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CONSUMER PACKAGED GOODS

Secrets to implementation success

What do successful implementers do differently from other companies? Our survey of more than 2,200 executives yields actionable answers.

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Any executive who has led a major change program knows that even the most carefully planned programs can fail due to mediocre implementation. Turning plans into reality isn't easy, and certain companies just seem to be better at it than others. To learn how some of the world's leading companies ensure implementation excellence, we conducted a survey of more than 2,200 executives in 900 companies across industries.[1] We asked respondents to evaluate their company's implementation performance, capabilities, and practices.

Our survey revealed that "good implementers"—defined as companies whose respondents reported top-quartile scores for their implementation capabilities—also received higher scores on a range of financial-performance indexes relative to their competitors. Perhaps more important, good-implementer respondents say that two years after the change efforts ended, their companies sustained twice the financial benefits compared with change efforts at poor implementers.

So what can consumer-packaged-goods (CPG) companies learn from successful implementers?

The factors that matter most

Every company "leaks" value at various stages of the implementation process: some of the prioritized initiatives don't get implemented, others are implemented but don't achieve bottom-line impact, still others may achieve bottom-line impact but that impact isn't sustained. Good implementers retain more value at every stage of the process than poor implementers do (Exhibit 1).

Clearly, implementation is hard to get right. Less than half of respondents say that most or all of their change efforts in the past five years met their initial goals and sustained results over time.

The most crucial factors when it comes to implementation success or failure, according to survey respondents, are organization-wide ownership of and commitment to change, prioritization, and sufficient resources and capabilities (Exhibit 2).

Exhibit 1 The 'good implementers' retain more value than their peers at every stage of implementation.

Proportion of opportunities that good-implementer companies retain at each stage of implementation, relative to bottom-quartile companies

Opportunities that were **prioritized and implemented**	Opportunities that were **implemented and achieved measurable financial benefits**	Opportunities that achieved **financial benefits and were sustained**	Total opportunities that were **sustained after 2 years**
1.4x	**1.1x**	**1.3x**	**2.0x**

Exhibit 2 Ownership of and commitment to change have the greatest bearing on a major change effort's outcome.

% of respondents,[1] n = 2,230

Factors most responsible for change outcomes, past 5 years	***Successful* change efforts**	***Unsuccessful* change efforts**
Clear, organization-wide **ownership and commitment to change** across all levels of the organization	67	65
Ability to focus organization on a **prioritized set of changes**	53	44
Sufficient **resources and capabilities** to execute changes	48	46
Clear accountability for specific actions during implementation	47	50
Continuous improvements during implementation and rapid action to devise alternate plans, if needed	39	29
Planning from day 1 for the **long-term sustainability of changes**	32	36
Effective program management and use of standard change processes	30	31

[1] Respondents who answered "don't know" are not shown.

These factors are the top three for many industries, including CPG. Below, we discuss each of these factors in greater detail, citing examples of best practices that we've identified in our work with CPG companies worldwide.

Ownership and commitment

In our experience, one effective way to foster ownership and commitment is to create a project-management office (PMO): a formal entity directly responsible for leading the change effort and monitoring its progress. The PMO should be led by a relatively senior person who reports to a C-level executive—otherwise he or she won't be taken seriously. Top management must view the role of PMO leader as an important stepping stone for a high performer; in other words, the PMO leader should be someone who is seen as a future C-level executive. Although the ideal PMO leader will be chosen from within the company (so that he or she will have more credibility in the organization), we've found that it's more effective to bring in a skilled leader from outside rather than appoint an insider who doesn't have the leadership skills to rally the troops.

The "troops" will almost always include staff from different functions. For instance, a sales transformation will most likely involve not just salespeople but also employees in the marketing, finance, and product-development functions. At a large CPG manufacturer, a hand-picked representative from every relevant function devoted 20 percent of his or her time to the PMO for 12 to 24 months and reported to the PMO leader as either a direct or dotted-line report. The entire team had joint goals related to the transformation, and these goals were linked to each team member's performance appraisals and compensation.

The PMO should consist primarily of high-performing individuals, but it should also include up-and-comers who would benefit from the training and increased responsibilities. In addition, some companies deliberately assign to the PMO a few valued employees who are perceived as roadblocks—people who may initially be opposed to the transformation—to understand and address their concerns and eventually gain their support.

