of a successful business outcome. Because of this, in any situation of leadership
change, it is important to have employees develop personal allegiance to the new leader in addition to allegiance to the business.

**COMMUNICATE & INSPIRE**

Once the initial Team Triage is completed, it will be an immediate priority to get everyone on board with the new direction. Your strategy is likely rough and incomplete, however it is time to communicate the strategy and vision. As a matter of fact, the process of refining the strategy is exactly the way you bring the team together and inspire them.

In transformations involving mild crisis situations, where the company is borderline profitable, a smaller workforce adjustment of 20% or less may be sufficient to achieve results. In situations of greater crisis, the company’s survival may depend on a significant number of employees being downsized – either an overall downsizing (e.g., reduce workforce by 40% across the board), or specific areas (e.g. outsourcing manufacturing, consolidating divisions or facilities). Even in situations calling for deeper cuts of 40% or more, if you have reasonable certainty that these adjustments will happen, it is important to communicate and provide reassurance to that effect. However in situations where there will be a two-step adjustment process, special rules apply.

The two sections below cover 1) the situation where employee actions will be taken all at once, and 2) a variation on situations in which there is a two-step process for employee adjustments (e.g. a general adjustment followed by shutting down a division in another year).

**COMMUNICATION SITUATION 1: ALL EMPLOYEE ACTIONS HAPPEN AT THE SAME TIME**

These are the communication and inspiration steps in situations where all or mostly all employee actions are undertaken early and all at once.

**Large group meeting.** No matter how large or small, get everyone associated with the business, whether they are in the reporting structure or not, into a group meeting (with appropriate arrangements for remote employees), and talk through the changes and their reasons. The communications meeting should coincide with the workforce reduction. For example, if logistically possible, the HR group and selected managers could be informing the affected employees while the CEO meets with all other employees in a separate room at the same time.

**Motivation for Change.** Explain the current situation, its consequence, and the solution, in as short and simple a manner as possible. For example, “The market for newspapers is declining and we must enhance our business with online media or go out of business”. Don’t be afraid to be forthright and specific. But it is essential that you point to a path forward – even if the path is difficult. Give your employees credit for being intelligent human beings who are motivated...
to succeed. People will work hard towards aspirational goals, as long as they understand the reason for the change and that you will be there to lead them.

Expand on the new direction. Because it is a new direction, in all likelihood employees will not fully understand what it is, be afraid of it, or be unsure whether there is a role for them and what it will be. It is essential to put some meat on the bones. As an example, “We need to integrate products X and Y. Our first step will be to bundle them into a suite with integrated pricing and collateral, which will give our sales force the ability to sell them almost as if it was one product. That will give us time for the second step, building an integrated UI and an integrated install. Then, we will more deeply integrate the two products”.

Enlist the help of the employees. In the group meeting, tell employees that the direction is still being refined and solicit their suggestions for concrete actions that will move the company in the new direction. Even if you think this will yield no immediate benefit, it will help get people on board. This is especially important if you are new to the organization. Employees know where all the potholes are and you will need their help and cooperation to unearth them.

Set up smaller group meetings. Get employee feedback on the direction and solicit their help in defining how to get there.

Implement selected employee suggestions. This is the part most leaders forget – they ask for advice, receive it, then do nothing with the suggestion. One of the quickest ways of destroying employee trust in you as the leader is to ask for suggestions and then ignore them. Pick one or two items – even if they are minor – and visibly integrate them into your plans and aggressively communicate to employees that you are doing so. This will help cement your leadership. And, if absolutely no good ideas come out of the employee meetings, you have a deeper problem and you need to move to Alternative 2.

Communication Situation 2: Two-stage Downsizing

In certain situations, the actual workforce reduction itself (or a significant part of the reduction) may occur over a year or two in the future, and the employees must continue in their jobs (e.g. manufacturing the company’s products) until the transition point is reached. Moreover, there may be significant impact if the future intent is leaked early. For example, if a public company accidentally leaks the shutdown of a division, stock price could fall and various legal and shareholder actions may ensue. This is arguably the most difficult situation for a leader because you must balance the need for communicating the strategy in the most open way possible without inadvertently causing an unplanned mass employee exodus or an unplanned disclosure issue. If you say absolutely nothing, employees will remember this and future trust will have been lost. If you say too much, you have potentially catastrophic risk to the business. The solution is to say as much as you can, without risking the business. In this case, proceed as follows:
1. Follow all the steps in Communication Situation 1, except:

2. Be as honest as you can, but do refer to some ongoing assessment. For example, “We are downsizing now, but will be looking at cost optimization across the organization again later as part of our ongoing management processes. We have not yet identified all the areas but we will be working diligently and will let you know as soon as we can.”

3. Identify key “keeper” employees in the organizations you will be downsizing in the future and incent them to stay. For example, if you are outsourcing a particular function, likely you will still need a handful of employees to run the company’s end of the outsourced function. Put a retention plan in place, and, as appropriate, let them “into the tent” to some extent, and have them be a part of the process of putting the plan together. For example, if you are merging two divisions, pick who will be the remaining leader, let them know – under strict non-disclosure – and have them be an active part of the plan.

4. Proceed with highest urgency to “Expand the Team”

**Expand the Team**

**Hire for Unexpected Attrition**

In any transformational situation, as stated earlier, some attrition will happen, even in the best of circumstances. Bringing in new blood, which by definition consists of people who want to be in the current situation – will help stabilize the employee population and improve enthusiasm and morale. Without this infusion, the combination of transitioning out certain employees, terminating excess employees, and unexpected attrition can create a vortex effect of exiting employees that can be catastrophic to an organization. If and when it gets to that situation, the leader’s position is endangered and the business rapidly shifts from “in transition” to “at risk”.

**Hire Key New Talent**

In parallel with Triaging the Team, any good leader should be recruiting to fill key gaps and/or upgrade the talent in the team. In any renewal or turnaround situation, it will be invaluable to have trusted team members – preferably those you have worked with before – to provide needed arms and legs to investigate problem areas, strategize and implement solutions, and if needed, manage organizations on an interim or permanent basis.

Having a visible influx of new blood will provide needed energy and morale improvement to the organization, in addition to new ideas and necessary “arms and legs” to complete tasks.

**Creating “One Team”: Inspiration and Collaboration**

Once the core team is close to being intact, it will be time to truly form them into a finely tuned instrument greater than the sum of its parts. Of course, a strong foundation for teamwork will
already have been laid through the process of defining the Transformational Goal, Arc, and beginning to work on the 12-Month Plan.

However, an essential task of the second six months will be to further unite the team in common purpose and create an operational engine that is self-motivating and self-managing with guidance from the leader, but capable of swift and independent implementation of agreed-upon goals.

**Special Considerations for GM’s: Build Peer Group Support Structure**

**Personal Peer Outreach**

No leader survives without the support of their peer group – whether it is an executive in a corporation needing the support of their peers, or a CEO needing the support of their board. Effective peer relationships are another key determinant of an executive’s future success. Uncooperative peers can block actions by inaction, and can otherwise make progress more difficult. Establishing and regularly maintaining these relationships is a key responsibility of any leader.

