Transformation Practice

Transformation in uncertain times: Tackling both the urgent and the important

A sprint-based transformation approach can help organizations achieve full potential.

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In ordinary times, successful leaders continually strive to master the balance between the urgent and the important, both in their organizations and their daily schedules. But today's CEOs face unprecedented financial, health and safety, and operational challenges. For them, the problem isn't balancing the urgent with the important. It's that most everything is both urgent *and* important and, given the ongoing uncertainty about COVID-19 and its aftershocks, that's not likely to change anytime soon.

To address these challenges in the present and in the next normal, some leaders will instinctively pick two or three top priorities. Then, on the assumption it's better to focus an already-stressed organization on must-win battles, they will launch major efforts to realize such goals.

Choosing your priorities is a good idea, but that's just the starting point. To sustainably transform an organization's trajectory, leaders will need to efficiently implement improvements across the whole of the organization. Our research has shown that bold programs focused on a granular set of initiatives achieve more than limited efforts do: for example, our analysis of 100-plus transformations shows that 68 percent of their initiatives are worth $250,000 or less and that, on average, each initiative owner manages no more than two of thousands of initiatives. In our experience, the best-performing transformations focus on driving change by moving pebbles, not just boulders.

So how does a company tackle the urgent and the important while also delving into sufficient detail to achieve a step change in performance and value creation? In recent years, we've seen several organizations achieve these goals through a structured, sprint-based approach we refer to as "road-mapping."

When you come to a fork in the road, take it

Road-mapping's premise is simple: initiatives with different levels of urgency, importance, and complexity often require different planning and implementation horizons. To meet this challenge, road-mapping organizes initiatives into a series of themed "sprints"—time-bound planning and implementation efforts aligned with the organization's priorities.

We typically see groups of sprints focused on one or more of the following themes:

— *Impact timing and complexity.* Sprint 1 focuses on initiatives meant to have an impact in the first year. Subsequent sprints address long-term or complex initiatives, such as those requiring more capital or up-front testing.

— *Impact type.* Sprint 1 focuses on one or more major impact types, such as cost, growth, margin, working capital, or capital expenditures. Subsequent sprints address one or more of the remaining impact types.

— *Business segment.* Sprint 1 focuses on a specific part of the business (such as a business unit or division), and subsequent sprints focus on other parts.

After setting the themes and sequence of the sprints, the organization turns the proposed initiatives of Sprint 1 into comprehensive plans and begins to implement them; meanwhile, the planning process for Sprint 2 begins, and so on. In this way, organizations tackle urgent issues right out of the gate in Sprint 1 but follow a defined pathway ensuring later sprints address the important and the complex alike (Exhibit 1).

Exhibit 1

Road-mapping's iterative sprints not only have a near-term impact but also create more time for planning complex initiatives.

Iterative planning and execution segments

Independent-diligence phase: Due diligence to establish the trajectory and full potential of the business

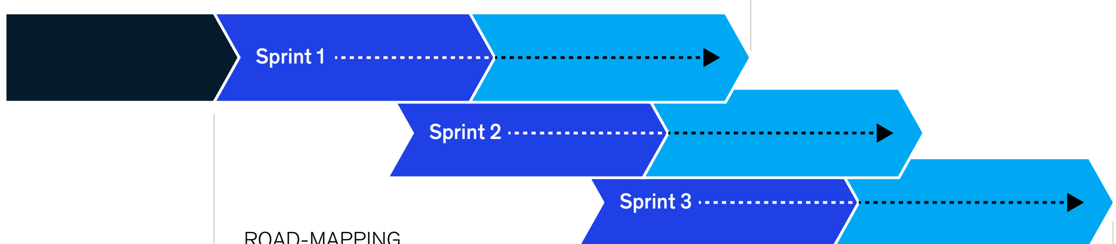
Detailed planning: Development of a transformation plan (initiatives and financial projections) fully owned by line leaders

Implementation: Launching a full-scale effort to drive value to the bottom line

QUICK WINS

Quick wins and near-term initiatives are created and committed to a transformation plan at the end of detailed planning for Sprint 1, which typically yields one-third of the program's impact in 180 days.

In parallel, teams create a plan to decide if more complex long-term initiatives will be scaled and included in the transformation plan.



ROAD-MAPPING

Subsequent sprints increase the detail of planning for more complex initiatives. The collective value of initiatives in each sprint is layered into the transformation plan.

This process typically plays out over three to six months. Along the way, the organization charts the course to achieve its full impact potential (Exhibit 2).

Although road-mapping is a journey tailored to a company's context, a specific set of outcomes and benefits regularly emerges. For example, Sprint 1, regardless of theme, typically addresses low-hanging-fruit opportunities that generate meaningful impact quickly. Driving heightened focus on this set of initiatives reduces the risk that organizations stall during the challenge of solving complex, big-bet initiatives.

Additionally, the speed and success of Sprint 1 put points on the board, inspiring the organization to attain the full potential of the transformation. In our experience, organizations can execute initiatives worth roughly one-third of a program's overall value within 180 days. These quick wins accelerate the program's momentum and free up cash for initiatives in later sprints. What's more, addressing complex, big-bet initiatives in later sprints gives organizations more runway to get their plans right and increases confidence that they can realize their full value.

