



FROM CORPORATE NIMBYs TO MANAGEMENT PROGRESSIVES

3 LESSONS FROM AN ESSENTIAL TRANSFORMATION CHALLENGE

By IMD Professor Seán Meehan – January 2015

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Louis the High Performer

Louis, a 45-year-old chemical engineer, had been part of XySAX's amazing growth story for the last 20 years. The company, which produced and marketed chemical compounds to several industrial customer segments globally, had successfully weathered unprecedented market turbulence. Its finances were robust, its customers happy and its employees proud. Louis had risen to the senior ranks because he knew what mattered and how to get the job done. He had a tremendous grasp of his industry and the trends shaping it. He was passionate about XySAX's contribution to its tens of thousands of customers and the many times more end consumers they in turn served. As he saw it, XySAX's upside opportunity was huge. Louis was also respected. He was part of the in-crowd that would build on past successes and lead XySAX onward and upward.

Louis the Excited

The new CEO – an external appointee with significant public company experience – promoted Louis to the executive team with responsibility for innovation and business development. Louis would also lead the transformation program to prepare XySAX for its next chapter. This promotion brought significant financial and non-financial benefits for Louis, who was married with three children. The timing was fortuitous, as he had earmarked private schooling for his kids and would now be able to move to a nicer neighborhood.

Louis the Scared

The board and CEO expected XySAX's development trajectory to change. It was no longer enough to be a high-performing organization. In the "most likely" future scenario, success depended on the company being the undisputed leader in all the markets it served. Operational product development and production platforms, go-to-market approaches and internal processes were to become more integrated globally and more customer-oriented. The task was huge and full of risk. Louis understood the goal and why it was desirable. Yet in the face of this "opportunity" he was personally very scared. He and XySAX were doing well. He had made it to the executive suite. It had been a slog and he didn't want to throw it away. He felt there was probably a less radical growth path, which on a risk-adjusted basis should probably have had more airtime earlier in the strategy discussion.

Louis the Corporate NIMBY

***NIMBY** (an acronym for the phrase "Not In My Back Yard"), is a pejorative characterization of opposition by residents to a proposal for a new development because it is close to them. It often carries the connotation that such residents believe that the developments are needed in society but should be further away.*

On the face of it, Louis was absolutely the right kind of executive to lead the transformation. He had positional authority, his organizational knowledge was second to none, his achievements were respected and he was seen as a good guy. But although he had participated in the recent strategy discussions, he was uncommitted to the transformation. Deep down, he was concerned for his personal position. He felt that he could handle the change program operationally, but there were a lot of unknowns. There was a real risk of failure. If the assumptions about customers' and competitors' reactions to the new approach proved invalid, XySAX's short-term financial performance would tank and its strategic posture would be compromised.

For several weeks Louis put up a good show until the first semi-formal check-in with the board. They were all disappointed that more progress had not been made and gently probed Louis's commitment to the program. With the CEO's approval, one of the longstanding independent board members, Juan, a retired CEO of a major bank, a man with gravitas and poise, met with Louis privately. They quickly got to the heart of the matter. Louis liked the idea of the transformation. He liked transformation per se at some kind of macro level. He just didn't like its consequences. He personally had not been ready for the journey. He didn't want to lose what he had invested so much in getting. Juan, as kindly as he could, called out the problem—Louis was a corporate NIMBY.

In Juan's view, Louis and people like him had been entrusted on behalf of the organization with the privilege of a higher-order responsibility to navigate difficult waters by example. Yes, there was risk, but the goal was achievable with XySAX's bench strength and resources. Louis had a decision to make.

Louis the Management Progressive

With the benefit of the time-out, and having taken stock with his direct reports and his executive team colleagues in turn, Louis became convinced of the goal and the intended journey. With his CEO's support, he hit reset. Together, the transformation project team quickly revisited each step of the plan, its assumptions and resource requirements and timelines. They made several changes involving some non-trivial costs. Louis recognized that he should not see himself as some kind of top project manager. His main concern should instead be to engage the capable team around him—identifying residual NIMBYs and bringing them on board. The fresh discussions with his colleagues produced new and tremendously exciting customer insights which, if addressed systematically, would enable XySAX to leapfrog several competitors. Louis was now engaged enthusiastically as the champion of progress, the advocate of change and supporter extraordinaire of transformation.

Lessons from Louis

1] Eye on the prize!

Put the customer at the heart of the motivating strategic insight. When you set out on a transformational program with all the risks this involves, you need to see the point—the prize! This needs to be big. While it should be lucrative for your firm, that alone will not motivate the troops. To motivate the many people who will otherwise stay on the sideline, you need to show what all this does for your customer. When they are convinced of this, as Louis ultimately was, they come on board without reservation. Ultimately, big change is successful if it brings material extra value to the customer. The motivating strategic insight is precisely this: an opportunity identified ahead of the market that impacts customer experiences positively, leads to competitive advantage and positions you as “the best”. The insight, though, is perishable. If you don't pursue it with urgency and don't try to get there first, you'll fail.

2] Anticipate turf wars

Having the motivating strategic insight, even a highly exciting one, is just one of the elements required for success. We refer to transformations because the organization as it stands will not be able to capitalize on the strategic insight and capture the opportunity. Often the organization will need to change. The turf wars that arise when traditional roles and responsibilities need to be changed must be resolved quickly. It is not uncommon to see a reassessment of capabilities leading to changes in personnel, including departures.

To address the Achilles heel of transformations, urge your teams, especially business and functional heads, to adopt a customer perspective. Transformations should not be framed simply as finance, operations or marketing initiatives. Fully involve—but take an uncompromising posture with—existing heads and invest heavily in creating the best possible organizational solution to capitalize on the insight. Usually when the transformation is framed this way, those heads will not only be cooperative, they will be active advocates and will find a way to make the journey work. You should collaborate in earnest, like Louis eventually did, and listen hard to the concerns and challenges of your colleagues. Demonstrate that you're open to resetting, rethinking and taking a step back.

3] Be hard on yourself

As a senior executive, you need to be navigating a transformational journey. That's your added value, because simply running the business is probably something someone less senior but as operationally capable as you can do for a lot less cost. Dedicated C-suite executives, Vice-Presidents, and heads of major regions or business units—men and women like you with highly impressive résumés who are running their businesses well and hitting their numbers regularly—need to do more to secure the success of their company. Progress depends on fighting and breaking through the natural tendency to become comfortable and complacent. It requires a personal transformation from Corporate NIMBY to Management Progressive, pursuing continuous and motivating discrete transformational agendas.

What Louis said

Looking back at the journey that launched XySAX on its way to unrivaled industry leadership, Louis remains eternally grateful to Juan, the independent director. He needed someone to “call him out”. Throughout the journey, Juan, together with the CEO, gave him the air cover he needed to take risks and make mistakes. When I caught up with him last month, Louis told me that the age of

organizational transformations trumpeted from on high is over. We are in an era of constant change, he said. “It is the new normal and orchestrating it is fun”.

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This article is based on a true story. The executive’s name and company have been disguised.

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