The first order of business is an in-person, face-to-face meeting to discuss how to work together in the future.

**Get Agreement Outside of Staff Meeting**

Until you have firmly established your working relationships - and if there is a difficult issue that requires agreement with one of your peers - aim to meet with them and obtain agreement outside of your boss’ staff meeting. Do make the issue known to your boss, and the fact you and your peer have reached agreement that includes an explanation of the resolution. This will have two positive benefits. First, your peer will appreciate that “dirty laundry” was not aired at the staff meeting. And second, your boss will be impressed by your ability to bring solutions, not problems, to the table. After all, that’s what you, as a leader, are getting paid to do – solve problems, not just identify them.

As you become established in your new role, depending on the company culture, you can begin using other forums for resolution. But the good relationships established in the first two to three months will go a long way when the inevitable rough spot comes along.
Transforming a company’s culture is, in most cases, a necessity to achieving the goals of any corporate transformation or renewal. The reason is simple. Culture shapes an employee’s unconscious actions in addition to conscious behaviors. Without the willing support of the majority of employees, any renewal is likely to fail, no matter how diligent or committed the management team is to driving the new direction. That’s because there are more employees than transformation team members, and policing everyone’s actions on a minute-by-minute basis is impossible. How do you know cultural transformation is needed? In any turnaround, the assumption should be that it will be needed, because culture is a frequent contributor to the reasons why the company is in need of transformation.

Two factors drive the difficulty of changing a company’s culture: the degree of cultural transformation needed, and the degree of cultural inertia.

Degree of Cultural Transformation Needed. The first and most obvious is the degree of cultural transformation needed, and it is important to understand whether you are dealing with a cultural issue as a root cause, or whether there are operational factors at play that manifest themselves as cultural issues. Though the demonstrated behavior is the same, the solution will be different. For example, take a situation in which problems that arise are not dealt with efficiently. The cause could be cultural, or operational, or both. In the first case, is the culture one in which problems are ignored and passed off to someone else? Alternatively, are employees highly motivated to solve a problem immediately, but lack the skills or the process to do so efficiently? The first of these situations is a culture problem, and employees must be culturally conditioned to place a high priority on problem solving. If the “pass the buck” mentality is deeply prevalent, both staff replacement by others who are motivated to solve problems, in addition to cultural training for employees, will be necessary.

The second is likely not a cultural problem, and may be solved by skills training or the insertion of additional key process-oriented employees who can harness the enthusiasm in a more efficient fashion. Trying to “motivate” employees through cultural re-training, when you have a structural or operational issue, will only result in frustrated employees. On the other hand, understanding how deeply embedded a particular undesirable cultural attribute is in the company will be key to understanding how much to transform the culture. The sections below detail the analysis process and the steps to begin changing the culture.

Degree of Cultural Inertia. The second factor in determining the degree of difficulty of changing a company’s culture is the degree of prior success the company has achieved. Counter-intuitively, the difficulty of cultural transformation increases significantly if the company has been successful at achieving results, but now finds its prior business or
operational model needs to change. Understanding this correlation is important, because one may assume that past success is indicative of a high degree of competence and proficiency that will make change easy. Unfortunately, if the competence and proficiency reinforced cultural attributes that now need to change, change will be extraordinarily difficult because it has been continuously reinforced by past success along directions that are no longer beneficial.

In corporations, as well as in physics, “a body in motion tends to stay in motion, unless the body is compelled to change its state”. In practical terms, if the new direction requires actions which would be “un-natural” in the previous mode of operation, even the most motivated and willing employee will unconsciously lapse into the behavior that previously made them successful – even though it is not leading to success today or in the future. It is human nature. Therefore in these situations, it is extremely important to undertake a cultural transformation with great diligence. If the culture is successfully transformed, the payback is tremendous, because if employees who have a track record of competence and success are re-pointed in the new direction (probably with the addition of some new talent as well) and motivated to execute, then the transformation will be well on its way to a major success.

**Impact of Market Change on Company Culture**

Cultural transformations are almost always mandated when an adverse market change has caused an erosion of the company’s business. Employees are performing actions that previously resulted in market success, but changing conditions are such that these same actions either do not produce results or, in the worst situation, actively produce negative results or cause harm. In these situations, past success is leading to future failure, and prompt corrective action is needed to provide continuous reinforcement of the new direction until previous behavior is extinguished.

For example, suppose a company has built its products to be highly customizable in order to enable deep integration with a customer’s operational systems. The company has built a reputation around the flexibility of its systems – but that flexibility comes at a price in terms of requiring highly skilled programmers to perform the integrations. Fueled by the success of its business, the culture evolved to be highly responsive to any new integration feature customers asked for. That, in turn, was rewarded by increased revenue from customers paying for those complex features.

Time has passed, and new competitors have emerged which offer quick-to-deploy cloud-based solutions with little customization possible or allowed. However, now the company’s core business is threatened because the cost of deploying the competitor’s solution is an order of magnitude less, and solves 70% of the customer’s problems – so customers are beginning to abandon the company’s products in favor of the newcomers. In addition to product, process, and other transformations, it will be necessary to instill a culture that values simplicity over flexibility. Because the company’s past success was based on flexibility, the natural tendency of
employees who have been with the company a long time will be to add more features and complexity (to provide flexibility) rather than remove features (to provide simplicity). This type of situation absolutely mandates a cultural transformation in addition to a business process change.

Even with the best of intentions and the best of management, employees who have been with the company many years will have an extremely difficult time not lapsing into the behaviors that were previously encouraged and rewarded. If you can mobilize and motivate the employee population to fully support a revised strategy – and reinforce it with cultural transformation activities – your likelihood of success will improve significantly. This is an extremely difficult kind of cultural transformation, but with concerted programs to change employee behavior in addition to products, processes, compensation, and diligent management focus it will be possible to create an accelerating spiral of positive change once the cultural transformations take hold.

**Value Dysmorphism:**
*The Hidden Enemy in Cultural Transformation*

Many companies begin with a well-defined set of corporate values that, in aggregate, create a very definite culture that is identifiable to its employees and creates an environment in which diversity of ideas can exist. That’s because the process for employees communicating with one another is culturally established and shared by the majority of the employee population. In corporate renewal situations, a deeply impactful but poorly understood phenomenon results from a “hidden” erosion of those core values that has occurred over a number of years prior to the current need for transformation.

*Core value erosion* occurs when an original and laudable core value has, over time, eroded in small increments to the point where it is no longer either reinforcing the original tenet, or serving the requirements of the new direction. In most cases, the erosion of these core values will be difficult or impossible to detect for an employee. This situation is extremely complex to solve, because there will be a double cultural shift that has to take place in order for the transformation to be effective. Why? Because in all likelihood, *employees still believe they are faithfully following the tenets of the original culture*, and will not recognize that, in reality, it has shifted and is no longer what it used to be – in some cases actually serving at counter purpose to the original value.

