

# Transformation profiles

**By thinking more carefully about their starting point, companies can chart a better course through their transformation journey**

*By Scott Blackburn, Joe Hughes, Gillian Pais and Monica Tanase-Coles*

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Embarking on a major business transformation is rather like climbing an uncharted mountain: once the final destination (the summit) is set, the challenge lies in knowing where to begin and what path to take. In charting their transformation journeys, we often see companies go one of two ways. Many companies pick a standard “one size fits all” approach and then try to stick to it rigidly regardless of the situation in individual business units, sites, or functions. This is rather like asking an entire climbing team to follow the same route up the mountain, even if they started at different base camps and had different levels of mountaineering experience. At the other extreme, we find companies convinced that their situation is so unique that they must design every single element of a new program from the ground up to suit the needs of particular sites and units. On this climbing team, everyone takes their own specific route, stopping regularly on the way to compute the multiple possible paths up the mountain.

In practice, both approaches are likely to fail, often very quickly. The one-size-fits-all method can leave large groups of employees, or even whole business units, feeling abandoned and disenchanted when the chosen design doesn’t work for them. Conversely, fully customizing the effort for every part of the business can lead to rapid exhaustion as the organization is forced to repeatedly reinvent the wheel.

We recently studied more than 50 different transformations across multiple industries in order to understand the right balance between standardization and bespoke design. We weren’t surprised to find that successful transformations have much in common. They all take a holistic, balanced view—focusing on the technical improvement of their operating systems combined with profound changes to their management processes and systematic efforts to improve the mindsets, attitudes, and capabilities of staff. They all invest in resources to support the change process, including skilled and motivated change agent teams and an effective communication and support infrastructure. And they all take a long-term perspective, seeing the transformation as a multi-year journey, not a short project.

However, we found important differences too. Different companies place different emphases on the various elements of the transformation, and the sequence and timing of the elements within their transformation programs can vary considerably. We have even seen companies apply a successful transformation approach they had developed and fine-tuned in one part of their business, only for it to fail when applied in another apparently similar one.

## Will, skill, and urgency

Crucially, we were able to identify three dimensions that appear to be fundamental in determining the optimum prioritization and relative timing and emphasis of different aspects of a transformation. We believe that understanding its own position across each of these three dimensions will allow any organization to select its ideal transformation design, acknowledge its unique starting point, and give it a decisive advantage in the critical first stages of the transformation effort by setting it on the right path up the mountain. The three dimensions are:

- **Will:** Are the employees in the organization, from senior management down to the frontline, open to new ideas and willing to work differently to drive change? Are they willing to take ownership of their part in the change process? Or are they complacent, entrenched in existing behaviors, too proud, or distrustful of the real motives for the transformation to really embrace the change?
- **Skill:** Do the employees have the hard and soft skills they need to move their organization to the next stage in the evolution of its performance? Are the right skills (hard and soft) resident at each level of the organization to properly lead the organization to the success?
- **Urgency:** How much time does the organization have to make the changes required? Does the company need to achieve real impact this current fiscal year? Is there a “burning platform” creating an immediate need for change? Or is the business doing well in the short term and looking to improve its long-term trajectory?

Given that organizations may fundamentally start at different points on each of these three dimensions, the approach to the transformation journey needs to be appropriately tailored. A transformation architecture that would be successful for a highly-skilled organization that is willing to transform and has a long-term objective could be disastrous when used in a company under immediate market pressure with an unskilled workforce that has lost trust in its leadership.

Let’s look in more detail at how these three factors affect the transformation journey:

### Will: “resistant” vs. “willing” to change

The willingness of staff to embrace change does not depend on organizational performance. A crisis triggered by poor performance may fire up a passionate employee base with the urge to improve, while employees of a relatively successful company can become complacent, even as changes in the wider environment threaten to erode their leadership position. History can play a part too, with employees becoming exhausted and resentful if they are repeatedly asked to throw their enthusiasm behind a succession of short-lived change efforts. Or an historical track record of good performance may have instilled a strong sense of pride in the skilled workforce, leading them to turn a blind eye to degrading performance and the need for urgent change.

