

Turbocharging internal initiatives: ...a fresh pair of eyes



An outsider's perspective can spark new ideas that drive higher performance

When key revenue or cost KPIs start to show deterioration, one of the first steps taken by today's C-suite is to deploy an internal team and give the initiative a name meant to convey that strong action is being taken. The rationale for this is the belief that your own people know the business better than anyone else.

Starting Over

Organizations are inundated with improvement initiatives, from infrastructure overhauls to sales remediation. The good news is that new initiatives can inspire people to attack organizational problems. But, it also requires them to learn a new improvement approach — one that could potentially contradict others that were successful in the past. When this happens, employees get confused and cynical (a “here we go again” reaction). Perhaps worst of all, they are forced to abandon successful practices they learned in the previous change program.

The Forest and Trees

Experience tells us that teams of insiders typically fail to accelerate performance initiatives when given the chance. There are several reasons why this happens, including financial incentives to maintain the status quo, ambiguous and under-ambitious deadlines and limited resources to name a few. But, the common thread that links most every internal team is a new perspective, or lack thereof. Not seeing the “forest for the trees” is a hackneyed phrase, but is nevertheless a truism. In many instances, people that are so intimately involved with a business for a long period of time become programmed to be inefficient. Counterproductive behavior and business processes become so deeply engrained that they become the norm.



Ray Wilcox (USA), former CEO of Chevron Phillips Chemical Company:

“It is important for company leadership to use internal teams and resources for significant initiatives. As a leader, you need the knowledge and buy-in of your own people. But, so often we put the efforts of these talented people, and the initiative itself, at risk when the team does not have the skill sets for change management and the analytical tools to do the job. This is a time where an outside expert can make all the difference. Successful teams use coaches and expert resources. They can help ensure success, lasting change and bottom line results. Your own team members will become the outside expert's biggest advocate.”



Portia Molefe (Africa), former CEO of Ubu Investment Holdings and former Director-General of Public Enterprises:

“Partnering with an internal team requires a keen understanding of the challenges faced by its members. They are already stretched thin with day-to-day responsibilities in addition to the added tasks associated with process improvement. There is also the burden of possibly affecting the lives of colleagues, as well as certain senior managers that are powerless to protect team members from potential resentment once the project is complete. Therefore, partnering with a firm that can fill in the gaps and do the ‘dirty work’ is a win-win situation.”

Characteristics of the Successful Improvement Initiative

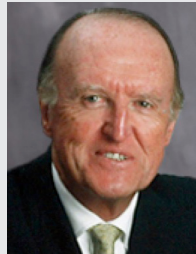
Operational performance in the three most important areas of sales, costs and asset productivity are driven by three primary levers: work process, KPIs, and most important, behavior by both management and staff. The internal teams, without an external partner, are usually subject to four significant constraints, which either lead to failure of the initiative or significantly falling short of the overall performance target.

Fresh Eyes: Due to the “forest and trees” syndrome, it is important to look carefully at how work is organized through the work processes that are currently in place. The objective of these processes is to get the right object to the right place at the right time. There is, in most cases, an enormous amount of non-value work embedded in the client’s existing processes. Internal teams, without the benefit of an external partner, often confuse “hard work” with “effective work,” thus missing a significant opportunity for improvement.

Avoiding the “Stall-out”: People and executives that are assigned to internal teams typically have very demanding day jobs that take up most of their time. As time goes by, the time and attention they can give to the improvement initiative tends to decline. Having an external partner whose sole focus is hitting improvement targets, and whose performance is measured by delivering target numbers is vital.

Political Independence: In most cases, internal teams are working with peers who are likely to resist change with the “we’ve always done it this way” response. Without an outside partner who can show pertinent data that proves the change potential and drive change without internal political consequences, resistance is often too difficult to overcome.

Change Management: Initiatives require not only a new way of doing things, but a permanent change in behavior on the part of both management and staff. Capturing the “heads, hearts and hands” of the workforce is vital for the change to become sustainable. This is, by far, the most difficult part of a successful change program. Internal teams that are successful in work redesign and KPI development, will rarely have the know-how or the time to successfully coach an organization through a sustainable change process. A partner with experience in this critical area is often the difference between success and failure.



Carlos del Solar (Latin America), former CEO of Hunt Oil Peru:

“Leadership, continuity and the need to have a point-person are essential to avoid the negative results that can come from these undertakings. Sometimes tough changes must be made and the reasons for them must be well communicated to the appropriate levels of the organization by the CEO and leadership team’s political interests.”



Peter Cawdron (UK), former Chairman of Capital Radio:

“An internal team will want to achieve quick, early results in order to try and impress their CEO/leader. They tackle the quick and easy tasks first in order to achieve early gains. As a result, they put off tackling the more difficult tasks (which are usually the most important) until later in the program when

time is running out. Inevitably, these time constraints mean that the more important tasks are never dealt with properly. The solution is the introduction of a partner into the team who will ensure that the difficult issues/challenges are addressed at an early stage in the program.”



David Turnbull (Hong Kong), former CEO Swire Pacific and Cathay Pacific Airways:

“Some companies are pre-occupied with constant improvement, while others are focused on reinvention. However, they are all in the minority. It is often a new CEO who is able to work with an internal team and successfully create valuable change. But, as time

passes, familiarity can distort his thinking and vision; an outside perspective can rejuvenate the thought process.”