We refer to this phenomenon of “two current cultures in one” as **Value Dysmorphism**. Similar to body dysmorphism, the employee perceives they are behaving in one fashion while in reality behaving in a different fashion, and will interpret your attempts to change the culture through the lens of this dysmorphism. Thus, leadership must deal, not with two cultures – current and target – but with *three* cultures: the *culture as it is perceived* (the “original” culture), the *culture as it actually is* (which follows the tenets of the original culture but where the behaviors
are no longer necessarily reflective of the original culture), and the \textit{target transformed culture}. This creates a significant transformational challenge because attempts at transforming only the “culture as it actually is” to the “target culture” will likely \textbf{not} succeed. As with body dysmorphism, management must target the perception as well as the actuality in planning a transformation to a future target culture.

A very simplified example of \textbf{Value Dysmorphism} is shown in the chart below, and highlights the challenge of this type of cultural transformation. Operationally, these two sets of cultural behaviors yield dramatically different results, but employees demonstrating both sets of behaviors will believe that they are operating under the same umbrella core value of “thoughtful decision making”.

In the early days of the company, when its value system first evolved, “Thoughtful decision making” meant reaching the best decisions possible through the use of a data-driven analytical process. Implicit in that statement was that the \textit{goal} was to reach a decision, while the \textit{process to get to a decision} was data-driven. This core value was strongly associated with behaviors that included researching all the facts on both sides of a decision, then using fundamental engineering principles in the analysis of those facts to determine a decision outcome.

The process was driven by small and empowered teams of two-to-three people who solicited broad input while maintaining ownership of the process \textit{and} the decision. These small teams then presented the relevant facts, their conclusions and recommendations or plans for going forward to their management teams for approval. Upon management’s approval, the team was fully empowered to execute its decision. This culture in general led to a somewhat cautious approach to new product introductions versus the company’s competitors, but it also meant that the company avoided unsuccessful market entries, and its products, once introduced, dominated the market and typically achieved a #1 or #2 market position.

Over time, however, still under the label “thoughtful decision making”, the current behaviors result in “analysis paralysis”. The original 2-3 person teams have grown to encompass representation from all stakeholders, making the teams unwieldy and unable to make decisions. Rather than a focused process to acquire the necessary data, the larger team now serves as a vehicle to bring in irrelevant objections and requests for further analysis beyond the point of reason. Rather than a small team empowered to make a decision, with clear accountability, the “large team” now has amorphous “ownership” of the decision, but no one person is empowered with the ultimate decision; anyone can say “no”, but there is little if any ability for everyone to say “yes”. As a result, decision-making at the company has slowed to unacceptable levels.

Nevertheless, when pressed, every employee will point to the core value and indicate that the current process is a necessary component to supporting that core value. Implicitly the value has shifted to the \textit{process} (the “thoughtful” part of the value) as the key factor that employees
focus on, and the goal – the actual decision itself – has become secondary. As a result, the company has changed from one with greatly engineered products that dominated its markets, to a company that offers products meeting no particular needs introduced too late to the market, resulting in significantly decreased financial performance.

This is the classic case of Value Dysmorphism – employees demonstrating the “current value behaviors” will fully believe that they are acting in the true spirit of “thoughtful decision making”, and will resist attempts to change that value, because, after all, who wants to be associated with “un-thoughtful decision making”? That is why company-specific language is critical to cultural transformations.

Transformations involving Value Dysmorphism are some of the most challenging and difficult to undertake, and are usually compounded by compensation and operational issues, all of which must be addressed together to achieve the desired results.

**Value Dysmorphism Case Study**

To provide a more realistic and concrete example of core value erosion and value dysmorphism, in the context of operational and compensation issues, let us take as an example a company that has been built on a reputation for great customer service. Corporate education
programs have reinforced the “customer first” message over many years so it is deeply engrained in every employee, and this is further reinforced by employee compensation: every employee receives an annual bonus based on the customer satisfaction ratings for the company as determined by an outside customer satisfaction evaluation, on the premise that “everyone contributes to customer satisfaction”. Unfortunately, for the last few years, support revenue per customer has been steadily decreasing, leading to poor corporate performance and a mandate for change. Detailed analysis shows the financial causes: in recent years, the sales teams have been discounting more heavily while support costs have gone up, and since the price of support has remained flat, support revenue has been eroding, and support gross margins have steadily declined to unacceptable levels. While the financials state the facts, the root cause is a mixture of operational issues and cultural issues, and both must be addressed in order for the turnaround to be successful.

Let’s take a look at the cultural issues. Over time, the original message has slowly morphed from “customer first” to “customer first at any cost as long as the company’s annual customer satisfaction metric remains high” – a typical example of Value Dysmorphism, in this case accelerated because everyone’s bonus is tied to the “corporate scorecard” – which includes no measure of revenue or profitability, merely the “customer sat rating”. This has resulted in the underlying message morphing to “the annual customer sat ratings are first” versus the original “customer is first” core value. This in turn has resulted in a number of dysfunctional behaviors such as the discounting of support, or additional services not covered under the customer’s care plans that have been given away for free to assuage the customer’s dissatisfaction with product issues. The product issues have further compounded the problem: because the company has historically not had product issues, the typical controls for discounts are not in place because in the past they were never needed. So the approval for these extended discounts doesn’t have to go to a regional sales director, or even the sales manager – individual sales reps can discount support very steeply, and frequently do so. This is not unexpected since not only are they rewarded with commissions for closing the business through discounting, but they get the added incentive of a high customer sat rating resulting in a corporate bonus.

But the most serious problem of all, a leading indicator of even further declines in the business, has been masked by the “blind spot” created by the Value Dysmorphism whereby every employee believes they are serving the tenet “customer is first”, where in reality “the annual customer sat ratings are first”. The problem is simply stated: in addition to the customer satisfaction rating, there is another key question on the company’s annual customer sat survey asking about future intent to buy more of the company’s products. This metric has dropped 20 percentile points in the last two years – but no one has really noticed because that question was not included in scoring the results of the company’s compensation plans, which was only tied to “customer satisfaction”.

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This is where the underlying cultural issue makes its impact, and shows the dangerous and subtle nature of Value Dysmorphism. In a true “customer first” culture, an obvious indicator of true customer satisfaction would be future intent to buy. After all, happy customers buy more products and services. The actual culture has morphed into “customer satisfaction ratings first” – causing the very important leading indicator of “are you planning on buying more products from the company” to be relegated to secondary importance, or explained away. Nevertheless, were you to ask any employee, “Are you focused on true customer satisfaction or the ratings?”, every employee would truthfully answer “true customer satisfaction”.

An operational turnaround of this situation is neither easy nor straightforward and requires careful management. In this case, the gross margins for support are now at an unacceptably low level, customers have now been trained to expect discounting at levels not supportable by the business, and a serious negative signal for future product revenue has declined catastrophically. How to tackle the operational issues is discussed in the section on Transforming the Business.

However, the true transformation here must be the cultural transformation. Below are detailed steps to a proven process to achieve a cultural and operational transformation that significantly improves operating results.

**The Cultural Transformation Process**

The following sections show the step-by-step process to initiate, undertake, and complete, a cultural transformation.

This is an area where a strategic HR consultant can be of invaluable assistance in providing an independent analysis. However, the cultural transformation must be driven by the leader, otherwise it will risk becoming “just another HR program”, which will not yield the desired results.

