Successfully shifting mind-sets to accelerate performance

What's most often missing when leaders develop and implement new strategies? Mind-set change at every level of the organization.
A few fundamental tactics can help leaders create lasting mind-set shifts to accelerate growth.

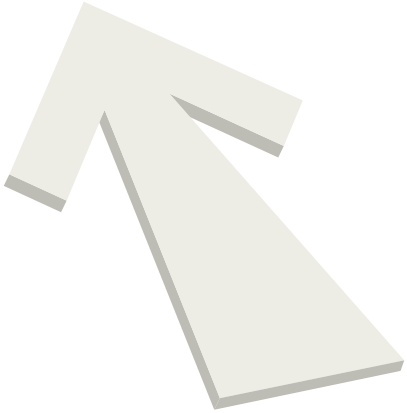
Corporate leaders spend much of their time seeking the right strategies to grow and adapt to changing conditions. As more and more data has become available and it's become ever faster to analyze it, strategic planning and implementation are both often driven by deep-dive analytics. However, no matter how well informed and logical their plans, corporate leaders' efforts to grow market share, increase efficiency, and innovate often fail to reach their full potential. What's missing? Very often, in our experience, it's the lack of a link between an innovative plan and the mind-sets of people within the organization. Mind-set problems are often described as resistance of lower-level employees to change how they work, but, in fact, rigid mind-sets can derail progress at any stage, starting with leaders not thinking to ask innovative questions of their data.

Indeed, because mind-sets aren't easily quantifiable, they are too often ignored in strategic planning. The result is that, by one estimate, 70% of change programs fail to achieve their goals, in large part due to employee resistance.[1] This is consistent with our own experience.

However, when changing mind-sets is part of the approach—from the early stages of planning and piloting through the rollout of changes across the organization—results are very different. Indeed, through our research and work with clients, we have developed a set of practices that help leaders best plan for, support, and reinforce positive behavior change as part of strategic change. When companies get this right, we repeatedly see them shift mind-sets and meet—and even exceed—strategic goals within cost and time expectations.

1. Carsten Tams, "Why we need to rethink organizational change management," *Forbes*, January 26, 2018, forbes.com.

Why mind-sets matter at the outset



What is mind-set change? It is, fundamentally, a new way of thinking about problems. It breaks down existing institutional constraints to problem solving, invites a fresh creative approach, and underlies behavior change.

A Fortune 500 national telecommunications firm, for example, was struggling to build its market share in a major city. Over several years, the company had made significant investments in both fiber broadband technology and personnel. It advertised heavily in the area, sponsoring arenas, local events, and charities. However, its market share remained stagnant, at 22%, a distant second to its biggest competitor, which held a 65% share.

The company did face one clear competitive disadvantage in that the market leader had a well-advertised relationship with a content provider, which allowed it to give customers free channels and streaming services, while this company did not have such a relationship.

Furthermore, the company's leaders were well aware of a second problem: a reputation for poor customer service. But, leaders thought, their competitors were no better. That's just the way it was, and this problem, leaders thought, should be manageable with advertising to help shift perceptions.

For more than 18 months, the company's leaders tried everything they could think of—within these mind-sets—to increase market share to their goal of 35%, which would have been enough to recoup the costs of its investments in technology and personnel. Nothing worked. The leaders were flummoxed.

In a last-ditch effort, they launched a rapid intervention to change the way they were thinking about the problem, to see if they could devise any new ideas to try—without spending any more on technology and without cutting prices. In order to have the campaign designed by the people closest to the issues, leaders assembled a cross-functional team of staff from across the company, from marketing, pricing, technology, operations, customer service, and even people who answered the phones and drove a repair truck.

It quickly became apparent that the root of the problem was in how the company was approaching the market. It was simply applying national, top-down approaches that did not meet the specific needs of the people in this particular city, which has large student and retiree populations. And because of the company's decades-in-the-making reputation for poor customer service, its advertising was having only a negative effect because it reminded people of their bad experiences.