Road-mapping in action

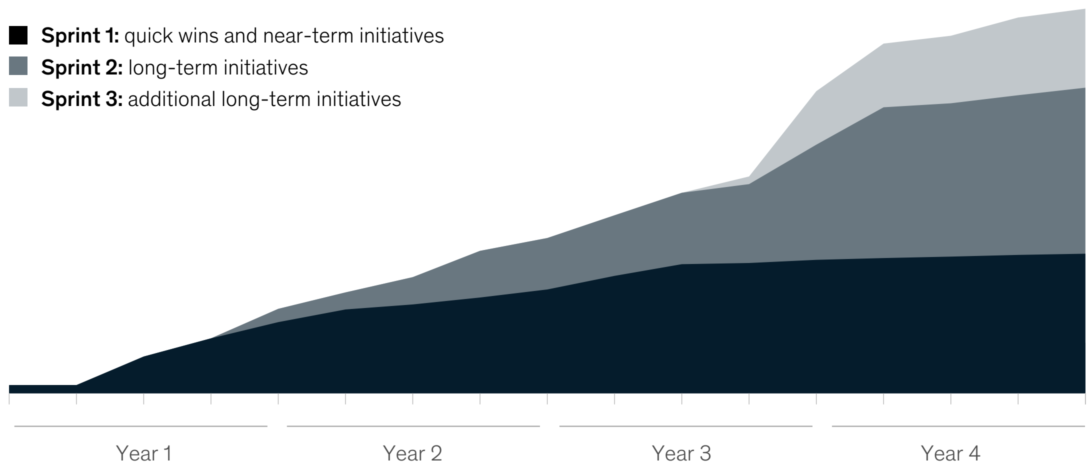
Here's a real-world example. A logistics player felt increasing pressure from disruptive technologies and new entrants. Although the business was profitable, its three-year outlook suggested its margins were at risk, so the CEO determined transformative change was needed. An assessment of the entire company's full potential identified significant opportunities, many focused on modernization and tech-enabled operational improvements.

But realizing such opportunities was complicated. The broader leadership team believed these modernizing ideas were essential to stabilize

Exhibit 2

The value of the transformation plan increases over time as initiatives from each sprint are implemented.

Transformation plan timing and value created (illustrative), EBITDA[1]



[1]Earnings before interest, taxes, depreciation, and amortization.

profitability and growth, but it wasn't fully convinced that it could free up the capital for the required investments. Another challenge was the company's culture, which incentivized leaders to opt for achievable, incremental improvements rather than risk failure in chasing aspirational goals. Obviously, this mindset would make it hard to develop a robust multiyear pipeline of initiatives. Finally, while the leaders felt a sense of urgency to go after the low-hanging fruit, they feared the complexity of long-term projects might overwhelm the company.

To address these concerns, the company aligned around three road-mapping sprints that together would tally up to the company's overall impact aspiration:

— Sprint 1: all "no regrets" initiatives that would reach run-rate impact within 12 months

— Sprint 2: complex, capital-intensive initiatives to reduce overall selling, general, and administrative (SG&A) costs

— Sprint 3: growth initiatives to generate top-line run-rate impact

Striving to realize at least one-third of the program's impact within the first 180 days, the company kicked off Sprint 1 with initiatives focused on year one. It met and exceeded these goals, thanks to strong performance across SG&A categories and successful working-capital initiatives—and the early wins surprised even the skeptics. The wins also freed up dollars needed for important but long-overdue projects, such as an expensive HR system essential for the company's operating-efficiency goals. By the end of Sprint 3, the organization had built a credible pipeline capturing opportunities across the entire business.

The usual rules of the road still apply

In the forgoing example and many others, road-mapping has helped companies address both the urgent and the important, generated early wins to boost a transformation's momentum, funded downstream investments, and made multiyear impact plans more credible. But what is required of companies looking to embark on this path?

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All the essential ingredients for high-performing transformations still apply. But a few require extra emphasis:

— *CEO commitment to the full journey.* Most organizations find the uncertainties, deadlines, and pressures of planning transformation initiatives both challenging and draining, and a sprint-based approach takes more time than alternative approaches do. As companies move along the three- to six-month journey needed to build the full pipeline of initiatives, transformation fatigue can set in. To stay the course and motivate the organization to push ahead, the CEO must adopt a "don't look back" tone, offering full-throated support for the whole journey and the aspiration, celebrating successes regularly, and imposing real consequences when milestones are missed.

— *An enhanced performance infrastructure.* Unlocking the full impact potential of a company requires a dramatic shift in the way it operates. A transformation office undergirds that shift by accelerating the organization's clock speed, removing roadblocks, and tracking the progress and impact of initiatives. A dynamic transformation office becomes more significant as an organization juggles simultaneous planning and execution, throughout the extended timeline of road-mapping. For these reasons, it's critical to resource this team with high performers and then empower them to challenge the organization to deliver the transformation.

Road-mapping can help organizations adopt a "yes, and" mentality in transformation, providing the structure to ensure that both the urgent and the important are addressed on the path to full impact potential. But the journey has a cost. Success demands, at a minimum, a strong commitment by the CEO to the full journey and an enhanced performance infrastructure. With these elements in place, transformations can have a real and sustained impact—even as organizations face ongoing uncertainty during COVID-19.

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