Healthy Futures GROUP

Assessing Readiness for Change:
Preventing Strategic Failure

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Trouble at Metro Urban Services

Don Forsythe's face said it all – Metro Urban Services was in trouble. Ron had only been Treasurer for a year, and he couldn't believe what he was hearing from Ray Darling, Metro's long-time Executive Director. According to Ray, the program's ambitious new strategic plan was already way off the mark in terms of its revenue generation goals. What Ray couldn't explain was how this happened. To Don, this was an even bigger problem than the potential $300,000 shortfall in Year 1 revenue that Ray was projecting as a result. He knew that Metro's future was dependent on being able to answer that important question.

So, how did this well-respected organization find itself falling so far short of its goals in such a short time? Was the plan itself inherently flawed? No. Was the organization's effort inadequate? No. Did some totally unforeseen set of circumstances undermine their success? No. Then what was it?

The Anatomy of Strategic Failure

In a nutshell, the answer was both simple and yet complex. The reason Metro Urban Services was failing was that its plan failed to address key 'readiness for change' issues necessary for its success. Let's take a closer look at what was going wrong.

One of Metro's traditional means of generating revenue to support it various programs was to sell used office equipment. They would collect these items from businesses, repair or refurbish them, and then sell them through several storefront retail outlets around the community, most in poorer neighborhoods. The cornerstone of Metro's new strategic plan was simple – they planned to expand dramatically this part of their operation. Given their past success in this area, they assumed they could triple – or more – the amount of money they raised through this endeavor, thus filling a growing gap in their steadily increasing budget. Their assumption, however, turned out to be wrong.

With the help of a team of consultants, they soon realized why this happened. First, their basic strategy failed to account for the changing reality of the used equipment retail market. They discovered, only after significant expansion funds were spent, that they were facing increased competition from a very successful private sector retail chain. This competitor – a company with a lot more experience and resources than Metro could ever muster, were not about to surrender market share to anyone, not even a well-intentioned charitable organization. Upon closer examination, the leaders of Metro's retail operation could see that their new strategy required a level of marketing and retail expertise that they simply didn't have. In other words, the requirements of their plan outstripped their capacity in certain key areas.

But, several other 'shortfalls' further compounded their problems. For example, their strategy was based on the assumption that certain key partners – like certain large companies that had regularly donated used equipment in the past – would support their expansion plans. This turned out to be overly optimistic, as companies held on to old equipment longer, and learned they could make money selling it to employees rather than giving it away for free.

Worse, though, was the unanticipated problem of internal resistance. It proved very difficult, for example, to gain the needed level of support from other Metro program leaders and staff for the initial redirection of resources required to underwrite the retail expansion.

And, in the end, they had to admit that the majority of their people – even at the senior management level – were doubtful that this strategy could meet the funding targets that were established for this new undertaking.

Clearly, this change initiative was doomed from the start. Sound familiar? Perhaps you've found yourself in a similar situation. You've come up with a new 'can't miss' strategy that you're excited about. Logic, timing – even early promising signs – all seem to be telling you to move forward. Sometimes you've even seen a similar plan succeed elsewhere. And yet, after weeks or months of real effort, your results fall short. And you are left with the same questions that faced Don and Ray. How did this happen? What exactly is going wrong? And, more importantly, can we fix it?

Preventing Strategic Failure

Perhaps an even more important question is 'Could this failure have been prevented?' The answer, based on the experiences of organizations like Metro, is clearly 'yes.' As Don, Ray and other key leaders discovered through their Readiness for Change assessment, the seeds of failure were sown early in the strategic planning process. What had seemed to be a 'guaranteed success' strategy was, in fact, just the opposite. The problem was that no-one had taken the time to assess the risk, or even to imagine the possibility of failure for that matter. As someone remarked during their sometimes painful discussions, 'It was like we set sail on a sunny day, with a brisk wind and a gentle swell, only to find ourselves swept up in a storm that now threatened to sink the boat. Had we checked the weather forecast, we would have known the trouble into which we were heading.