Where the will for change is low, the transformation team must focus on creating trust in and enthusiasm for the change process. Charging

ahead with the transformation without acknowledging and resolving the resistance of the organization will eventually lead to failure as employees refuse to adopt the changes required or actively seek to block the change effort. Successful approaches to build buy-in include focusing on delivering quick wins (for example, elimination of severe “frustration or pain points,” or rapid debottlenecking) in highly visible parts of the business in order to demonstrate the power of the transformation approach; creating the right role models by having managers lead the change by example; and fostering understanding and conviction for the change in the employee base through vigorous ongoing communication, featuring success stories from the quick wins and progress to date.

In contrast, for companies where employees are clearly on board with the change program, the transformation can instead focus on addressing big-ticket and more challenging initiatives versus the low hanging fruit. Management coaching can focus on capability-building versus building conviction, and communications can focus more directly on the “what” and “how” of the transformation versus the “why.”

### **Skill: “green” vs. “capable”**

The skills required in a transformation can be very different from those needed by staff in their day-to-day roles. Sometimes even a highly capable workforce can have critical skill gaps that need to be remedied in order for the effort to progress. Or perhaps the external environment has changed, and what was successful yesterday is insufficient for success tomorrow. At one advanced materials company, for example, much of the workforce had a high level of technical know-how and a good understanding of many of the analytical and problem-solving skills required to upgrade the performance of its plants. What its managers and leaders lacked, however, was the coaching and mentoring skills they would need to help the frontline workforce adopt and adapt to the new way of working.

Skill gaps need to be identified early in the transformation process—often the first pilot projects will reveal them very clearly—then addressed through either specific capability-building efforts or bringing in new talent when the capabilities required cannot be built in-house. Typically such talent development efforts take place alongside the change process itself, which increases the speed of the transformation and ensures employees can reinforce their new skills by applying them directly in their day-to-day roles. For organizations where the capability to transform exists, the focus of the transformation is often on organizing the company around a new direction and building conviction for the plan that will most effectively channel those capabilities.

### **Urgency: “immediate” vs. “long term”**

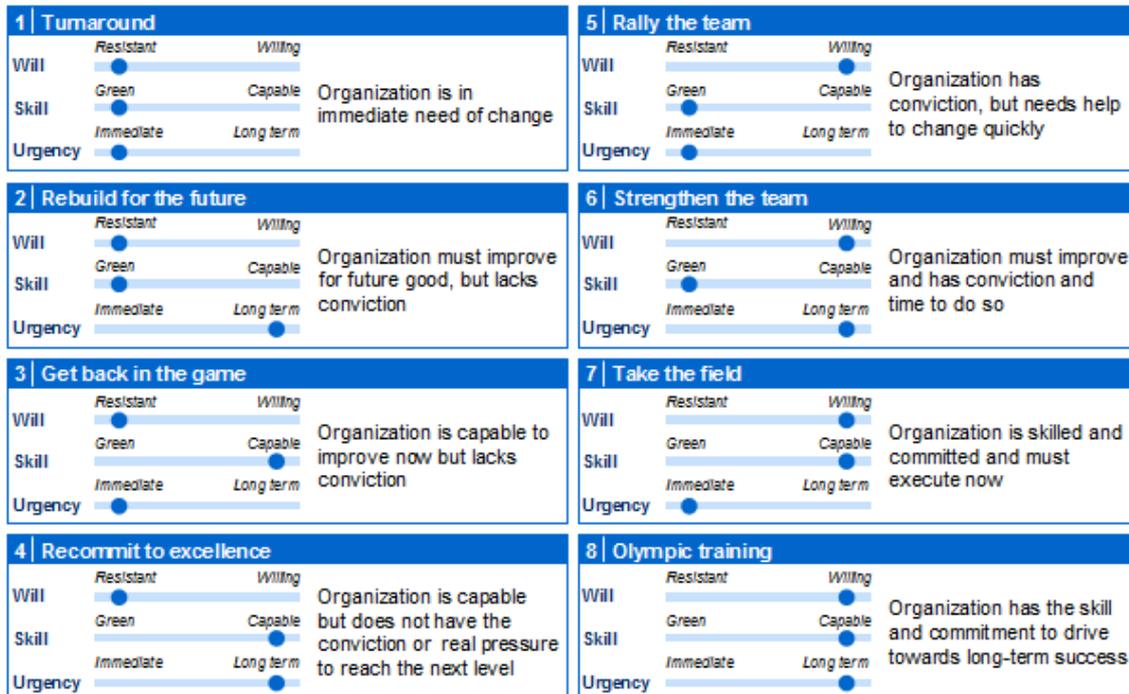
The urgency of a transformation should not be confused with its imperative. All successful transformations are built on a strong need for change. Some transformations, however, may have several years in which to come to fruition, allowing for a slower, deeper approach to technical changes and a focus on long-term capability building in the workforce. For example, a company that has had a traditional monopoly due to a patented product could be looking to transform in anticipation of new competition once the patent expires years down the road. Other

organizations may be operating in an environment of great time pressure, in which case they must find ways to deliver performance improvements fast in order to stay in business. In this situation, the company must prioritize rapid value generation over long-term capability or structural improvements.