But ownership and commitment among the PMO staff won't be enough; the rest of the company has to get on board as well. To that end, leaders should ensure that several critical elements are in place early on, including top-team alignment on the transformation's "change story" and aspirations, specific targets for both performance and health across all the relevant business functions, and visible and committed leadership at all levels. Frequent and varied communication is essential.

When a leading breakfast-foods manufacturer embarked on a large-scale transformation, executives kept all stakeholders informed about its progress using a range of written communications—e-mail updates, a new internal newsletter, intranet stories, webinars during which employees could ask questions anonymously—as well as in-person forums such as town halls and department meetings. The CEO kicked off the change program and, every six months, sent out a company-wide letter celebrating its achievements. In each of the company's four geographic regions, the senior executive directly in charge of the transformation held a town hall and fielded questions from employees. The PMO leader hosted open forums regularly and gave monthly progress updates either in person or in writing.

Prioritization of initiatives

Some transformation efforts flounder because too many initiatives are going on at once, spreading the organization's resources too thin. To ensure that resources are efficiently and wisely allocated, leaders should assess each initiative's alignment with the organization's strategy and its potential impact, and prioritize accordingly.

A global food company took a phased approach to its procurement-transformation efforts, devoting the initial phase to a set of quick wins in order to build buy-in and momentum. For instance, for one of the company's key food ingredients, it had too many suppliers—eight, compared with three or four suppliers in other categories. Consolidation would increase the company's buying power and significantly lower its costs. Therefore, one of the early high-priority initiatives was to put all eight incumbent suppliers, along with a few new vendors, through a competitive bidding process. After three months, the company had four fewer suppliers, a more efficient supply base, and 10 percent cost savings in the category—demonstrating to the rest of the organization that the transformation effort was worthwhile, and spurring the procurement teams in charge of other categories to reevaluate their supply base as well.

One common mistake companies make is to assume that certain changes simply can't be made—that a suboptimal multiyear contract with a supplier, for example, would be impossible to amend. But, in our experience, very few things are set in stone: the terms of an agreement can be renegotiated, contracts can be modified, and project time lines can be accelerated or lengthened. It may just take more energy and creativity to get to a "win/win" scenario, and the head of the PMO may need to forcefully make a case for change.

Another common mistake is to simply continue whatever initiatives happen to already be under way, even if they won't make as much of an impact as other initiatives. Companies should instead build a solid fact base, agree on an estimate of the "size of the prize," and focus on those initiatives that will yield the greatest payoff. If a company continues to commit resources to low-impact initiatives, the transformation effort will lose steam; resources will be squandered and opportunities lost.

Resources and capabilities

For consumer-facing companies, resources are a particularly important success factor: 43 percent of respondents from such companies, compared with 34 percent of their B2B peers, attribute the success of change efforts to sufficient resources and capabilities. For failed efforts, half of B2C respondents say insufficient resources were to blame; just 40 percent of B2B executives say the same.

At the best implementers, change programs are staffed with the required number of people who have the relevant skill sets. Each person's role is well defined, and expectations and responsibilities are aligned to the resources available; employees' duties lie solidly within their areas of specialty or are appropriate for their skill levels. All employees receive feedback and ongoing coaching.

Sometimes, there are enough people working on a change program—but they don't have the requisite capabilities. At good-implementer companies, a rigorous capability-building component is central to the program and typically involves the creation and use of a detailed skill matrix to highlight skill gaps and training needs, stringent evaluation processes, and clear professional-development and career paths.

The food company undertaking a procurement transformation had multiple purchasing centers around the world. The purchasing staff used whatever category-management practices, processes, and tools they wanted, and the lack of standardization often resulted in wide variability in performance. So, as part of the transformation, the chief procurement officer designated a lead buyer for every category. The lead buyer was tasked with overseeing and training the buyers for that category in every region, ensuring that all the buyers across the company were using the same guidelines, tools, and metrics and aiming for the same targets. Even experienced buyers had to be retrained in some best-practice tools and techniques that they had either never learned to use or had stopped using in favor of easier but less robust methods. The capability-building component honed the skills of all the company's 80-plus procurement professionals.