Once the company's leaders realized how a mind-set focused on the national, advertising-driven approach was holding them back, they were able to hatch a new strategy incorporating two approaches that had never been seriously considered before. The first was to revise customer experience for the target population to be able to promote the brand as a customer service leader. To reach this goal, the company needed to cut down its service lead time from several days to same day and to transform its customer service standards. Second, based on the interests of the student population in particular, they decided to try to turn their lack of a relationship with a content provider into an advantage, by promoting (through advertising) cutting the cord, highlighting that it was now easier for clients to set up streaming services on their own and cut their bill in half.

Within 60 days, the company launched a pilot program centered on these ideas. Results were nearly instantaneous: within a month, cancellation rates in the pilot area dropped from 25% to 7%, and new customer sales increased 175%. Pilot sales were set to eclipse not just the original goal of 35% market share but an audacious goal of 51% that had been set during the pilot planning process.

After piloting for just a month, the company rolled out the new approach across the entire city, and after two months, its market share went from 22% to 30%. After four months, it crossed 35%, and it was over 50% by the end of 2019.

This rapid success highlights the power of mind-set change. This business already had—on paper—all of the essential components for success: technology investment, experienced personnel, and financial might. But it faltered until its people were encouraged to think differently about its products, its problems, and potential solutions and then engage with the change.

Getting started with successful mind-set change

Taking a step back, the preceding company example highlights a few principles that we have found to be consistently useful in our work. Before a company can develop specific plans for change, its leaders must know where they want to go and face the facts about where they are today.

Leaders must start by defining their company's future goals. By this, we don't just mean a big strategic goal, such as the telecom company's shift from merely recouping its costs with a 35% market share to becoming the market leader with a 51% market share. We also mean that leaders need to define what they want their culture, operating model, and structure to look like to enable them to reach that business goal.

Next, leaders need to understand what existing strengths they can leverage and what they need to change. This is often much harder than setting goals, because it requires an honest look in the mirror, during which leaders must address some fundamental questions that go straight to mind-sets:

- What changes in our own assumptions do we need to make to develop a strategy that will meet our goals?
- What changes in behaviors do we need in order to implement desired practices?
- What changes in mind-sets do we need in order to achieve sustainable changes in behaviors?

A Fortune 100 financial services organization with over $1 trillion in combined assets under management offers a good example of addressing these three areas. The firm had been steadily losing annuity assets. In fact, when customers were retiring, 84% took their assets from this organization and invested with another financial institution or on their own. Despite two years of investigation and constant fiddling with its annuity products and promotional materials, the company's leaders still could not figure out how to stop the withdrawals.

But rather than staying stuck, the company's leaders made a mind-set shift. They put together a team composed of cross-functional and frontline experts and set a big goal: to increase annuity retention by 25%. The team was encouraged by the company's leaders to analyze how to get there as if they were starting from scratch, unencumbered by legacy structure, model, or mind-sets.

The team found that when new retirees called in to ask questions about their retirement accounts, the company's representatives were ill equipped to answer them, and that alone was what drove a significant portion of retirees to move their funds. So the team determined that the company needed an updated service delivery model for selling and servicing annuities.

Ultimately, the company launched a pilot during which customers with specific questions were routed to relevant experts, such as a dedicated income specialist, people with expertise who existed in the firm but had not been dedicated to this purpose. This appeared to increase customer confidence and desire to keep assets with the firm. Within a few weeks of launching this pilot, along with a few other changes, the firm's 16% retention rate rose to meet the 25% target, and more than two-thirds of calls led to an in-depth discussion of annuities, another key metric. Additionally, the firm saw increased annuity starts of 25% in the first full year after launch, and it soon rolled out new practices across the organization.

Moving toward organization-wide change

With a vision and pathway determined, and a successful pilot to roll out, leaders may be lured into believing that most of their work is complete. It is not. Scaling from a pilot to a successful organization-wide transformation can require reshaping the entire organization and its culture. Without shifting mind-sets throughout the organization, the other changes are far likelier to fail to take root. There are several interlocking steps leaders can take to best plan a successful rollout.

