

STRATEGIC INSIGHTS



This article provides pragmatic policy guidance for organizations about to embark on a turnaround or internal change program

Is your leadership ready

By Ricardo Benn

Many organizations today find themselves in financial difficulties because of the current economic constraints intrinsic to their industry or through the combined market impact of governmental policies and ultra competitive market dynamics. However, whether public or private institutions, the basic rules of operation still apply: All organizations today must either find ways to proactively manage costs or increase revenue-generating sources. Because the costs of doing business always seem to increase disproportionately relative to the creation of new sources of

revenue, typical quick-fix approaches can often fall short. So what then does it take to create and sustain a healthy organization?

Budget shortfalls and poor cash flow positions have the curious effect of quickly capturing the attention of senior leadership. It is from this starting point that most organizations decide that they need to engage in some sort of proactive 'change program' to ensure that the organization is moving in the right strategic direction. While there are any number of consulting firms that will be only too happy at this point to share fancy strategy

presentations with neat sounding terms and phrases for an equally exotic price tag to senior management claiming that they have the magic elixir that will cure all of their organizational challenges. These strategy only approaches typically miss the intended strategic targets—with organizations settling back into patterns of inefficiency—or worse consumed by the brutal nature of today's markets and forced to close up shop. However, this need not be the case.

At Aldwych, we believe many organizations can benefit from taking a more practical approach to executing successful

transformation change programs. All organization transformations are different and yet they are all the same. While the involvement of governmental agencies, the personalities of the main organizational actors, and nature of the business issues may vary, in almost every instance; the organization suffers from a poor cash flow position, negative press and dysfunctional governance and leadership. The specific methodologies brought to bear will depend upon the unique characteristics of the institution, but we have found that there are ten key principles that apply to every transformation

Principal 1 - Effective leadership is critical

When an institution runs into trouble, it is usually a safe bet that there are multiple opinions on how issues should be resolved and this can quickly devolve into warring factions each with their own strong opinions on the correct path ahead. Additionally complicating the issue is usually the inherent political challenges where decision making is often more complicated than it first appears. For example, on a recent engagement for a Middle East government agency, although there was an appointed Director General who was ostensibly in charge of directing the organization's strategy and operations, decision-making was so decentralized that major organizational decisions were being taken unilaterally by the agency's Directors with no coordination. At the same time, this

organization's staff members began to feel that the only way to achieve their objectives was to lobby for their particular pet program or project. Clearly, when multiple people within an institution feel empowered to make important strategic decisions, this can lead to severe inefficiency and demoralization of the core staff that are trying to do things the 'right way'. This behavioral outcome is exactly the worse case scenario when organizational change is required.

Based on research conducted by Aldwych, we have found several critical themes: One person must be completely in charge of the organization change or transformation program. This person

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must have full accountability for strategy, marketing and financial management. This person must also possess the correct mix of political skills to make quick difficult decisions, ability to face down dissenting factions and razor-sharp focus on achieving the outcomes of the transformation. It is great if this person can be selected from within the management team of the existing organization. However, more often than not, our research at Aldwych highlights that the selection of the right external change agent is often the most advisable route to pursue.

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Principal 2 - There must be a clear plan

There is an illusion that still exists in within many organizations that personal charisma; a strong and determined personality and sheer political will are all that are required to drive organizational transformation. Roadmap, plan, management agenda—It does not actually matter what the physical document is called. Once someone has been identified to lead the transformation, he or she will need a clear plan for the path ahead. While the plan need not address every single

nuanced issue that the institution is struggling with—Aldwych research shows that most organizational transformations can be achieved by focusing on 3 to 4 key issues—it does need to be very clear. Our research has identified several critical characteristics of successful plans:

- The plan should be rooted in an objective, structured assessment of the organization's baseline operating environment. While time is usually of the essence in most organization transformations. An objective

assessment should include a rational view of all environmental conditions and present a realistic picture of the current strength, weaknesses and opportunities facing the organization. Skip any element of this first step and the plan is usually doomed before it starts with.

- The plan must be clear and effectively communicated early and regularly to all internal and external stakeholders.
- The plan must make explicit reference to the organizations mission, vision and values. Without using the goals and objectives of the institution as a rallying point, it is nearly impossible to motivate staff members to action.
- An organized set of specific strategies that clearly identify how the key issues will be addressed.
- A detailed implementation approach to clearly articulate timeframes and accountabilities.
- A financial plan to communicate the budget and financial realities of the transformation program

While this document is not intended to be a primer on Porter's five forces— three forces from 'horizontal' competition: (1) threat of substitute products, (2) the threat of established rivals, and the (3) threat of new entrants; and two forces from 'vertical' competition: (4) the bargaining power of suppliers and (5) the bargaining power of customers. Taking the time to revisit your organization's relative position vis-à-vis these forces is a critical component of developing a credible plan. Based on research conducted by Aldwych across a wide cross section of client engagements, we have found that after laying down a clear cost reduction program, the next logical step is to address the impact of buyers. While this is easier said than done. We have found that most organizations have more power in the midst of a transformation than they would believe. By focusing on developing a plan whereby unique and exciting programs, products or services can be quickly introduced along with aggressive strategic marketing we have found that most institutions can credibly tackle the challenge of creating the required financial strength to endure the transformation program.

