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ORGANIZATION PRACTICE

Finding the right place to start change

When implementing an organization-wide transformation, focus your efforts on the most connected employees to help generate momentum and accelerate impact.

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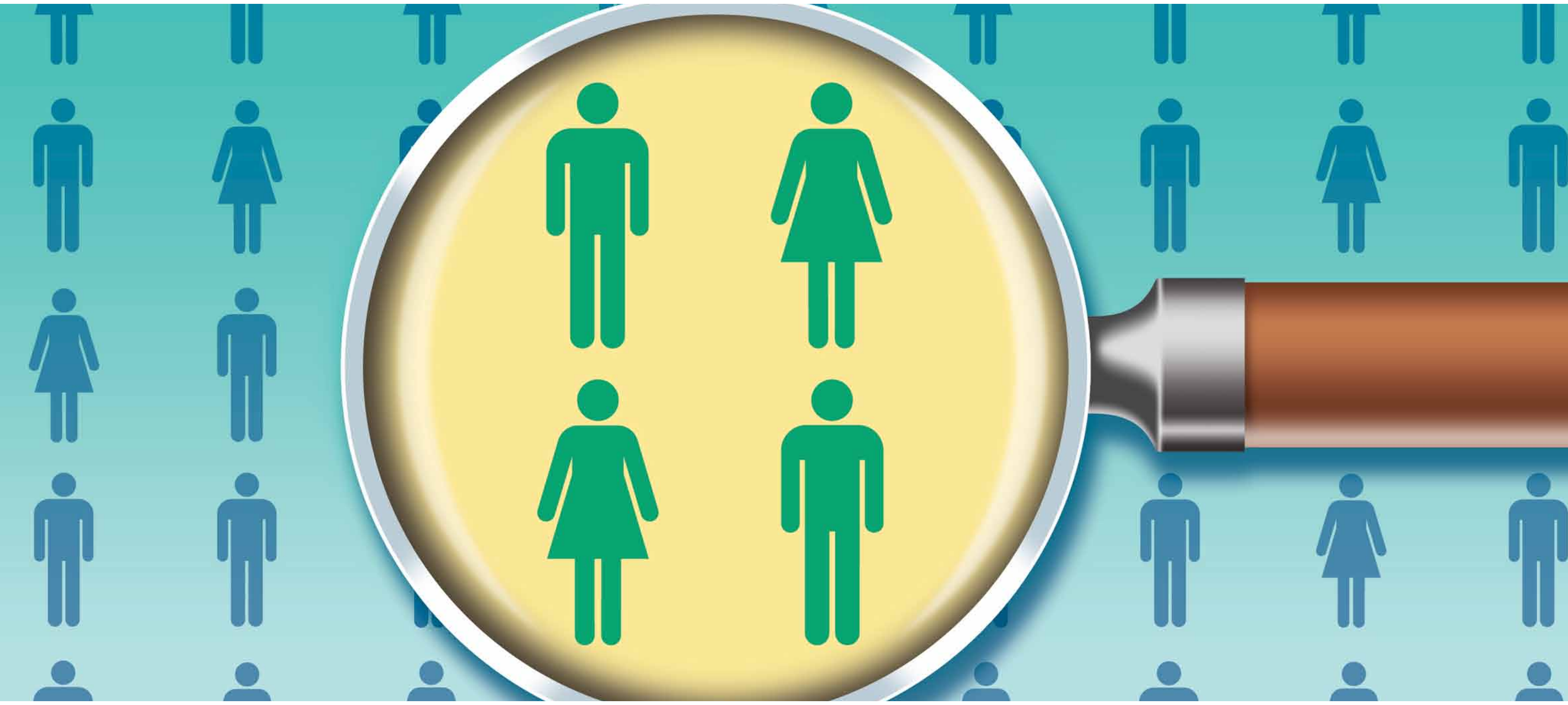

Changing an entire large organization is never easy; only about a third of all such transformations succeed. One problem many organizations run into as they implement a change program is faltering momentum because employees just don't change the way they work. Sometimes they don't want to, and sometimes the reason is a poorly structured plan that makes change harder. Our recent experience at a European retail bank shows the benefits of starting to implement change by focusing on the employees who have the most influence over the daily work that needs to change. This approach can ensure that a successful transformation happens faster and that employees remain engaged in the long term.

That's what eventually happened at a national bank, which had more than 6,000 branches and was facing increasing competition from local banks that were perceived as more attuned to local-customer needs. In an attempt to close the gap, the bank developed a new organizational model that was designed to remove layers of centralization and supervision and give branch managers much more authority to tailor bank offerings, marketing, and other promotions to local interests. The bank's top managers rapidly communicated to the whole staff the principles behind the new organizational model and the model itself, including how roles, such as those of branch managers and their supervisors, were supposed to change. The top managers did this through a series of road shows, along with other traditional methods, such as memos, articles on the bank's intranet, and a stand-alone publication that featured all the new organizational charts. Everyone received the same information, and everyone was expected to adopt the new model at the same time.

When the top managers assessed progress a few months later, they realized that most employees simply hadn't changed how they worked. For example, the new structure simplified how credit decisions were made: branch managers were supposed to send their recommendations directly to the final decision maker (one of a series of committees with the autonomy to authorize different levels of credit) instead of through several intermediate intervening layers (as many as five, depending on risk). But the managers, afraid of making mistakes or annoying colleagues in the intervening layers, were still using the old structure. What's more, the regional-level supervisors of the branch managers now weren't supposed to tell branch managers what to do—instead they were to act solely as coaches, but neither the supervisors nor the managers had made this change successfully. Many supervisors didn't have the skills they needed to coach, and many branch managers similarly didn't have the skills they needed, such as time planning and communications, to run things on their own.