The first three steps are tightly inter-related and focused on creating a common language that the employees of the company – who are likely seeing all your efforts through the lens of Value Dysmorphism – will understand. It is not sufficient to use words and sentences that resonate with the leader, or the management team, or the “average” person – the words must be tailored to each company so as to provide clear guidance on behavior to the employees. That is why three separate steps are necessary, each working to identify a separate concept which will be integrated at the end of the three steps:

1. Identify the Target Cultural Value (this is how you want the company to behave)
2. Identify the Company Impediment (this is the behavior that undermines the Target Value above, and provides employee context for the company-specific description in Step 3)
3. Identify the company-specific definition of the Target Value Definition (a descriptive phrase defining, in detail, the Target Cultural Value)

4. The first and third steps come together in the employee-ready values slide that is used later in the process to educate and train employees on the desired cultural values. Step 2 is used in crafting the words that define the Target Cultural Value (Step 3), as well as in defining the desirable and undesirable behaviors that are associated with the Target Cultural Value (Cultural Transformation Process Step 4: Detailed Description of Ineffective Current Behaviors and Desired End Behaviors).

Below is a chart summarizing the definitions and intended audiences for the first three steps:

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**Definitions and Audiences**

<table>
<thead>
<tr>
<th>Concept</th>
<th>Definition</th>
<th>Who it’s for</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Cultural Value</td>
<td>2-3 word phrase defining what the business needs from the culture and completing the sentence “<em>We must have a culture where we ________</em>”. Paired with <strong>Target Value Definition</strong></td>
<td>Employees</td>
</tr>
<tr>
<td>Company Impediment</td>
<td>Succinct 1-sentence description of company-specific root causes preventing the behavior desired in the <strong>Target Cultural Value</strong></td>
<td>Management</td>
</tr>
<tr>
<td>Target Value Definition</td>
<td>1-sentence company-specific description of <strong>Target Cultural Value</strong>, written for the context provided by the <strong>Company Impediment</strong></td>
<td>Employees</td>
</tr>
</tbody>
</table>

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**Cultural Transformation Process Step 1:**

**Identify Target Cultural Values: What the Business Needs from the Culture**

The first step in your cultural transformation is to identify the **Target Cultural Values** expected on the part of every employee, and define these clearly enough that most employees can understand. In general, short phrases with a one-sentence explanation are better than single words like “Quality” and “Teamwork”, all of which can have a multitude of meanings. You want
to make sure that employees understand exactly what the requirements are, without room for “creative” interpretation, so stick with phrases such as “Act with Urgency” and “Be Direct and Upfront” that leave less room for ambiguity.

Step 1 focuses on identifying the cultural phrases, and Step 3 outlines the process of developing a sentence to further define the phrase. The in-between step identifies the employee context, without which Step 3 may provide a definition that is not well absorbed by employees.

It is extremely important to undertake the identification of the cultural values together with your team because the process is necessary to the end result. It is essential, especially in the beginning, to include employees who have been with the company a long time as well as the new blood you have inserted into the mix. The established employees are necessary because they will understand the history, causes, and nuances of the behaviors you are trying to modify; new members of the workforce are necessary because they bring fresh thinking to the mix.

To a significant extent, the desired behaviors will be an outgrowth of the work you’ve done in the section on Creating “One” Team, and the closer you come to accomplishing this, the more accelerated the results will be. Which set of behaviors you ultimately choose will be a function of what the business needs going forward, as well as the unique mix of prior and new employees that are part of the core team.

At the end of this step, you should have a concise list such as the following:
Cultural Transformation Process Step 2: Identify the Company Impediments in the Employee Context

While it is possible to share the outcome of this step with employees, in general it is recommended for management’s view only. Its purpose is to identify the underlying root causes and cultural impediments that inhibit the widespread adoption of the target cultural values defined above. In other words, the employee context must be considered along with any value dysmorphism that exists in the company. This is important because the next step will provide the context-specific pairing of the Target Cultural Value and the Target Value Definition to employees. Why is this necessary?

The importance of context in crafting cultural transformation definitions. Understanding the context from which an employee will evaluate or act upon a particular phrase is fundamentally important because a simple phrase such as “Act with Urgency” will be interpreted differently depending on the employee context.

This is where having trusted employees who have been with the company a long time but are bought in to the transformation are essential. Identifying the impediments in the existing culture that preclude the adoption of cultural values defined above as the norm is critical. The
cultural impediment may be a combination of factors, and each factor must be identified so the solution may be defined.

Step 2 is intended to fully externalize the root causes and factors inhibiting a particular Target Cultural Value. Each and every company will be different, which is why this step is so important.

To delve more deeply into the notion of context and root cause, if your cultural value is “Act with Urgency”, and employees leave a meeting without following up their action items, you must understand the root cause in order to figure out what to fix. Fixing the wrong root problem will only make things worse, not better.

What are the potential causes of employees leaving a meeting with action items but then not acting on them? Possibly a culture exists in which there is a lack of accountability coupled with conflict avoidance coming from a misguided focus on “teamwork” which created a culture in which no one owned a decision, or its execution. Rather than everyone owning the decision, no one did. Alternatively, prior management could have been so highly changeable that employees decided it was better to “wait for the weather to change”, because they had wound up wasting effort on directions which were subsequently changed. In the first case, the company impediment would be “Consensus culture, no one empowered”; in the second case it would be “Employees don’t take management seriously, neither penalty nor reward for achieving tasks”.

At the end of this step, you should have the Company Impediments to Target Cultural Values understood and defined. Here is an example of a completed template:
CULTURAL TRANSFORMATION PROCESS STEP 3:
CONTEXT-SPECIFIC COMPANY DEFINITION OF TARGET CULTURAL VALUES

Now that you have your Target Cultural Values and your Company Impediments to Target Cultural Values, you can create the employee-ready version that defines, in detail, the Target Cultural Values together with a one-sentence context-based definition. As we described earlier, context is everything, and without the company-specific explanatory text, you are likely to have people doing what they think you want; in reality they are merely continuing to do what’s been done before, because they didn’t really understand the change you needed.

At the end of this step, you should have an employee-ready slide defining the Target Cultural Values and a descriptor, around which you will build, in the subsequent steps, employee cultural transformation education materials and operational reinforcement of the desired cultural changes. The latter are discussed in the following sections.

To further clarify the importance of context in crafting cultural transformation definitions, let’s discuss an example in the context of two different companies, each of which chooses “Work Effectively as a Team” as a Target Cultural Value.
Both companies have teamwork problems and hence have chosen “Work Effectively as a Team” as a target value. However, each company has a fundamentally different teamwork problem, and two very different cultures, leading to two very different definitions under the heading “That Means We...” in the Employee-Ready Target Cultural Values & Definition Template.

**Company 1** has a long history of hyper-aggressive behavior in which peers are encouraged to work for their individual benefit as long as it achieves corporate results. Teamwork is viewed in the context of temporary alliances as a means to an end, and if sabotaging your peers gets the job done, you are rewarded. This has created a culture in which working as a team is not viewed as an important value.