Principal 3 - There must be willingness to strategically invest

When an organization is facing a transformation, the inclination of most institutions is to immediately embark on a cost cutting program. While certainly reducing unnecessary spend and achieving greater financial clarity is a key component of any transformation program, our research has found that most cuts are not strategic and instead end up throwing the proverbial baby out with the bath water. In fact, Aldwych has found that in the reality of today's environmental conditions, which emphasizes

efficiency and transparency, excessive spending is rarely at the root of an institution's challenges. In fact, Aldwych research shows that embarking on cost reduction exercises usually result in a vicious circle where the organization can never generate enough scale to realize its ambitions.

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Instead, we recommend a balanced approach. While there will certainly be enough pressure on addressing short term budgetary and cash-flow concerns. Time must be set aside to focus on developing a strategic plan. We have found that the leadership must invest enough time during this critical period to address board and governance concerns, press cultivation and marketing activities that will make the future easier. The key of course is balance. We have seen too many leaders be consumed by the immediate pressing concerns without taking the requisite time to identify, which strategic activities will actually propel, these organization forward.

Principal 4 - The institutional identity must be crystal clear

If there is one common lesson learned we have seen in successful vs. unsuccessful turnarounds it is the degree to which management has developed an effective strategic marketing approach. Most institutions have more or less perfected the art of marketing the products or services that they deliver. However, too few organizations conducting a turnaround have actually developed any time or effort in promoting the institutional image—and this actually what gets people excited about the organization!

There are many ways effectively promote the institutional image. While many of the avenues available represent an intersection with traditional product or service oriented marketing. The failure of most organizations in transition is that they do not create a systematic program of public relations and other marketing activities specifically aimed at raising the overall visibility of the institution's brand. All institutions should be aiming for at least one major announcement per month. In addition, given the viral nature of the social marketing era, the frequency of announcements may even need to be increased. While there is the temptation to think that all stakeholder communities must be equally addressed, the reality is that each institution in transition has a very small group of 'power players' and local communities that must be addressed in order to strengthen the institutional brand.

However, this cannot be simply left to luck. An institutional marketing plan that specifically highlights the key stakeholders and the events, products and services that are likely to interest them must be play a critical role in the

turnaround strategy of an institution. Aldwych research suggest that during the period of transition, daily meetings be conducted with the head of Marketing and Public Relations to ensure that proper strategic coverage is being managed to properly promote the institution.

Principal 5 - Proper planning prevents poor performance

The last principle is certainly not the least in importance. If as we have highlighted strategic marketing of your capabilities to external stakeholders is important to your organization's future success, then controlling how the message is disseminated is crucial. One of the major challenges faced by an institution in transition is that various internal and external stakeholders begin to hear an increasing cacophony of disgruntled voices. It is not unusual for both internal staff and the leadership of the organization to talk with members of the press about the challenges the organization is facing. Of course the challenge is with so many people communicating with the press, no one is really in control of the actual message.

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The message for the organization must focus on its mission and vision. Any messages must focus on the pipeline of projects that will contribute to the institutions turnaround. This is one of the main reasons why we highlight the importance of planning in Principle 5. Finally, one rule is critical: only one person is allowed to engage with the press. Only positive messages should be put out there.

About Aldwych Associates

Aldwych Associates is a global management and technology consulting firm. We work with clients in the public and private sectors and are leading advisors to governments, businesses and world-class organizations.

The depth of our knowledge and capability of our advisors uniquely enable us to tackle the most difficult client challenges. We combine deep functional expertise with unique industry insights in the public and private sectors to deliver the absolute best to our clients. We are enthusiastic about delivering results to our clients that have enduring value.

Our zeal for delivering client value is only matched by the professional investment in our staff. We believe that to deliver the best solutions you need the best professionally trained resources. Accordingly, our approach to client development and internal staff development is very similar. Our client engagements not only deliver against the requirements of the assignment, but also focus on facilitating creative teamwork-based environments for our clients where their professional skills and capabilities are also nourished.

Aldwych believes that the key to today's complex challenges is to create a framework that allows for the proper integration of technology, policy, operational, financial and people solutions.

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