The bank's leaders realized that they didn't have the right model for delivering a transformation: they were seeking to change too much at once instead of scaling up after seeing how the new methods worked in practice.[1] Knowing the bank needed a different approach to reach its goal of greater local autonomy, it decided to shift focus to the employees who could facilitate change the fastest.[2]

Starting change in the middle

Who were those people? The bank's leaders looked at three criteria:

- Which roles have a direct, substantial impact on the desired business results?
- Which roles are connected with a large number of different subgroups in the organization?
- Which roles can decide how people get the relevant things done?

Our experience with a range of organizations shows that it can be tricky to identify the right pivotal role for a given change program. For instance, you might think that regional managers or branch supervisors would have been the logical choice for the bank, but they weren't, because they didn't have a direct impact on daily activities in the branches. That meant they couldn't affect results directly and arguably lacked the credibility they needed with frontline employees to drive change.

In other industries, the pivotal role can vary widely: in power generation plants, for example, maintenance supervisors are the people to focus on, while in retail sales of petroleum products, it's the service station manager, and in retail apparel, the store manager. And these aren't always the seemingly logical choices: in retail apparel, for instance, you might think of sales clerks as pivotal because they have direct interactions with customers and influence sales. But sales clerks typically don't influence other employees and don't interact with their companies outside their own shops.

The European bank found that its branch managers were the people to focus on because they had the right combination of managerial impact and local control to meet the program's goals. So senior executives decided to revamp their top-down rollout process and to reorganize their plan for managing change—communications, timing, and capability-building efforts—so that it focused on the 6,000 branch managers. The

[1] For a full look at what's involved in developing and implementing successful change programs, including how to choose the right way to scale up, see Scott Keller and Colin Price, "Organizational health: The ultimate competitive advantage," mckinseyquarterly.com, June 2011; and "Taking organizational redesigns from plan to practice: McKinsey Global Survey results," mckinseyquarterly.com, December 2010.

[2] This focused approach is consistent with the findings of another McKinsey survey, showing that when influence leaders in an organization were engaged with change programs, those programs were almost four times as likely to be considered successful; see "What successful transformations share: McKinsey Global Survey results," mckinseyquarterly.com, March 2010.

bank later restructured those activities for all the other roles, so that employees could understand what was being asked of them in light of the changes the branch managers were making. In this way, the bank could still reach out to 2,000 more senior managers and 30,000 more branch employees but from a point with greater leverage.

For example, instead of creating a single program designed to change employees' mind-sets and behavior in order to make them more customer focused, the bank developed upward of 20 programs, each focused on the specific needs of a different role. For branch managers, the training process began with sessions that explained exactly how the new organizational model would affect them. Then they discussed the overall commercial skills they would need, such as how to determine which products or services mattered most to their local customers; credit and asset-management capabilities; core principles of quality and customer satisfaction; and practices such as managing people, communications, and handling conflicts to make sure they'd be able to put the new approach to work. The bank also created an online community where branch managers could discuss common issues related to these changes.

Not until branch managers were able and ready to change (six months later) did the bank focus on encouraging their employees and supervisors to change as well. The content of the programs was specifically tailored to address the particular needs or priorities of different roles (for example, the regional-level supervisors were taught collaborative leadership and commercial planning). Similar alterations were made at all stages of the change program.

This approach created a substantial risk for the bank. The leaders were asking branch managers to make fundamental changes in how they worked, by adding a new focus on customers and self-management—and all this in an environment where others weren't embracing a new way of working. The branch managers were concerned that their colleagues would continue to avoid change or perhaps become even more hostile as they were forced to accept it. The bank addressed this issue by including in its revamped change program a focus on building individuals' self-esteem and their trust in the company. It did so by discussing with them their careers and their connections to the bank, by providing coaching about their development, and by helping them understand how branch managers had gained responsibility and autonomy as a result of the reorganization. The latter, particularly, had a very positive impact on the managers' perception of the overall change initiative.

Eighteen months later, relationship managers (branch managers' lieutenants and the employees with the closest direct relationships with customers) were able to spend 30 percent more time with customers because of the newly streamlined process, which in turn improved the bank's sales effectiveness, increasing the number of products sold per branch by 15 percent. The time spent making credit decisions fell by 25 percent. Customer responsiveness to marketing campaigns more than doubled. And a national survey showed

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a 20 percent improvement in customer satisfaction at the branch level. The bank has gained some longer-term benefits as well: it now has a number of people it can rely on to lead change at any point in the organization; creating autonomous networks among employees has fostered knowledge sharing and encouraged mutual support; and the change program ultimately has made the bank more receptive to ideas from the front lines.

What other organizations can learn

The experiences of this bank and other organizations lead to two lessons that any organization can use to help implement change successfully:

- Change the pivotal people first. Identifying what your change program's pivotal role is and making sure that the people in it have both the tools and the willingness to change is often essential to ensuring that the rest of the organization changes. In this case, the branch managers were at the center of the revenue stream that the bank wanted to improve; once they had the right skills and attitude, they drove change quickly. Without this step, even the best organizational model will fail.

- Build a comprehensive program. You must also ensure that the goals of the change program are clear and meaningful and that the links between the people in the pivotal roles and the changes the rest of the organization must make are addressed clearly and comprehensively. Otherwise, the initial positive momentum won't last—no one can create meaningful change in a vacuum.

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