



Many small ideas add up to big impact

An interview with Carlos Zuleta Londoño, COO of Porvenir

At Colombia's largest private pension fund, lean management has unleashed innovation across the organization.

Porvenir, a member of the leading Colombian conglomerate Grupo Aval, is the largest private pension-fund administrator in Colombia, serving about 11 percent of the country's population. In early 2012, the company launched a lean-management program, Innovacion y Productividad ("Innovation and Productivity"), to bolster its industry-leading customer experience while improving profitability.

The program is headed by Carlos Zuleta Londoño, a vice president who serves as Porvenir's chief operating officer. McKinsey spoke with Mr. Zuleta at his office in Bogotá.

McKinsey: *What motivated Porvenir to start its lean-management transformation in 2012?*

Carlos Zuleta Londoño: Since Colombia reformed its pension system in 1993, private defined-contribution funds such as Porvenir have played an increasingly important role in helping Colombian workers save for retirement. As the system matured, we found that profit margins were getting narrower and narrower while the level of regulatory scrutiny seemed likely to rise. It was becoming clear that the factors that made us the industry leader were not likely to help us maintain that leadership position over the coming 10 or 20 years.

McKinsey: *What steps did you take initially?*

Carlos Zuleta Londoño: We knew that we needed to become an innovation company. Yet regulatory constraints limited our ability to launch new products or design new marketing approaches. We tried working with experts in innovation, bringing in speakers, studying cases—but everything was too theoretical.

Even when an idea was conceptually appealing, we just couldn't find a way to translate it into a real-life context.

McKinsey: *That's a serious gap.*

Carlos Zuleta Londoño: Yes. But when I started reading about lean management and getting to know the methodology, I realized that we needed to think of innovation in a different way. I think most people see innovation as the search for a "big idea," for a moment of epiphany that pushes a business into the future. Lean management helped us recognize that innovation is much more than that. It's about small ideas that together have a big impact. And the best ideas tend to come from the people on the front line who serve customers and operate core processes day in and day out.

For Porvenir, this was a really important insight. I could see that lean management could give us a tangible, practical methodology for bringing an innovation mentality to our daily work.

McKinsey: *How did you convince the rest of Porvenir's leadership that lean management was the right choice?*

Carlos Zuleta Londoño: I knew that selling a commitment of this magnitude to our CEO and the rest of the executive team was not going to be easy. So I decided to try a pilot on my own, with no outside help—just my team, focusing on a single process for paying out pension benefits.

It took just three months and the result was incredible—really incredible: at first, people didn't believe it. The pilot achieved a 98 percent reduction in processing time, so benefits that used

to take more than 100 days to process are now done in 48 hours from start to finish. Once we proved that the reduction was real, we had the leaders' attention. They agreed to move forward with a larger-scale program that would engage everyone in the company and ensure sustainability by changing the way we manage at every level.

McKinsey: *Now that you had the executive team on board, what did you do to win the rest of the organization's support?*

Carlos Zuleta Londoño: We decided to create a brand that would clearly communicate our goal. Because very few of our employees speak English, we opted against using the word "lean" and instead came up with *Innovación y Productividad*.

We also recognized that for people to accept and embrace such a profound transformation, they needed to understand what it would mean to them. This was especially important for the frontline employees. Explaining the program's rational benefits—why it would be good for the company, for the shareholders, or even for the customer—would convince some people but not the majority. We needed to find a compelling incentive.

McKinsey: *A financial incentive?*

Carlos Zuleta Londoño: No, that wasn't realistic for us. And, more important, we needed to convey a deeper sense of purpose than we could achieve by handing out checks. We want to appeal to employees' sense of pride. The truth is, we're not selling gadgets: we're selling

Carlos Zuleta Londoño



Carlos Zuleta Londoño is a vice president who serves as the chief operating officer of Porvenir SA, the leading Colombian pension-fund administrator, with almost five million customers and \$25 billion in assets under management. After starting his career as a consultant with Booz Allen Hamilton, Mr. Zuleta joined Porvenir in 2004. He previously served as a corporate-planning manager and as head of a payment-processing subsidiary. He then joined Porvenir's seven-person executive team in 2009.

Mr. Zuleta holds an undergraduate degree in business administration from the Universidad de los Andes and an MBA from the Darden School of Business at the University of Virginia.

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future economic peace of mind. That's very sensitive, especially in a country such as Colombia. Increasing productivity or reducing cycle time is not just about the bottom line—it has an impact on society and on the individual.

Instead, we focused on recognition. For example, teams who outperform get a message from the CEO, or even lunch with him in a nice restaurant—that type of visibility is incredibly valuable. Participants also get preferred admission to our corporate university programs. And we constantly underscore that people who choose to continue their careers outside Porvenir will have a big advantage in their next job interview: they will be able to say that they took part in a transformation that increased productivity by 50, 70, or 80 percent.

McKinsey: *Given that motivation, how have people changed the way they work?*

Carlos Zuleta Londoño: For me, the single most surprising attribute of lean management is how it makes the invisible visible. In big companies, so many things tend to be invisible. It's not because people are trying to hide them, but because it's hard to see through the layers of bureaucracy. For example, as a senior executive, you may have no quick way to find out how many

claims are in process at once—in other words, how big your inventory is. Now we have that sort of data available at a glance, just by looking at our performance boards—the whiteboards around the floor that track our performance metrics.

