



The New CEO's Challenge:
Readiness for Rapid Corporate Transformation
Gauging Your Organization's "Readiness" for Transformation

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No transformation challenge is greater than the one confronting you as a new CEO when you assume the mantle of executive leadership. Yet most CEOs only get one chance in their long careers to get this right.

From the moment their appointment is announced, new CEOs must quickly and simultaneously develop their plans for "taking charge" and for launching the next major phase in their company. The corporate transformation game plan they need to develop with their colleagues not only requires a re-examination of the company's business realities, corporate strategies, and guiding purpose; but quite often a re-shaping of its management process and culture, a fundamental re-alignment of the organization, and a re-engagement of its managers and employees.

Gauging Transformation "Readiness"

When rising to such a career-and institution-defining challenge, it is critical for you to be able to accurately gauge your organization's **readiness** to move forward boldly and rapidly before developing your transformation game plan. This starting point begins with recognition of the existence of embedded "Inhibitors" in your organization, which although benign in their effects during steady state conditions, become major impediments to transformative change. Indeed, when it comes time for you to "take charge," any one of these Inhibitors can derail the whole effort if left unattended.

The Transformation "Inhibitors"

Six embedded Inhibitors will likely be encountered in any CEO-led corporate transformation attempt. Five may be expected to emerge during your planning and launch stages and a sixth will appear at predictable waypoints during your first year of execution. Each will need to be anticipated, engaged and overcome. This is a major role that you and your supporting cast will need to play very well.

Inhibitor #1: Cautious Management Culture

"Executives keep their heads down, protect their business and try to avoid big mistakes by



When the call for transformation first goes out, managers and employees are usually immersed in activities that reinforce the existing business model. People are engaged in a deep routine of doing their own thing, supporting their own slice of the organization and getting rewarded for it. There initially is no incentive to speak out with big, bold ideas to support the new transformation challenge. Contributing to this initial pattern of avoidance is fear about the unknown, the unproven and the incomplete.

Managers and employees will have arrived at this moment of transformation launch by successfully mastering the competencies required by the business model being replaced. Finally, most employees will have seen managerial initiatives and mandates come and go; so there will tend to exist at the moment of transformation launch a vein of uncertainty that runs throughout the organization about the leader's commitment to stay the course. All of these elements contribute to cautiousness in the management culture about signing on to the CEO's new transformation agenda.

Inhibitor #2: Business-as-Usual Management Process

“Day-to-day management processes are already overtaxed and there's no room for anything new or different.”

Any attempt to plan and launch the next phase in an organization within the existing day-to-day management process will receive short shrift because the agendas of all those routinely scheduled meetings will already be overcrowded. Indeed, you will always find executives waiting in the hallways, just hoping to get in for five minutes to present their ideas. The business-as-usual management process also is typically preoccupied with incremental improvements and quarterly plans and reviews; not new directions or breakthrough results. Attention to a new transformation agenda or initiative will be deferred until someone has come up with the “perfect” new model. Finally, within the existing business-as-usual process, only a few executives will be intimately involved with the CEO in planning the transformation and in defining its major initiatives. Hence, when it comes time to implement, the rest of the senior executives who have been in the dark will cast large shadows over their parts of the enterprise, leading to misunderstanding and misalignment down below during execution.

Inhibitor #3: Initiative Gridlock

“Too many separate initiatives are being thrown at the organization and its people at the same time.”

In most organizations over time you can witness the accretion of layer upon layer of initiatives. Sometimes this happens because of the proliferation of well-intended, but uncoordinated functional initiatives, in which each department attempts to drive improvements from its perspective throughout the enterprise. In other instances, initiative gridlock emerges because the CEO lacks the courage to focus his or her organization on a few important initiatives to achieve early returns, learn from mistakes, shed outmoded projects, and redouble the effort behind the initiatives chosen to achieve breakthrough results. The consequence is task overload throughout the organization. This is the typical environment into which a CEO's new transformation challenge dumps yet another set of initiatives on top of many existing ones, creating widespread gridlock.

Inhibitor #4: Recalcitrant Executives



“Some executives remain unconvinced and uncommitted regarding the CEO’s transformation agenda.”

Protracted tolerance of nonaligned, uncommitted or incapable leaders can most certainly derail any corporate transformation attempt. This is particularly the case for very senior executives who hold sway over large parts of the enterprise and whose skills at their advanced career stage may sometimes be out of sync with those required by the CEO’s new transformation agenda. Many of these key executives will be loath to alter the regimes they are already pursuing in the part of the organization for which they are responsible. They may resist requests by the CEO to re-allocate resources to help un-proven or underperforming units develop; ones that may be better aligned with the transformation agenda. Finally, conflict avoidance on the part of some CEO’s may cause them to allow recalcitrant executives to persist in their traditional ways and thereby undermine the organization’s transformation progress.

Involving all members of the senior leadership team in tackling the first three Inhibitors can help many initially reluctant executives find a way to not only come aboard, but actively champion the new transformation agenda. So don’t try to take on Inhibitor #4 fully before you’ve worked with your senior team through the first three Inhibitors. The sequence by which you engage and overcome each Inhibitor is important for transformation success.

Inhibitor #5: Disengaged Employees

“Employees are always one big step behind leaders, putting the organization out of alignment and leaving employees disengaged.”