In this context, the **Company Impediment** to the **Target Cultural Value** “Work Effectively as a Team” is likely “the executive team doesn’t work collaboratively and the **Target Value Definition** would potentially be “Don’t undermine your coworkers”. In this instance, the definition of the cultural value serves to **tone down** the aggressive culture and to emphasize, “Yes, you must work with your team members – it’s no longer ok to undermine the team”.

**Company 2**, on the other hand, has a long history of consensus-driven culture where employees socialize in and out of work and managers are averse to making any kind of decision...
that will make “employees unhappy”. Over time, “teamwork” has grown to be associated with socializing in the company kitchen, asking how everyone’s weekend went, and other social activities, not with effectively working together to achieve a business result.

In this context, the Cultural Impediment would be “the executive team doesn’t demand high levels of performance, and delegating to the ‘team’ has become synonymous with lack of individual responsibility and accountability for getting tasks done”. The Target Value Definition of “Work Effectively as a Team” would be “Complete your assigned tasks, communicate with the team – but your performance is your own responsibility, not the teams”. In this instance, the definition of Target Cultural Value serves to amp up the passive culture, unlike the first example, where it serves to tone down the culture. Don’t forget: context is everything.

CULTURAL TRANSFORMATION PROCESS STEP 4: DETAILED DESCRIPTION OF INEFFECTIVE CURRENT BEHAVIORS AND DESIRED END BEHAVIORS

Once the Target Cultural Values and Target Value Definition are created, you must take the additional step of providing detailed examples of desired end behaviors and then Actively Train Employees.
This is probably the most critical step in laying the foundation for a successful cultural transformation. Even with the best of intentions, it is very difficult to change habits. Therefore, the more detailed, concrete, and context-based the example of the behavior you do not want, the more likely it is to be absorbed and understood. Understanding is the first step towards accepting change, so spending time crafting the wording for the Ineffective and Effective Behaviors to suit the existing culture, will be time well spent.

Let’s examine in-depth two of the most common cultural transformations frequently seen in companies which previously had been successful market leaders, but for a number of reasons—usually a combination of market changes and internal operating challenges—have caused company performance to decline and necessitate transformation for growth.

Sample Cultural Transformation 1: Re-instilling “We Can Win” Attitude.

In the case of a company that has gone through a growth/flat/declining cycle, it is not uncommon for a number of dysfunctions to have emerged within the customer-facing organizations. Consider a market that has undergone significant transformation. For example, customers are now looking for SaaS solutions versus product purchases. Or competitive dynamics have changed the customer’s buying criteria due to a nimbler and lower-priced competitor. Perhaps some combination of market and competitive factors, such as a need to share confidential information with a customer’s value chain, require different systems. Given these market changes, it is likely that, without training, the sales force is no longer effective in bidding in, and combating against, the changed market conditions and/or competitor. While operational changes are also necessary—such as sales training and/or new products—cultural transformation is desperately needed, because in these changed circumstances, the sales force may exhibit one or more of several undesirable behaviors:

Strong-arm customers: It is not infrequent in these situations for a sales organization to rely on past success, in which the company essentially controlled the customer, and apply brute-force tactics to close a deal when the customer now has options and the brute-force tactics only serve to drive the customer away.

Arrogantly assume success: Alternatively the sales force may assume the deal is “done” because it always has been so in the past, and either ignore or be oblivious to danger signals from the customer. This can lead to unpleasant downside surprises at the end of the quarter when the customer for the first time awards the bid to a competitor. Give up when faced with competition: Particularly in situations where the company has previously had a market-leading product, leading to consistent wins, if the sales force has now begun to consistently lose deals because of either strong-arm tactics or arrogance, now potentially a “loser’s mentality” has set in, whereby at the slightest sign of competition, the sales team assumes they will lose—a mindset that is sure to become a self-fulfilling prophecy. It is essential that the “mind-set to win” is
re-established, and the loss of confidence addressed, in addition to the operational changes such as improved training or an enhanced technical pre-sales structure.

**Continue losing tactics:** Sometimes these dysfunctional behaviors continue for a sufficiently long period of time that causes a sales team to become inwardly focused. This is catastrophic, because the key indicators of consistent sales success are self-confidence and outward customer focus. If those are lost, attempts at re-training will be resisted, old habits will remain entrenched, and new ideas and even compensation will be rejected. In many cases, the only solution is a major triage and re-staffing, but even in that context, the “best and brightest and most positive” of the existing employees will need cultural retraining to re-instill positive behaviors for forward-going success: confidence to win, confidence to compete, and belief that the company is taking the actions to create current and future success.

**Lack of attention to bottom line:** As business spirals downward, sales organizations sometimes engage in acts of desperation. This can include out-of-bounds discounting, T&C’s that are disadvantageous to the company, lavish customer dinners in misguided attempts to lure back the business, and other expense-generating or margin-reducing behaviors that provide a “double-whammy” in the context of reduced revenues.

The cultural retraining that must happen in this situation is easy to describe but difficult to implement, and must be pursued in parallel with re-staffing and compensation changes to incent changed behavior: focus on a belief that the company can win; exude confidence without arrogance; ask for help from executives and corporate, and re-instill financial discipline.

The chart below shows an example of the Effective and Ineffective Behaviors Chart, which would be a part of any employee retraining, but especially sales employee retraining in this situation:
In addition to dysfunctions related to obtaining new customers and keeping existing ones, it is likely a number of factors have led to disruptive employee behaviors that are seriously impacting operational efficiency. This can include frustration with the changed marketplace and the overall loss of the company’s market position, and as we describe below, the existence of “invisible clans” and “private processes” that are particularly difficult for a new leader to root out.

“Invisible Clans”: Workgroups reflect personal relationships and “private processes”: In many corporate turnarounds, the employee population will have a significant percentage of employees who have been with the company for a long time. An unintended consequence of such long-standing employees is that processes, interactions, and relationships have become institutionalized within working groups that have been together for years. In addition, in the majority of cases, personal and professional lives have achieved higher-than-average intersection points. Possibly the culture also previously reinforced that the workplace was “family” – a practice which ultimately creates problems as the company expands (often...
internationally) and new employees are added who can’t or don’t want to fit in the “family” atmosphere.

As the company has grown, the “family”, now being much larger, has taken on cultural aspects of a clan – meaning sub-families aligning and operating at cross-purposes, or battling over “turf”. Past events that are no longer necessarily relevant to the business are dwelt upon, and in some cases assigning blame for these past events achieves greater importance than finding a solution or putting the issue behind them and moving forward.

Because of these clan-like interactions, sets of workers may be aligned with each other in surprising ways, and may support each other in ways that may be unsupportive or actively damaging to the company. For example, a small number of employees who have worked together a long time may have devised a “streamlined” customer support process for a certain set of customers, known only to them. Such a “private process”, which is not documented, may actually be at odds with the officially documented processes. Regardless of the intrinsic worth of their “private process”, because it is not documented and either ignores or is counter to the company’s official process, multiple bad outcomes can happen. Consider if one or more of the employees become ill, takes vacation, or for personal reasons leaves their job (e.g. a spouse is relocated). In this case, the “private process” may break down catastrophically. Moreover, replacing the individual or individuals may be nearly impossible – either because an internal candidate is culturally rejected or because an external candidate cannot hope to absorb or fit into a process that is devised purely for the benefit of individuals.