That gives people a language that simply didn't exist before. People are talking about productivity, eliminating waste, and cycle times in ways that genuinely improve performance.

McKinsey: *What have been some of the challenges?*

Carlos Zuleta Londoño: There have been many. This type of transformation takes persistence—lean management is not going to solve all your problems in just a few weeks. But the evolution is very positive.

We have learned a lot along the way. One of the first processes we started to transform included a step for legal review, so we needed to incorporate attorneys into the new team. There was substantial resistance. They were worried that the new structure would devalue their expertise.

McKinsey: *Many companies have a very difficult time persuading highly trained professionals to support lean management.¹ What worked?*

Carlos Zuleta Londoño: Two things. First, we made sure that the leaders of the two groups—myself as head of operations and my colleague as head of the legal department—were completely aligned. Second, we reexamined our communications to make sure that we met the lawyers' concerns. The head of the legal department emphasized that everyone would still be recognized as lawyers, that they would still

¹ For more information, see “Bringing lean to a highly skilled workforce: An interview with Thierry Pécoud of BNP Paribas,” *Lean Management: New frontiers for financial institutions*, mckinsey.com, 2011.

be fulfilling a legal role, and that they would have a new opportunity to learn. We didn't retreat on the need for a new structure, but we presented it in a way that the lawyers could support.

You have to give people a chance to talk about their concerns. We make sure to do that every time we deploy in a new area.

McKinsey: *What effect has lean management had on you as a leader?*

Carlos Zuleta Londoño: It has changed me in many ways. The social impact of our work has always been important for me—11 percent of Colombia's population are our customers, and we work with them at some of the most important moments in their lives. From here on, lean management is how I personally choose to work so that I can help fulfill that responsibility. I don't see myself working without visual management; I don't see myself working without interdisciplinary teams; I don't see myself working without analysis that highlights where the waste is and how we can eliminate it.

McKinsey: *And in the background I can see your own performance board.*

Carlos Zuleta Londoño: Definitely. We have boards at four levels of the organization. The one behind me is a level-four board. When somebody walks into my office and looks at that board, they know that I am totally aware of what is happening in the processes in which Innovacion y Productividad is operating. From a management standpoint, that makes a huge difference.

Lean management has also brought me a lot closer to my team, as we now have constant communication through daily huddles, problem-solving sessions, coaching, and floor walks. People can't just sit quietly day after day until the end of the month or quarter. Everyone has to be able to know what's happening every day, every week. I'm now regularly in touch with people who previously never had the chance to show their results.

McKinsey: *Now that the transformation is taking hold, what is Porvenir doing to maintain its momentum? How do you make sure that the improvements are sustainable?*

Carlos Zuleta Londoño: Early on, we established a "lean team" to manage the transformation under the Innovacion y Productividad banner. But because the need for further innovation and productivity gains will never go away, we made this organization permanent.

Committing to lean management means making a few sacrifices. One of the most important ones we made was to staff the lean team only with A players—and in fact, the head of that team was one of my best managers. At the time, I figured that if I'm really convinced that lean management is the way to go, I can't be selfish. Moving forward, we really must pay attention to that team, keep them motivated, and reward them for results. They will be responsible not only for



maintaining what we have accomplished but also for strengthening our capabilities over time.

Communicating is the second key to sustainability. If we're meeting our productivity goals and the customer is having a much better experience, the whole organization needs to know. And the people who contributed most need to feel acknowledged—not necessarily financially but tangibly. Even something as simple as an e-mail from the CEO works wonders.

The third element is accountability. We can never lose our discipline about the basics of lean management: holding the daily huddles, updating the performance boards, reviewing the data. If we stop any one component, we know our progress can start eroding quickly.

McKinsey: *Porvenir was recently recognized for customer service. How do you keep people from resting on their laurels?*

Carlos Zuleta Londoño: The award was from Colombia's leading business newspaper and was an incredible honor. But we must also remember that we won before the lean-management program officially launched. As part of the competition process, we documented our experience from the pilot—the 98 percent reduction in payout time—but that was all. That background helps us put the award in perspective, because it gives our people a sense that we can do so much more.

McKinsey: *If you were speaking to a peer executive who is thinking about lean management, what two or three things would you tell him or her to bear in mind when starting a transformation?*

Carlos Zuleta Londoño: This will sound like a cliché, but whoever is going to lead the effort must feel it from the heart. If your interest in lean management is only at an intellectual level, you risk losing the energy you will need to overcome all the hurdles. I would ask: Are you really convinced? Do you feel you have the passion inside to move this transformation forward?

If the answer is yes, you will need a dedicated team of A players. If you are not willing to assign a significant number of top performers to lead the transformation—for us, that meant five or six really good people—forget it.

Finally, look for where you can make immediate impact. When I say “immediate,” I don't mean tomorrow—it took us three months to turn a 100-day process into a 2-day process. But you need an early victory because that is your ticket to credibility.

McKinsey: *How confident are you about the next stage of Porvenir's journey?*

Carlos Zuleta Londoño: It's like learning to ride a bicycle. We're pedaling on our own, not very firmly yet, but I'm confident that we will continue to get stronger. I am convinced that Innovacion y Productividad is the foundation for our continued leadership for the next 20 years. ○