Team Dynamics and Other Considerations

There are many moving parts in building a successful internal team. According to J. Richard Hackman, Edgar Pierce Professor of Social and Organizational Psychology at Harvard University, his research shows that teams consistently underperform despite access to a multitude of resources.¹

Team Roster

Based on Hackman's data and analysis from more than 120 top senior leadership teams around the world, a significant number of senior executives could not agree who was on their respective teams! Executives can set the tone immediately by clearly defining team boundaries (e.g. roles and responsibilities).

On the Right Track

Giving direction can be an emotionally demanding exercise between top executives and their internal teams. Decision makers and the teams they manage must be able to resolve their differences for the project to move forward. Open communications in this initial stage of the project is a great way to garner trust on both sides.

The "Deviant"

Hackman explains that every team needs a "deviant" – someone who helps the team by challenging the establishment. They are the ones who question why things are done a certain way and offer creative solutions to common problems. According to his research, teams with deviants outperformed those without.

Internal Team Risks

Having a trusted partner that knows how to identify underlying issues that affect team cohesiveness can accelerate results. The following are common team pitfalls found in the workplace:

Dependence on internal relationships – Close working relationships can prevent tough changes from being made.

Solution: Driving the CEO's vision and performance initiatives despite the possibility of corporate restructuring.

"Yes" mentality – People that are afraid to be the bearer of bad news.

Solution: A team with a results-driven approach that combines in-depth process analysis, team ownership and performance tracking.



Frank Feder (Brazil), former CEO Alcoa Latin America: "Typically, when pressed for accelerating change or improving performance, leadership goes into an 'either/or' mode, deliberating between internal or external performance work teams. The combination of both internal and external into one single team is powerful, as it provides 'fresh eyes' and objectivity together with timely access to data and knowledge of context, process and operations."



Rolf Stomberg (Germany), Chairman of Lanxess AG: "Managing the change necessary to create sustainable improvement is usually the greatest challenge. It requires more than classroom and textbook training. It requires coaching at the point of execution to prepare people for unexpected real-life situations that occur from time to time."



Brand Pretorius (South Africa), current non-executive director at Tongaat Hulett, Reunert, Italtile, Metair and Tata Africa Holdings: "Although I can bear testimony to some internal improvement teams that performed well in affecting sustainable improvements in operational efficiency, I've also witnessed many failures. In such cases the good intent was always there, but the time, energy and ability required to identify and implement improvement initiatives prevented successful execution. Considering the fact that the majority of businesses operate with lean structures and limited human resources, the capacity to handle ad hoc projects is limited. An ongoing avalanche of operational pressure is another obstacle to success, as is the moral courage to confront 'holy cows' that are part of the fabric of many established businesses. Subjectivity and personal feelings are other factors that sometimes inhibit objective assessment and the identification of corrective steps which need to be taken. I, therefore, also favor a constructive partnership between the consultancy firm and the client – a partnership based on confidence, trust and respect."

¹ <http://hbr.org/2009/05/why-teams-dont-work/ar/1>

Hidden agendas – The unwillingness to make changes because of financial or career incentives.

Solution: Having a team of professionals that earns the right to be retained for the duration of the project.

Helplessness – Teams that feel they do not have permission to challenge peers of executive leadership.

Solution: Using methods that challenge conventional wisdom while performing important tasks, such as project management transfer, root cause analysis and key performance indicator reviews.

Resource constraints – Members of the team that are ineffective because of daily obligations.

Solution: The scalability of a team should coincide with the resource capacity of an organization.

Hidden skill gaps – Choosing a team based on availability or career status instead of project management skills.

Solution: Supplementing skill gaps with operations experts that infuse project/change management and analytical skills into the existing team.

Ambiguous schedule – Teams working according to their own schedule instead of an aggressive timeline needed to advance CEO objectives.

Solution: Dividing work into a daily/weekly structure to rapidly produce results. Major milestones for each phase of the project should be well defined and reviewed by leadership on a weekly basis.

Distorted scope – The mindset that looks to improve everything, but has no idea of where to begin – desperation sets in and rash decisions are made.

Solution: Using an approach that incorporates specific work streams with key benefits and mutually agreed upon benefits.

Lack of urgency – Doubts that any attempt to change will not happen because of past failures.

Solution: Translating good ideas into actions that make people realize that business practices are really changing. Reinforce the CEO's commitment to the project's success is a source of team motivation.



Jean Peyrelevade (France), former CEO of Credit Lyonnais:

“Capturing the ‘head, hearts and hands’ of a large group of employees is crucial to moving an enterprise into a new direction. This level of change management expertise usually falls outside the ability of the internal team.”



David Eldon (Asia), former Chief Executive and Chairman of HSBC Asia Pacific:

“Internal improvement teams can, under the right circumstances, deliver good value but are subject to a number of drawbacks. The good news is that the introduction of the right external partner can supplement the internal team’s skill-set with missing competencies, such as change management expertise. This combination can increase the actual improvement potential by an order of magnitude.”



Mike Critelli (USA), former CEO of Pitney Bowes:

“The internal team often resists change because it is either the group that put the existing system into place, or it is afraid to be criticized for not having moved earlier to implement faster change. Many internal teams have an incentive to make transformational change appear more difficult than it is because it justifies the slower pace at which the organization moved in the past. Keeping the pace of change slower gives internal teams more control and predictability of their career prospects inside an organization. C-suite executives are better served by getting a view of what is achievable from a firm that has no vested interest in managing the pace of change to suit internal political interests.”

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