Companies that display “Invisible Clan” behavior must be changed culturally in a very significant way in order for business to proceed with efficiency, or in severe cases, at all.

Ensure job continuity through private knowledge not employee value to the business. Because the clan-like behavior places a higher priority on the benefit of the clan and its individuals versus the benefit of the company, in the severest of cases information-hiding and active sabotage may occur. This may remain “below the surface” and is extremely difficult to root out.

Organizational silos. Intersecting with the invisible clan structure are historical organizational silos that may no longer be serving the needs of the business. For example, in the early days of the company, perhaps there were two products that were significantly different in terms of technology, type of customer, and go-to-market strategies. So either separate business units were created, or the sales force was divided, or possibly both the sales and support functions are separate. Now, however, the market has changed and both products are sold to the same customers. Rather than a benefit, the divided organizational structure is now a key impediment to growing the business. As a result, customers don’t understand why they need to deal with two sales people, two support people, and two contracts, when they are buying from a single company.
Dealing with Invisible Clans. Cultural transformation in any established company will need to address the issue of Invisible Clans. However, directly attacking the clan structure will merely achieve the reverse of the desired results: the clan will “circle the wagons” and access will be impossible. A more indirect approach is mandated – address the undesirable behaviors in blunt fashion from a cultural perspective, and from an operational perspective actively seek out the “clan thought leaders” and co-opt them to support the transformation. That way, a modified clan structure can be leveraged to support - versus thwart - the new direction and business renewal.

The best way to approach this difficult problem is to clearly document the behaviors that are to be rewarded (Effective Behaviors) and the behaviors that will be not be rewarded (Ineffective Behaviors). Over time, sufficient cultural training for the established employees, compensation programs that reward the Effective Behaviors, operational changes that are clearly metrics-driven, plus the infusion of new team members who can positively represent the Target Cultural Values, can affect positive change.

In the Effective and Ineffective Behavior Template below, the issues arising from invisible clans, private processes, and siloed organizations are addressed by focusing on the Cultural Value “Executing with Precision”, and defining the behaviors that support this value to encourage accountability, problem resolution, and goal alignment. The Ineffective Behaviors document many of the by-products of private knowledge and private processes, and failure to work across visible or invisible organizational boundaries.
CULTURAL TRANSFORMATION PROCESS STEP 5: ACTIVELY TRAIN EMPLOYEES

The best and clearest cultural transformation examples will be worthless if employees do not internalize and institutionalize the changes. To do this requires active leadership from you and your management team. It is important not just that the behaviors are clear – which, if you have completed steps 1-4 they will be – but that they are communicated to all employees repeatedly and consistently. The most effective methods of instilling the desired values in the employees are hands-on workshops held with the thought leaders in the organization to make sure they understand and are evangelists for the change. Through these workshops, you should provide concrete examples to the employees so they better understand what is expected of them in the context in which they are operating.

Depending on the size of the organization, you should aim to put all key leaders in the organization through at least two workshops. Here, “key organizational leaders” is defined to include all managers that have budgetary or operational leadership, executives and managers in charge of key functional areas, and geographic leaders.
**Workshop size.** Ideal workshops will be 25-30 people who will be mixed into 4-5 breakout groups. Each breakout group will have an employee leader, a note-taker, and an executive sponsor, whose role is primarily to listen, and when necessary to clarify or answer questions.

**Typical workshop agenda:**

Educational Session 1 — 8-9:30
Breakout Session 1 — 9:30-10:30
Session 1 Leaders report back to group — 10:45-12
Lunch — 12-1
Educational Session 2 — 1-2:30
Breakout Session 2 — 2:30-3:30
Session 2 Leaders report back to group — 3:45-5
Closing remarks — 5-5:30

**Select multi-disciplinary class attendees.** Part of the cultural training is aimed at re-setting the Invisible Clan structure as well as breaking down organizational silos. In order to do this, it is important to mix employees from different functional areas.

**Identify thought leaders regardless of business card title.** Every organization has employees that have disproportionate influence. If you can get these thought leaders to understand and believe in your transformation, they will become hugely effective evangelists for the transformation and will allow you to reach parts of the organization that may normally be inaccessible.

**Lead the educational sessions yourself and have your executive team attend the breakout discussions.** Without the leader’s personal involvement, and the involvement of the exec team, the organization will rightly conclude that it is not really important and will ignore the cultural transformation efforts – and also likely ignore your operational transformations as well. It is important to note that the *employees run the session*. The purpose of the executive attendees is to listen and be mostly in the background – but to be ready to subtly re-direct conversations when it is clear the group is reverting to Ineffective Behaviors.

**Have an HR consultant / employee track meeting notes.** Do relieve your management team from tracking comments and action items.

**Breakout sessions.** The purpose of the breakout sessions is to reinforce the Target Cultural Values and Effective Behaviors in a problem-solving format so employees get to practice the Effective Behaviors in a somewhat real-life situation. However, the purpose of the breakout session is not to solve the problem – it is to reinforce the desired behaviors through practice! Therefore the breakout sessions should have a concrete – but very simple example – of a problem to be solved using the new behaviors taught in the Educational Session. The session should be about the process, not about the solution, since constructing a real problem that can
be solved by a somewhat random sampling of employees would be difficult to impossible, and would take too much time.

Each breakout session should:

1. Elect an employee as leader

2. Elect an employee as note-taker (on flip chart)

3. Have one of your executive team members attend the session to reinforce the Effective Behaviors, discreetly guide the conversation in positive directions, clarify confusion around the objectives of the transformation, and provide brief insights and executive vision – but they should not monopolize the conversation or take over the meeting

4. Sample breakout session topic: At a high level, diagram our customer support process, identify 3 key problems, and suggest 3-5 improvements.

Have breakout session leaders report back to the team. You may be surprised at the creativity and resourcefulness each team chose for the assigned problem, and it will be enlightening to employees to see diverse problem-solving skills at work.

Cultural Transformation Process Step 6:
Actively Driving Cultural Change Through Operational Accelerators

The most effective transformation will include the steps described previously, but will cement the cultural transformation by targeted compensation plan and operational changes. These Operational Accelerators will be required to fully impact performance and behavioral change of the cultural transformation. This very critical sixth step of the cultural transformation process closes the loop and implements operational and compensation actions that will create the necessary dis-incentives to Ineffective Behaviors and create positive incentives to Effective Behaviors.

The format below most efficiently summarizes the relationship between these items and creates the desired closed-loop connection between the issues identified as Company Impediments in Step 2, the Ineffective Behaviors described in Step 4, and the Operational Accelerators to correct the Company Impediment and the Ineffective Behaviors to create cultural transformation.
Case Study Example. Let’s take a look at an example of a founder-led business that allowed culture to overwhelm the company. For a number of years, the company achieved great success by hiring new college graduates and promoting from within. The fact that the company was “unique” and “different” was a source of competitive advantage and company pride. Employees were offered promotional opportunities in other functional areas and were encouraged to learn on the job, leading to very high employee satisfaction. However, without expert role models or in-depth training and education, many of these trainee employees, while performing adequately in their roles, would not have favorably compared to peers at other companies who had substantial training and experience in their designated roles. In addition, because so many of them had “grown up” in the company, nearly every corporate process was created from scratch, even for processes for which there were more effective and industry standard templates – which, for example, were in use at their competitors who were outpacing them in nimbleness in the market.