Actually, that's a great illustration of the key elements of assessing readiness for change. Before heading out to sea, there are several factors that must be considered in determining the wisdom of such an act: the weather and sea conditions, the seaworthiness of the boat, and the skill and attitude of the crew. Even moderately challenging conditions can prove difficult to manage in a sub-par boat with a crew that isn't working well together. So, if you want to assess your program's readiness for change, perhaps you should first look at these key factors before you 'set sail.'

In fact, a good place to start is with the whole area of vision. It's important to realize that just having a 'bright idea' isn't good enough – we also need the capacity to turn that idea into reality, and to follow through until we succeed. This realization warns us to be honest about the resources we have – and don't have – in relation to what it will take to succeed. Furthermore, a realistic assessment of our resources will make clear the importance of having, healthy, strategic relationships with people and organizations we can count on to help us deal with the challenges we're bound to face along the way. So, how can we translate these key insights into a concrete assessment of our readiness for change?

Assessing Readiness for Change

If you are interested in carrying out an assessment of change readiness, here are some questions to guide your discussions. These questions have been used successfully with a number of social service and program organizations like Metro Urban Services. Remember, though – the quality of the result you achieve will depend on the depth of honesty you bring to the task. There's no sense engaging in such an assessment if you have predetermined the outcome.

Competence

Are we pursuing the right strategy? To be 'right', a strategy needs to be built on sound principles and practices. But, it must also be congruent with the organization's mission, vision and values, and suited to the conditions under which it will be implemented. In other words, getting the strategy right involves both 'doing things right' and 'doing the right things.'

What Metro's leaders realized, for example, was that they had become too focused on the need to generate more revenue. They hadn't stopped to consider how their retail expansion strategy might actually undermine their other 'mission critical' work in areas such as youth employment and street outreach. They began to see that they were sending confusing messages to the community regarding what their focus really was. In terms of the changing conditions in their 'marketplace', they now realized that they were trying to expand their retail operations at the same time as a large national discount equipment chain was rapidly adding new stores throughout their community.

So, in fact, it was getting harder to succeed day by day, and the standard for 'doing things right' was steadily being raised. And, as they began to measure certain key indicators, they realized that their new retail outlets were being far less profitable than their established stores. Total sales were up, but sales per store were down, and costs were way up. On the cost side, both fixed costs (higher cost leases) and setup costs (hiring and training store staff) were higher than anticipated, for example. None of these had been anticipated, and certain indicators did not bode well for the future.

Capacity

Can we access the required resources? Developing a great strategy isn't a guarantee of success. Every strategy, from the simplest to the most complex, requires certain capacities be in place in order to implement it successfully. These capacities include people and non-people resources – everything from individuals with certain skill sets to facilities in key locations to key information. In short, capacity assessment involves identifying all of the key resources required for success, and their accessibility.

In assessing capacity, the leaders at Metro began to understand more clearly why their strategy wasn't working. For the retail expansion plan to work, there were three key capacities required – retail space, donated goods, and trained staff. And they had problems in all three areas. Retail lease rates were on the rise generally, but especially in the neighborhoods where Metro was competing with the discount retail chain for the available properties. This forced them into less-than-ideal space, where they still had to pay more than usual.

They also found it harder to collect an adequate supply of used goods, and their costs were going up there as well. Finally, they learned that they had underestimated the time and cost required to recruit and train store staff, particularly store managers, many of whom had to be 'borrowed' from established stores, causing staffing problems there as well.

Connections

Do we have healthy strategic relationships? Most strategies require people working together effectively for successful implementation. So, relationships are critical, especially ones that might be called 'mission critical partnerships.' Such partnerships can be internal or external, and breakdowns in these relationships can have disastrous consequences.

This is where 'the lights came on' for the Metro board and management team. They began by 'mapping' the key relationships necessary for their strategy to succeed. They soon realized that this was an area with a lot of 'broken' connections. For example, internally they found growing resentment from staff who were 'under the gun' to increase sales and donated goods at the same time as cutting costs, yet faced barriers that were not under their control. Job training staff also resented having to spend more and more time meeting the staffing and orientation needs of the retail operation, which took time away from their primary focus on youth employment programming. And, the recent round of layoffs in areas other than retail had further damaged internal relationships between program departments and between management and staff.