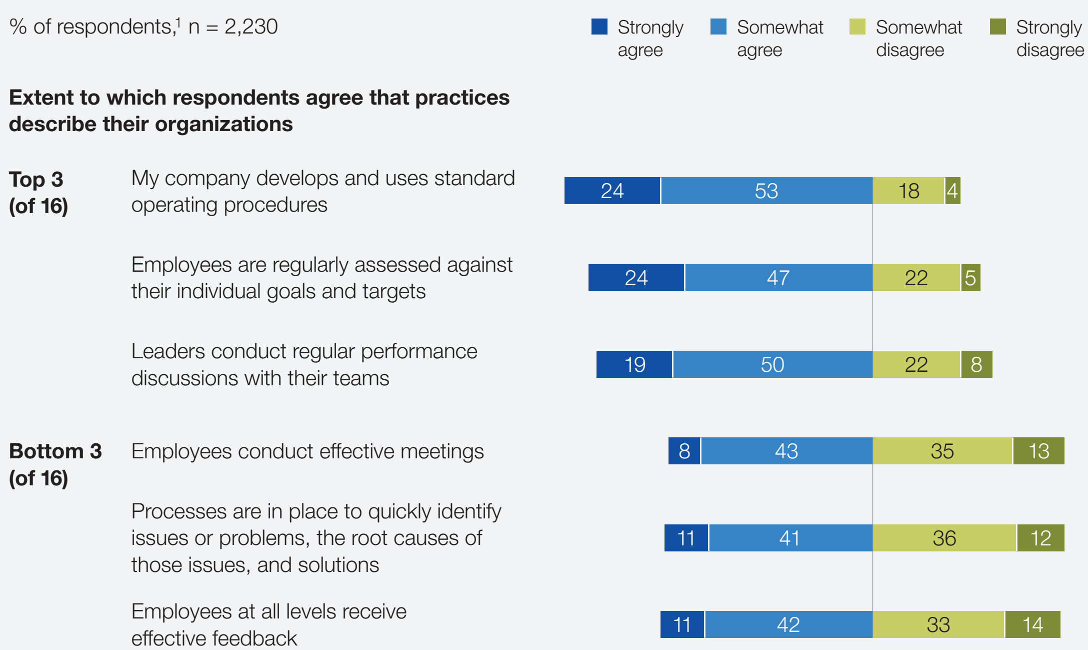
With global category strategies in place and a central repository of best-in-class sourcing tools (such as supplier profiles, procurement playbooks, "clean sheets," and requests for proposals) accessible to all buyers, the procurement organization was able to capture synergies and efficiencies in its tactical activities—freeing up staff to focus on more strategic initiatives. The impact was a 54 percent decline in costs compared with the previous four years.

Implementation practices

As for specific implementation practices, executives said their companies do fairly well at developing standard operating procedures and assessing employees against their individual goals. But they say their companies falter when it comes to conducting effective meetings, having processes in place to identify problems, and giving employees effective feedback (Exhibit 3).

Often, it takes a radical decision to get to best practice. For example, a C-level officer at a large food distributor realized that the members of his buying staff were constantly in internal meetings and thus weren't spending enough time on their core responsibilities. He took the bold step of discontinuing all routine departmental meetings, thus freeing up several hours of the buyers' time each week. Instead, he required buyers to participate in detailed one-on-one sessions with him to discuss progress on specific initiatives. During these sessions, the executive gave each buyer direct and immediate feedback. Ultimately, the executive himself had many more weekly meetings than he previously had, but he—and the buying staff—agreed that these meetings were significantly more productive.

Exhibit 3 **Companies are best at using standardized procedures and assessing employees; many lack effective problem-solving processes.**



[1] Respondents who answered "don't know/not applicable" are not shown, so figures may not sum to 100%.

At top-quartile implementers, a higher proportion of experienced change leaders lead transformation programs relative to other companies. In fact, the survey respondents at good implementers were 1.4 times more likely than those at poor implementers to have personally led multiple change efforts. These findings are consistent with the belief, shared by the world's best implementers, that implementation is a discipline and that people can get better at it over time. Indeed, by learning from others' experiences and adopting their best practices, leaders at consumer-goods companies can better ensure implementation success.

[1] The online survey was in the field from January 14 to January 24, 2014, and garnered responses from 2,230 executives representing the full range of regions, industries, company sizes, functional specialties, and tenures. The results reported in this article also include responses from an additional 151 global executives surveyed at an earlier date. To adjust for differences in response rates, the data are weighted by the contribution of each respondent's nation to global GDP.

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