Because the company also had an “employees are family” approach as a value held by the founder, everyone in the company received a profit-sharing bonus. However, unlike traditional profit-sharing programs where the profit-sharing bonus is a relatively modest percentage of overall compensation, in this company, the “profit sharing” essentially substituted for the
variable compensation plans for managers and executives. The direct employee impact was that all elements of individual performance were removed from variable compensation plans, which, at the director level were a substantial component of compensation – around 20%.

However, because the variable bonus was based purely on how well the company performed, whether the employee had anything to do with that or not, low performers received the same bonus as the high performers. Over time, many top performers had left the company, unhappy that their pay was identical to low performers. This led to a slow erosion of skill sets in a company that had prided itself on technological leadership.

The Operational Accelerators to Cultural Transformation. In this case, the solution involved a combination of compensation changes, process changes, and consistent management and leadership reinforcement of the desired behaviors. This included significantly increased individual accountability (reversing the “one size fits all” previous reward system) and alignment of responsibility and authority (reversing the previous “because we are all responsible, no one is accountable” value system).

The compensation changes involved moving to annual focal reviews tied to compensation increases on the same form, individual evaluation of performance for bonus payouts versus “one size fits all”, written quarterly goals set for each employee, and quarterly evaluations of MBO achievement for each employee, with performance actions for consistent lack of achievement. The cultural transformation needs to emphasize that tough decisions need to be made by employees, and employees will be held accountable for results. The operating transformation (see below) needs to align compensation to reward accountability and penalize lack of accountability, and align responsibility and authority so there is no place to hide.

Additional cultural changes included every leader asking the question “what are the best-of-breed practices in this area? How is what you’re doing better than industry standard?” In turn, each leader was evaluated on their adherence to best-of-breed practices that fostered a market-focused approach to problem solving. The issues with functional competence involved a skills assessment for all employees. Employees who did not meet industry-standard skill levels for their job function were transferred to roles for which they were qualified, or their positions were upgraded with qualified talent.

In addition, new top talent had to be recruited to re-instill the high-performance mentality. This helped to reinvigorate the company as well as improve retention for the remaining high-performance employees.

The filled-in Operational Accelerators Chart is shown for this case study in the figure below:
**Cultural Transformation Process Step 7:**
*Over-Correct to achieve Desired End-State & Fine-tune every 6-12 months*

In many cases where a culture has deeply entrenched Ineffective Behaviors, an over-correction may be needed to achieve the desired end result. This is frequently the case when **Value Dysmorphism** exists, because of the dual nature of the perceived and actual cultures. Depending on the organization, the over-correction may unintentionally create undesirable consequences that will need to be fine-tuned to achieve the balance required of the desired goal. Nevertheless, without the initial over-correction, you will be unlikely to reach the desired end state. The over-correction is the better of the two alternatives.

For example, recall the company example discussed under **Value Dysmorphism**, in which the company started with a core value of “thoughtful decision making”. Several years later, the company now suffers from “analysis paralysis” and the behavior has essentially caused the company to reach decisions at a pace insufficient to meet market demands. To reset the ineffective behaviors, intense focus must be placed on “fast-moving decisions”. However, this may have the undesirable and unintended consequence that employees make “dartboard decisions” without sufficient analysis. In most cases, this is a necessary step towards the desired state - “thoughtful decisions with speed” - because **not** over-correcting will cause you
to miss the desired state. Thus, reaching the desired state is a two-step process with an initial over-correction followed by a second correction.

Doing periodic checks on the progress of the cultural transformation will allow the leadership to understand when the direction has reached the over-corrected point and must be brought back into alignment to achieve the desired end state.
MANAGE THE BRAND DURING BUSINESS TRANSFORMATION

Brand management is an often overlooked and poorly understood concept but is an essential part of the transformational process. While brand can never substitute for strategy or execution, in most cases, good brand management can significantly increase a company’s valuation. In particular, during any process of corporate renewal or transformation, the need for brand management will increase significantly, for two key reasons:

Crisis Brand Management. In many cases involving a process of corporate transformation, the chances are high that the brand will have suffered some damage and will need repair. The damage may be relatively minor – perhaps the company is now perceived as low-growth versus high growth – but in almost all cases where revenue has flattened or declined, the brand damage is insidious and deep. For example, a public company who has missed its revenue forecasts may take two years to recover its previous share value – and during that time, the company will be “on probation” with its shareholders and its brand devalued even in the face of returning operating performance. While brand management cannot hide poor operating performance, it can help lay the groundwork for a more rapidly positive response once operating performance improves.

Future Brand Management. Most importantly, however, the brand must shift to telling the future story. This is where the Transformational Arc comes strongly into play through very focused brand management that provides a sequenced bridge between the company that was and the company that will be. The greater or more discontinuous the transformation, the more tightly controlled the brand management must be, because in many cases the brand cannot simply be “born overnight” in the new mode, but must evolve and be validated by operating results. For example, at the time Apple introduced the iPod, its brand had devolved from its initial strong association as a market innovator of consumer devices to a brand representing “the high priced PC in a narrow market niche”. Many thought Apple dead, and many initially questioned the foray into consumer music devices – yet today Apple stands as a testament to a transformational vision that made the company into a provider of ubiquitous consumer devices that have transformed most industries within its sphere of influence. Apple was a discontinuous brand transformation accomplished over seven years and an outstanding example of a successful corporate transformation.

Another excellent example of a managed brand transformation and expansion of business – without the need for turnaround – is Salesforce.com. From its initial roots of “salesforce productivity” to “salesforce and services productivity” to “the platform for the social enterprise”, Salesforce has managed an ever-expanding brand, with each generation encompassing the past and pointing the way to the future.

For additional resources, see Resources.
SPECIAL CONSIDERATIONS FOR CEO’S: MANAGING THE BOARD OF DIRECTORS

Although “managing” a board of directors is a bit of a misnomer – the CEO does, after all, report to the board, and the board’s fiduciary duty includes the hiring and firing of the CEO – nevertheless, unless there is an active and efficient Board Chair in place, active “management” of one’s board is an area of supreme importance to a CEO’s long term success. However, especially for new CEO’s, the techniques for managing a board, which by its very nature of the board is a “group of equals”, can be very disconcerting: one cannot just apply a normal corporate hierarchical management style to a board and expect any kind of success.

So, what does one mean by “managing the board”?

It is the leader’s task (or the task of the board Chair, if such exists) to make sure that the board, in aggregate, has the appropriate mix of skills required to make the company successful. Is it an all-VC board? If so, adding some operational talent will be invaluable. Has the board been together a long time with no infusion of new blood? Especially in a transformation, you will want to add board members who will help the company “break out of the mold”. Board members fall into habits as well as employees, and while it is important to have some board members who can provide historical context, it is equally important to add new members who are looking through the front windshield and the new horizon to come, not just the rear-view mirror.

A simple non-confrontational approach to board competency building is to analyze the skills you want on your board, map it to the existing board members, and identify the gaps. This is an analytic and fact-based process that should be divorced from personalities or personal attacks.