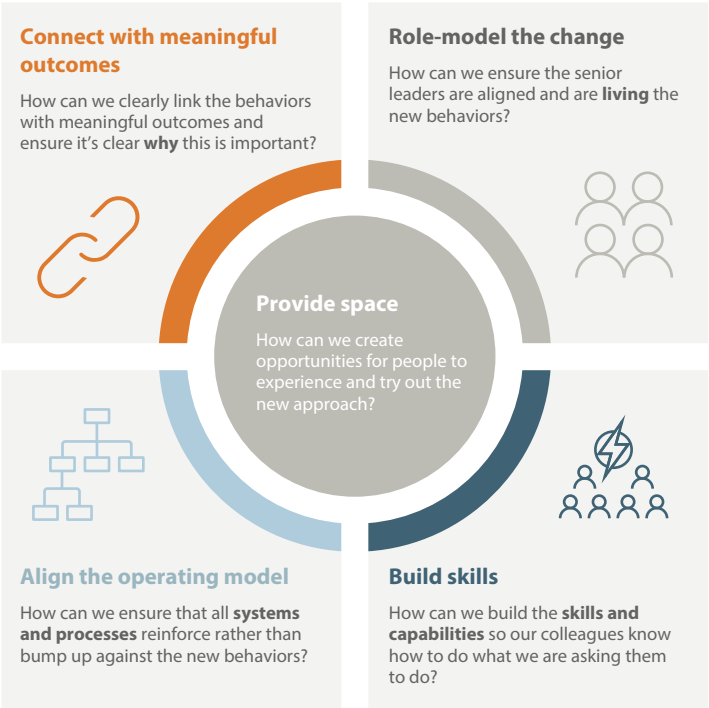
Align the operating model

A first step in creating lasting change is developing the supporting structure for the change to happen, which may require rearranging operating models and processes and devising new performance metrics and reward systems.

For example, consider a FTSE 100 global financial services business. The company was succeeding in top-line premium growth of personal lines risk, but its expense ratio was not competitive, because per-policy operating costs were too high. Additionally, its market share had been flat for years. Leaders set a goal of increasing market share and lowering operating expenses, without spending on new technology.

With no new technology investment, change had to come from the workers and their processes. Most were skeptical it could be done. The company was structured into silos, each of which felt it was already running at maximum efficiency. However, with a big goal in front of them, a cross-silo team of senior managers and

Shifting mind-sets for organization-wide change



frontline staff shifted to a mind-set in which changes to legacy functionalities were not only necessary but also possible. They developed a pilot that demonstrated savings of 19% and return on investment of 10x on the project, with no significant IT expenditure.

The pilot's success built support for rolling out broader change, including two significant operational changes. The first was a change in which policies to underwrite, because, at the time, the company was underwriting all kinds of policies that it wasn't going to issue. So the firm instituted a new decision-making process to ensure that only policies it was willing to issue were underwritten. This eliminated unnecessary data entry and freed up the frontline staff to take on more varied tasks.

Another change was in how the remaining underwriting was done. The initial work was traditionally taken in by a central team, then sent to a lower-cost outsourcer for processing, and then sent back. But as it examined its entire approach to underwriting, the firm found it was actually more time-consuming to prepare the data, send it out, receive it back and reexamine the case, and then underwrite it than it was to process the work all by itself at once. This solution promised significant efficiencies and cost savings—but would require the teams responsible for the processing to be willing to adapt their workflow and capabilities.

Get buy-in for broad change

Indeed, at this stage, any change strategy will require most or all workers to adjust a part of their daily practice. And this is where many companies see their change programs falter. Naturally, workers tend to be reluctant about changes to their workflow. They may be confused about the benefits and wary of negative impacts. When workers are connected to how the planned change will make a difference, however, their commitment and buy-in will be stronger. So leaders need to take several additional steps in parallel with structural change to embed mind-set shifts throughout the organization.

Connect with meaningful outcomes

Because people are averse to loss and change, motivation and communication are essential to support behavior change. This works most effectively when workers are given a degree of control over events and some certainty of the outcome.