### Eight transformation profiles

Over time, a successful transformation effort will change each of these dimensions—employees become energized by the positive effect of the transformation on their jobs; capabilities increase across the organization; and performance improvements help to pull struggling companies back from the brink of crisis. But in its early phases, the variations and interdependencies along the three dimensions are highly significant for the design of the transformation program. For example, the right program to build skills in a willing organization that needs to deliver dramatic performance improvements in nine or twelve months looks very different from one for a high-performing company that is preparing itself for challenges five years out, but is resistant to change. This interdependency allows us to design eight basic transformation profiles based on a binary view of the three dimensions of skill, will, and urgency (exhibit).

**Exhibit: eight transformation profiles, depending on the organization’s level of skill, willingness to embrace change, and urgency of the change**



We have found that understanding where an organization falls in each of these eight profiles allows the company to draw the right balance in designing their transformation. On the one hand, the profile ensures that the transformation does not follow a one-size-fits-all approach as the organization’s specific needs are taken into account. On the other hand, the profile prevents over-customization by allowing companies to utilize

pattern recognition to identify peers that started in the same profile, and adopt many of the elements that made those journeys successful.

### **One company, two profiles**

The case of two separate business units in a large North American manufacturing firm provides an example of the way different performance along the three dimensions can lead to different transformation designs. The first business unit produced a more commoditized product and found itself in the “turnaround” mode (see profile 1 in the exhibit), with profitability under immediate threat due to high production costs and increasing competitive intensity, a lower skill level in its workforce, and little enthusiasm for change.

The transformation team working with this unit began their program with a focus on the “low hanging fruit”: tackling discrete operational issues such as maintenance effectiveness, energy efficiency, and purchasing, where quick impact could be realized. Focusing on these problems first delivered rapid performance improvements and helped create enthusiasm for the wider transformation approach. Building on this momentum, the transformation team gradually moved its focus to the company’s core operations using a more functional approach. Maintenance effectiveness, energy efficiency, and purchasing became the “Trojan horse” showing the core operations that change was possible. Only once these “low-hanging fruit” had been addressed at all sites did the company then address the core operational issues of productivity and cost structure.

The second unit, producing a different commodity class, was in a very different position: the “strengthen the team” mode (profile 6). The business was among the most profitable in the company and, while its workforce was experienced in lean manufacturing and continuous improvement methods, employees were very proud of their leadership position and committed to changing the business in order to maintain it. The transformation team in this unit adopted a slower start to its program, first addressing organizational issues to position the business unit for a transformation, then launching a wide-ranging capability building effort, along with immediate focus on the core operations of the business. The transformation progressed site-by-site across the unit using the key issues at each site to build capabilities in the organization.

Perhaps as significant as the activities the transformation teams chose to undertake first in these two examples were those they elected to delay. In the turnaround situation, for example, the team deliberately ignored some tough problems, or particularly change-resistant groups in the business, until quicker, easier problems had been resolved. In the “strengthen the team” profile, by contrast, the turnaround team delayed making any changes at all to the operating system until it was sure that staff at each site had developed the capabilities to understand the rationale behind those changes and to participate fully in designing and sustaining the changes.

Both transformations were highly successful, exceeding financial targets and marking a significant change in employee morale and skills and in how the company approached and ran its businesses, in turn leading to durable, sustainable improvements. By taking each business unit’s starting point into account, the transformation teams were able to create

a targeted approach that sequenced and emphasized the right factors for success.

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For any organization planning or undertaking a transformation program, attention to its current position on the will, skill and urgency dimensions in each business unit and across the company can be decisive in designing the right program. Getting off on the right foot can make or break a transformation. It is imperative to understand how to stage the transformation, what to do in the first “era,” and just as importantly what not to do or to delay for later. This first “era’ will be vastly different depending on which profile the organization is in, and will require careful design to get the transformation off the ground■

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