**Determine the desired Competency Profile**

First, determine the skills, or competencies, that are necessary to provide adequate guidance to the company during its transformation and onward, and the number of “units” of those skills that are necessary for appropriate coverage. For example, you may want three “units” of financial expertise, two “units” of international experience, and two “units” of sales expertise.

Only after you have agreement with your board on what the categories and the minimum number of units should be, do you proceed to the next step. Place these competencies along the rows of a table, and add a column that indicates the minimum number of “units” of each skill the company needs.

**Map Existing Board Members to Skills Profile**

Place directors across the columns and fill in a “1” if the director has the needed competency. While this process can get very sophisticated (e.g. “2” for “very expert”, “1” for “somewhat
expert”), finer granularity than “0” and “1” is much more likely to lead to argument and potential disagreements and bruised feelings, none of which will contribute to the process.

**Determine the Profile of the Gaps and Adjust as Necessary**

Typically, there is no one answer even for the simple example above, such as the company seeking three “units” of financial expertise, two “units” of international experience, and two “units” of sales expertise. Given a completely blank slate, the same number of skills could be achieved by having three board members with financial skills, two with sales, and two with international skills, for a total of seven board members. However, this is probably not the most efficient use of board seats. An alternate configuration would be to have two board members with financial expertise, one with financial and international expertise, and another with sales and international expertise – for a total of four board members who fulfill the desired board competency profile. In some cases, it will become obvious that some members may need to step down in order to make room for needed skills. In other circumstances, the board may simply need to expand. But the use of an analytic process separate from personalities typically leads to a relatively stress-free and balanced process of board evolution.

Below is an example of a completed matrix, highlighting the skills gap.

![Board Competency Building Matrix](image-url)

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In the above situation, this chart fully clarifies the actions needed: either add two board members, both with sales expertise and at least one with international expertise, resulting in a net increase in board size of two, or have one current board member with financial expertise step down and add the same two individuals with sales and international expertise, resulting in a net increase in board size of one.
FINAL THOUGHTS

While accompanied by some elements of both art and favorable market factors, Corporate Transformation can be successfully achieved through a rigorous process-based approach. Following the steps of this guide will enable leaders in a broad range of situations to make the necessary changes to lead the company from an inflection point to healthy growth and significantly improved shareholder returns.

Strategic inflection points can can and do determine the future success of a company. Actively managing inflection points on a continuing basis is an approach practiced by best-of-breed companies and will generally result in a consistently growing company that has established market and thought-leadership and delivers superior shareholder returns over an extended period of time.

However, for companies which have encountered unanticipated shifts in markets which have impacted the company’s core business, or encountered operational, strategic, or leadership issues which have led to reduced corporate performance, or simply not reacted with sufficient energy and speed to changing customer or competitive environments, there is a path to restore success.

Assessing the Current State and Business-as-Usual Outcomes will provide the company’s leadership and the company’s board with an honest assessment of the root causes of the business inflection point and will provide guidance about how quickly the business will degrade. This, in turn, will provide insights into both the urgency and degree of transformation and renewal required. Defining the operational and financial Transformational Goal, and defining a multi-year financial and operational roadmap through planning a Transformational Arc, will provide a clear and concrete roadmap for all employess to execute. Detailed 12-Month Plans defined on a rolling basis and tied to employee compensation will provide quarterly milestone assessments and directly tie compensation for all employees to the operational and financial corporate goals required for company success. Last but not least, transforming a company’s culture can have deep-rooted and significant impact on the operational transformation, and provide accelerators to meeting the company’s operational goals. Validating analyses, assumptions, and conclusions consistently along the path, through qualified independent advisors, will provide necessary checks and balances to ensure that the company continues to assess its progress as well as external factors in a fact-driven and analytical fashion.

For companies that follow a process-driven corporate renewal process and successfully navigate through the business inflection point, the potential outcome is a re-energized and renewed company that grows and delivers increased shareholder value for years to come.

Leadership is the key differentiator in achieving this success: leaders, whether incumbent or new, who are motivated, disciplined, and focused on re-energizing and renewing the company.
will guide the company through its inflection point and onwards to a path of growth, profitability, and continuing success.
RESOURCES

**Transformational Consulting**

Helps companies at strategic inflection points transform their businesses into growth businesses.

**Executive and Organizational Consulting**

D Barber Consulting and Associates—[http://dbarberconsulting.com](http://dbarberconsulting.com)
Consulting for senior level executives focused on assessing and solving people and organizational capacity building issues.

**Brand Management**

CoreBrand—[www.corebrand.com](http://www.corebrand.com)
Helps companies define and manage their brand, before or after crises.

Zoom Marketing—[www.zoommarketing.com](http://www.zoommarketing.com)
Helps companies define their positioning through “The Point that Matters”, a succinct statement of why the company wins.

**Turnaround & Crisis Management**

Gerbsman Partners—[www.gerbsmanpartners.com](http://www.gerbsmanpartners.com)
Helps highly leveraged IP-intensive companies maximize shareholder value.

Bailey, Elizondo, Brinkman—[www.bebllc.com](http://www.bebllc.com)
Offers corporate finance, restructuring and turnaround, and transaction advisory services to mid-market companies.

Burr Pilger Mayer, Inc.—[www.bpmcpa.com](http://www.bpmcpa.com)
Offers comprehensive financial and business counseling.

Sherwood Partners—[www.shrwood.com](http://www.shrwood.com)
Offers corporate restructuring and financial management services.

**Business Planning**

Geoff Moore—[www.geoffreyamoore.com](http://www.geoffreyamoore.com)
Author of *Crossing the Chasm*, *The Gorilla Game*, and *Inside the Tornado*.

CMO Survival Guide—[www.cmosurvivalguide.com](http://www.cmosurvivalguide.com)
A framework-based approach to connecting marketing strategies, business model, and organizations
ADDITIONAL READING

Borders Case Study—http://www.npr.org/

Maximizing Exit Values—http://www.forbes.com/
Beatriz Infante, CEO and Founder of BusinessExcelleration, has 30+ years of experience helping companies large and small define their growth strategies and streamline operations for maximum profitability and cash flow. She is a four-time public and private company CEO whose career has spanned multiple high-growth business areas including enterprise software, SaaS, Big Data, telecomm, and semiconductors. Her credentials include leading the industry’s most successful telecomm turnaround, as CEO taking Aspect Communications from a substantial operating loss to record revenues and operating profit. As CEO, she has additionally led three venture-backed companies to increased revenue and profitability resulting in successful exits.

She also served as senior vice president at Oracle responsible for Oracle’s open systems group, which accounted for 70% of Oracle’s license revenue, and led the acquisition of the Rdb database business. She has also raised funding in public and private markets and led multiple mergers and acquisitions.

Ms. Infante currently sits on both public and private boards as well as the Advisory Council to the Princeton University School of Engineering and Applied Science. In her role as CEO of BusinessExcelleration, Ms. Infante uses her extensive experience in creating and growing market-leading businesses fueled by innovative or disruptive technologies to help a range of businesses “accelerate into excellence” and maximize shareholder return.