90 Days Transformation

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Exercise—VeriSign Part 1

Individually:
- Review the VeriSign case and identify what was done well and areas for improvement

Working in small groups:
1. Identify 7 to 10 things the VeriSign team did well
2. Identify 1 or 2 suggestions which might have improved the process/results
Exercise—VeriSign Part 2

With your small group:

Identify two burning questions you have about the 90 Day Transformation Process that VeriSign went through
Rapid Transformation

A Step-By-Step Approach to Greatness
Agenda

- History of change
- Reengineering versus transformation
- Rapid transformation
- Case example
- Key takeaways
Evolutionary change is “like a classic military strategy, where you just keep putting on the pressure, you just keep extending the lines, you just keep rolling up the weakest competitors” to gain “another half a share point and another half a margin point.”

A.G. Lafley, CEO, Procter & Gamble
The evolution of revolution

Why have companies been content with evolution?

- Safe and easy
- Inertia
- Satisfaction with status quo
- Fear

“Why fix it if it isn’t broken?”
Agenda

- History of change
- **Reengineering versus transformation**
- Rapid transformation
- Case example
- Key takeaways
Reengineering versus transformation

Reengineering

- Human resources
- Sales and marketing
- Executive management team
- Information technology
- Strategy
- Finance
Reengineering versus transformation

70% of reengineering efforts are considered failures within five years after they were undertaken!*

* A study by Hammer and Stanton conducted in the mid-1990s
Reengineering versus transformation

Transformation

- Human resources
- Executive management team
- Sales and marketing
- Information technology
- Strategy
- Finance

Reengineering versus transformation
Why has reengineering failed?

- Lengthy
  - Serial
  - Cycle of internal change becomes longer than the cycle of external change
- Tactical rather than strategic
  - Piecemeal
- Driven top-down
  - Lacking buy-in and support from the organization
Reengineering in the post-modern world

- Hyper-competition
- Information revolution
- Rapid globalization
“From 1981 through the 1990s, Jack Welch focused on one area of business at a time…. Today, we don't have that luxury. If you have an eight-cylinder engine, you have to run on all cylinders; you have to have an integral model that would focus on all aspects of business in parallel and quickly.”

Dennis Donovan, Executive Vice President of Human Resources, Home Depot, April 2006
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Research overview

Sample companies

Some sources of information
- Financial data
- Interviews with executives
- Secondary research

Rapid Transformation
Research methodology

Analysis no. 1: Financial performance

Analysis #2: Critical Success Factors

Which transformations were successful? Which were failures?

- Model developed by a panel of experts
- Identified 11 key variables and metrics of success
  - Revenue, stock price, P/E, P/S, current ratio, return on equity, etc.
- Performance was assessed over a 3-5 year period
Research methodology

Analysis #1: Financial Performance

Analysis no. 2: Critical success factors

Why were these transformations successes? Why were they failures?

Key findings: critical success factors

- All-encompassing
- Integrative
- Fast
- Had full, passionate commitment and buy-in

Rapid Transformation
90 Days Transformation overview

- Pre-Transformation
- Phase 1: Diagnosis
- Phase 2: Envisioning the Future
- Phase 3: Paving the Road
- Transformation Implementation

90 Days Transformation
Pre-transformation

Goal: To create a platform for a successful transformation effort.

- Biggest challenge: convince people they need to change!
- Identify the need for a transformation
  - “Change before you have to.” (*Jack Welch*)
- Identify a transformation leader
- Create a sense of urgency
- Get some early wins
Cross-functional rapid response teams

Why are cross-functional teams so important?

- Give ownership to the company, not consultants
- Conduct parallel initiatives
- Harness all of the knowledge of an organizations
- Encourage communication
- Champion the effort
- Aid in and facilitate effective implementation
Phase 1: Diagnosis

**Goal:** To identify and analyze the problems plaguing the organization.

- Differentiate between symptoms and root causes
- Leave no stones unturned
- No sacred cows
Phase 2: Envisioning the future

**Goal:** To develop a high-level plan of addressing the identified problems.

- Identify “Big Ideas,” or mega-trends
- Is there a white elephant in the room no one sees?
Phase 3: Paving the road

Goal: To translate the high-level plan into detailed, actionable items.

- In preparation for roll-out and execution
- Clear assignment of specific tasks...
  - to specific employees,
  - within a specific timeframe,
  - and tracked by a point person.

Task List:
1.) Innovate.
2.) Achieve.
3.) Deliver.
Transformation implementation

Goal: To execute the plan.

- Biggest challenge: maintaining momentum
  - Be prepared for skepticism and criticism

- Keys to Effective execution include:
  - “Reward publicly, criticize privately.” (Jack Welch)
  - Measure and assess progress
  - Be flexible and Take Risks
  - Communicate clearly, frequently, honestly
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Critical success factors

- All-encompassing
- Integrative
- Fast
- Passionate buy-in

Successful transformational efforts
Critical success factors: Apple versus Sony

- All-encompassing
- Integrative
- Fast
- Full passionate buy-in

Apple

Sony
Critical success factors: HP versus HP

All-encompassing

Full passionate buy-in

Fast

Hurd

Fiorina

Integrative
Critical success factors: Nissan versus General Motors

- All-encompassing
- Integrative
- Fast
- Full passionate buy-in

Nissan

General Motors
VeriSign: Pre-transformation

Analysis and diagnosis

- Noted critical high-level changes
- Studied the basic financial health of the company

Vision for the future

- Identified key market growth areas
- Identified and assessed future leaders

Case example
VeriSign: Transformation team structure

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<tr>
<th>Team Leaders</th>
<th>~17</th>
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<td>Team Est.</td>
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Case example
VeriSign: Diagnosis

Key problems identified

- Vague strategy
- Lack of market segmentation
- Slow, even negative, growth
- Customer disconnect
- Poor integration with acquisitions
- Inconsistent processes
- No accountability

These are not isolated problems!
VeriSign: Recommendations

- Services and markets
  - Projects had to stay on track
  - Project/services rationalization
  - Market and portfolio team had to identify a new, high-growth market offering
  - New process funnel

- Human resources
  - New leaders
    - Mainly from inside, some from outside

- Communication
  - Develop a major PR campaign

Case example
VeriSign: Results

- Revenue grew from $400M to $600M in one year; over $1 billion in two years
- Market valuation increased from $3.5B to $6.5B
- Fastest growth company among existing high-tech firms
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Keys to a successful transformation effort

- All-encompassing
- Integrative
- Fast
- Have full, passionate commitment and buy-in, especially from the top
Rapid transformation: value added

- The Rapid Transformation model improves corporate transformation effectiveness because it:
  - Leverages synergies
  - Cuts costs
  - Shortens implementation cycles
  - Empowers employees
  - Pushes best practices down the organization

Key takeaways
Reflections of a transformation leader

It can always be done faster!

“I would have done it more quickly.”

Dave House, former CEO of Bay Networks