When companies undertake approaches like those we've described—using cross-functional, cross-seniority teams to develop innovative pilots—it gives leaders a running start in making an effective case for change. One reason is that when frontline staff are involved in planning change, other frontline staff often have more faith in what's proposed. Even more important, starting with pilots that can showcase success gives managers and staff across the company more confidence that changes will lead to a positive outcome, making change less of a leap of faith and more of a logical and data-driven next step.

However, change is also an emotional journey. Even proven ideas won't resonate with everyone. So another important way to connect with meaningful outcomes in an organization-wide rollout is to give staff the opportunity to understand and even co-create the mind-set change leaders are asking for.

Successful pilots, therefore, can not only suggest broader operational changes but also often mean that attitudes have begun to change.

Role-model the change

"Do as I say, not as I do" has never been a particularly successful approach. To effectively change behaviors, leaders must not only articulate direction but also show their workers how to change by shifting habits themselves.

A good leader will also hold everyone to account, lest the change derail. Rather than simply policing, however, leaders are more successful when they can develop and role-model nudges and incentives that can help shift habits. And when leaders don't change, even the most initially successful pilot can falter as it's rolled out.

Provide space

Despite leaders' best efforts, they must accept that people may simply choose not to engage in the change. This is sometimes an informed choice, but just as often it is driven by confusion and miscommunication.

So leaders must give workers the time and space to understand what is being asked of them and to experiment with what the change could look and feel like for them. Even the most effective pilot, created by peers, won't have the same effect as allowing time for individual workers to see the positive outcomes of change themselves.

This can add some time to the rollout process, especially if substantial friction comes up, but in our experience, allowing that time and developing additional specific interventions to provide space can make a big difference in creating lasting mind-set shifts.

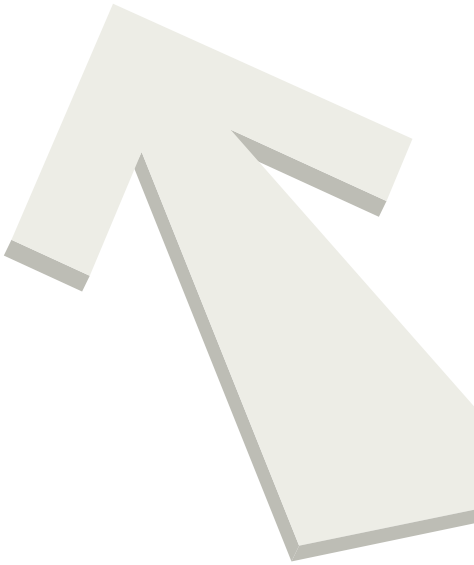
Build skills

A final step in rolling out change, which supports both mind-set change and new operating models, is to build skills that enable staff—both senior and frontline—to adapt to the new workflow with confidence. Early on, leaders will have assessed where the organization is at a high level, but as they roll out the change more broadly, they will need to assess the existing skills and capabilities and development needs at much deeper levels, down to individuals. In addition to training, leaders may find that some workers can be moved around to fill missing capabilities; the company may also need to hire. As current employees build confidence and those with new skills make connections, all employees' confidence in the success of change typically improves.

In hindsight, many of these mind-set changes can seem obvious. But whether they were made by leaders or frontline workers—or both together—making a radical break from normal approaches and day-to-day solutions takes real, conscious effort. Taking the time to do so is central both to creating innovative change and to implementing it for the long term.

Leaders can most effectively create and implement a new strategy by starting with taking a step back, to take a fresh look at their organization's core problems, imagine how they could solve them if they had no legacy barriers, and develop an understanding of the gap between where a company is today and where it can be in the future. Piloting new ways of working, not only to test solutions but also to build confidence that will support broader change, is the right next step. Finally, leaders must thoughtfully develop long-term organizational and business model changes, and make the time to take proven steps—from role-modeling to building skills to communicating outcomes effectively—to create positive mind-set shifts, and lasting performance improvements, across their organization.

To read in detail about one company's success in shifting mind-sets, see "Case study: Remaking a restaurant chain," on heidrick.com.



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