Employee disengagement is a primary reason for corporate transformation failures; so it is important for a CEO to address this Inhibitor before moving forward into execution. What do you see when you encounter disengaged people? Disengaged managers and employees do not understand the need for transformation. They do not grasp the new strategy and corporate transformation agenda. They may work hard, but do not know where to best focus their efforts. They don’t believe they will be rewarded for their mastery of new behaviors and skills required by the transformation. Finally, they do not know how to lead the transformation at their level in the organization.

Inhibitor #6: Loss of Focus during Execution

“Just when the transformation effort seems to be taking hold, execution hits another slump in momentum.”

By the time your transformation process shifts into the execution phase, some of your executive leaders may have become lulled into a state of exhaustion. They may wish to think that all that positive energy and intense focus achieved during the planning and launch phase will automatically be transferred and sustained during the execution phase. Falsely reassured, such leaders all too quickly delegate the transformation oversight and follow through to others before moving on to other novel challenges. Such leadership behaviors are in direct contrast to what is actually required during the first year of execution.

During the first full performance year under a new transformation game plan, you can expect to encounter no less than three predictable “slumps” in energy and focus during the execution



phase, which if unanticipated and unheeded can derail the transformation effort -- just as surely as any of the five Inhibitors encountered during the planning and launch phases.

The first predictable slump is the “Post-launch Blues,” which involves a desire on the part of leaders to relax immediately following a bold launch. After several months of distraction from their involvement in transformation planning, some executives reach their limit in being able to juggle their responsibilities for planning and launching the transformation while running their part of the day-to-day business. So, you are likely to hear something soon after launch like, “Hey, we’re over the hump!” For many this will signal their return to business as usual, which everyone in their part of the organization will surely notice and imitate.

The second predictable slump, “Mid-course Overconfidence,” will emerge about half way or two-thirds of the way through the first performance year. By that time, the transformation vessel will have cleared the harbor, many important things will appear to be on course, and the tendency will be to set the sails, lash down the tiller and sit back to enjoy the smooth sailing. This kind of early complacency can sap important energy and focus that are so critical to keeping the transformation momentum on pace and on course.

The final predicable slump comes near the end of the first performance year. Called the “Presumption of Perpetual Motion,” this slump is based on the belief that by year-end things are progressing so well that there is no need to re-examine, re-plan and re-launch the effort at the beginning of the next performance year. Of course, nothing could be more ill-advised.

Readiness to Launch Accelerated Transformation

How important will it be to deal with this Inhibitor in launching a transformation in my organization?

The Six Inhibitors		Irrelevant	Not Very Important	Somewhat Important	Important	Critical
Cautious Management Culture	<ul style="list-style-type: none"> • Deep routine of doing one's own thing and getting rewarded for it • Often working very hard on existing business model • Fear of the unknown, unproven and incomplete • Uncertainty about leader's commitment to stay the course • Little incentive to speak out with big, bold, new ideas 	1	2	3	4	5
Business-as-Usual Management Process	<ul style="list-style-type: none"> • Attempts to plan and launch the next phase within the day-to-day management process, whose agenda is already overcrowded • Only a few executives involved in defining the major transformation initiatives • Preoccupation with incremental improvements; not breakthrough results • Waiting for the perfect new business model 	1	2	3	4	5
Initiative Gridlock	<ul style="list-style-type: none"> • Lack of courage on the part of leaders to focus their organization • Layering one initiative on top of another • Uncoordinated functional initiatives • Not staying with an initiative long enough to achieve early results and learn • Feeling of task overload in the organization 	1	2	3	4	5
Recalcitrant Executives	<ul style="list-style-type: none"> • Protracted tolerance of nonaligned, uncommitted or incapable executives • Conflict avoidance by the executive leader • Reluctance of executives to re-allocate their resources to support the transformation agenda • Anxiety about personal competencies needed to perform 	1	2	3	4	5
Disengaged Employees	<ul style="list-style-type: none"> • Employees do not understand the need for transformation • They do not grasp the new strategy and transformation agenda • They may work hard, but are not sure where to focus their efforts • They do not know how to lead the transformation at their level in the organization 	1	2	3	4	5
Loss of Focus During Execution	<ul style="list-style-type: none"> • Desire to relax immediately following launch of new initiatives • Tendency to put everything on auto-pilot once things appear to be on track • Belief that things are progressing well, with no need to re-plan and re-launch at the beginning of the next performance year 	1	2	3	4	5

Source: Robert H. Miles, "Accelerating Corporate Transformations - Don't Lose Your Nerve!" Harvard Business Review, Jan-Feb 2010.



Knowing the magnitude these Inhibitors in your organization is the first step in engaging and overcoming them. Developing a corporate transformation game plan that takes each of them into account will make all the difference in your success in these fast-paced, disruptive times. This is a perspective and a skill set that all CEOs, general managers and senior human resource leaders must master to be successful in leading rapid corporate transformations.

SOURCE: This article was adapted from Robert H. Miles, “Accelerating Corporate Transformations — Don’t Lose Your Nerve!” Harvard Business Review, January-February 2010. For more information about the author’s Accelerated Corporate Transformation methodology, please refer to Robert H. Miles and Michael Kanazawa, *BIG Ideas to BIG Results: Accelerating Corporate Transformations in a Disruptive World*, Second Edition, Pearson, 2016.



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