Externally, what was happening was not pretty. They had unwittingly set up an 'accidental adversaries' situation in relation to some of their long-standing agency partners, particularly those who were suffering from Metro's aggressive 'competition' in the used goods marketplace. The result was a noticeable decrease in collaboration on other key program initiatives.

Commitment

Are our key people committed to the undertaking? Of course, this begs the question, 'Who are the key people?' The answer is simple – a key person is anyone whose commitment to the success of the undertaking is critical to its achievement. With this in mind, it is important to understand the unique roles and contributions of every person at every level of the organization. It's also important to understand the difference between commitment and compliance, and to put the emphasis on the former.

As you can imagine from the analysis in the previous section, Metro had some major problems in the area of commitment. What was more disappointing, though, was that this had never been a problem before. As Don, Ray and others talked with more people over time, they realized that the changes they had initiated had begun to have a marked negative impact on Metro's culture. As targets were missed, there was more blaming and less 'ownership' of the problems and the process of finding solutions. More people talked about 'just doing the job' and 'staying out of trouble' – fewer spoke with pride and fulfillment about their work.

One discovery concerned them the most, however. In conversation with several management team members, it became clear that even those in leadership roles were having trouble maintaining their commitment to the new strategy. The reason for this was that Ray had been so focused on 'cheerleading' the implementation effort that he had made others uneasy about voicing concerns. They felt they had to make a choice – go along with the plan and keep quiet about their misgivings, or risk being labeled as disloyal and 'not a team player.' With this, the management team's capacity to learn was seriously compromised.

Confidence

Do our key people believe we will succeed? To return to the sailing illustration, the size of the waves coming at you is a function of both their actual size and your perception. If you see them as being manageable, there is more likelihood that you will respond in a way that makes them so. The opposite is also true. Confidence is a key measure of the likelihood that a person – or a whole organization, for that matter – will successfully meet the challenges it is facing. When confidence is high, bolder action is possible than when it is lacking. When confidence is low, it becomes important to start slowly, build momentum, and create confidence through a series of 'early wins.'

At Metro, the organization's overall confidence level was at a low point. Six months into the strategic change that was supposed to solve their financial problems, the situation was worse than ever. One management team member, when asked how confident she was in their ultimate success, summed it up well. 'I don't know whether we'll pull this off, and sometimes I feel like what we're being asked to do is to close our eyes, hold hands, and jump off a cliff together. I can only hope there's something soft to land on.' Not very confident, and that's at the leadership level. Imagine what they found as they worked their way through the organization to the front line staff.

Where to From Here?

It's been three years since Metro Urban Services 'woke up' to the failure of its strategic change initiative, and much has changed for the better in that time. To be sure, there have been some rough patches along the way. The negative impact their failed expansion did not go away overnight simply because they recognized the problems. But the valuable lessons they learned have helped them bring about a number of successful changes along the way. In place of their abandoned expansion strategy, they have shifted their focus to creating neighbourhood 'service centers', where well-staffed, well-stocked smaller stores also provide low-cost technical support for local small and home-based businesses, and share space with other neighbourhood social services. These added services – both social and business – help pay the rent and utilities costs, and the co-location of other social services has helped Metro to build key partnerships in the community by raising the profile of their 'good works.'

Perhaps even more important has been the 'recovery' of Metro's culture as a supportive, inclusive workplace – a place where people are honoured, the truth is 'befriended', and learning happens naturally. Many of the performance improvements achieved over the past three years have come from the 'front lines', with management's enthusiastic support.

Even more important, though, is the way Metro Urban Services now approach their future. Now, with any new venture, they carry out a rigorous readiness assessment at the outset, as part of the planning process. It's true that this has resulted in some 'bright ideas' being put on the shelf or discarded outright. But, when they do initiate a significant change, they do it with commitment and confidence that they will succeed.