

Super Projects:

Lessons from large
transformation

FEBRUARY 2024

Martin Reeves:

Martin Reeves is Chairman of the BCG Henderson Institute, BCG’s think tank dedicated to exploring and developing valuable new insights from business, technology, economics, and science by embracing the powerful technology of ideas.

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Martin is a regular contributor to HBR, MIT SMR, Fortune and other management journals on business strategy and management.

Facing unprecedented disruption, large companies face an imperative to transform more frequently than before to remain relevant in the market.

At any point in time, about a third of all public companies have a multi-year performance degradation pattern. BCG looked at around 2,000 cases of large-scale interventions used by companies to try to reverse the decline. Only 25% of the companies studied regained sector median returns within five years. The opportunity cost of failure to do so was about eight percentage points of total shareholder return per year for up to 10 years - roughly the company's enterprise value.

“I think we've got firm statistical and case evidence that we can do much better by adopting an evidence-based approach to change.”

- Martin Reeves

01 DETERMINANTS OF SUCCESS

Among the companies that grew after announcing large-scale projects, the short-term value was created by an increase in the share price triggered by expectations of success. Longer-term value was created first by cost reductions after about a year and by revenue growth a few years later.

These companies had three main things in common:

A long-term orientation

Companies went beyond urgent financial interventions to focus on long-term competitiveness and growth. Often indicated by investment in R&D during the transformation and strong, future-focused semantics in their investor language.

A CONVERSATION BETWEEN:

Jonathan Craig

MD, Head of Investor
Services & Marketing,
Charles Schwab

Tara Frenkl

SVP, Head of Oncology
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Guillaume Gerardin

SVP & General Manager,
Printing Supplies, HP

David Gorgas

Former VP, IT & Digital
Strategy, Cogeco

Nadine Hall

Apparel / CPG Executive
(Formerly Hanes)

Amanda Helming

Former CMO, UNFI

Jennifer Hunter

Chief Sustainability
Officer & SVP, Corporate
Citizenship, Altria Group

Katrina Lindsey

Chief Legal Officer and
Corporate Secretary,
Casey's General Stores

Alejandro Messmacher

CFO EMEA and LATAM,
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Esthera Sturz

VP, Strategy & Planning,
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Ann Tracy

Chief Sustainability
Officer, Colgate-Palmolive

John Volpini

VP of Distribution, Sallie
Mae Bank

Leadership commitment

Successful transformations require low resistance to change; if people can't adapt, it may require replacing them. Among the companies studied, the odds of a successful transformation increased if there was a senior leadership change, especially if some new leaders were from outside the organization.

Formal change

A systematic program for change proved more successful than an informal approach. This included elements such as creating a transformation office, appointing a head of transformation, restructuring costs, and investing in the change process.

02 SUPER PROJECTS

Large-scale, complex projects share a central paradox: they require great ingenuity while at the same time needing extraordinary control and coordination.

To balance them, successful projects used the following six principles:

Heroic goal and narrative

The initial plan is likely wrong because it has never been tried before. A heroic goal is a surrogate for a plan when you can't be precise. It helps to coordinate efforts and motivate people to go the extra mile to overcome uncertainty.

Evolvable plan

The initial plan will change. Regular cadence points are needed to communicate where the plan was revisited and how teams should adjust.

FURTHER READING:

Evidence based change

[The Truth About Corporate Transformation](#)

Super projects

[Making Corporate Change Work: Lessons from Superprojects](#)

[Directing Corporate Change: Insights from Moviemaking](#)

Imagination

[The Imagination Machine](#)

Strategy and story

[Your Strategy Needs a Story](#)

Imagination

[Your Strategy Needs a Story](#)

Ambidexterity

[Your Strategy Needs a Strategy: How to Choose and Execute the Right Approach](#)

Embracing optionality

The more difficult the goal, the more likely that any particular attempt will fail. Companies must be comfortable with redundancy and create multiple fallback options.

Low complexity

Without intervention, complexity increases in organizations and projects. Companies should have a process to remove processes. Regular reviews can help to counter the creep in complexity and return the project to its essential elements. Additional unavoidable processes or steps should include a clause for when they must expire.

External mobilisation

Companies must avoid the tendency to become internally focused when under pressure. They should keep part of the energy facing outwards to preempt social and legal ramifications that may slow the project down.

A regular drumbeat

The complexity of large projects creates multiple opportunities for people to want to slow down. Teams should commit to a regular cadence of progress to create a culture ready to make risky decisions based on the best available information at the time.

03 STORIES OF SUCCESS

The design of the transformation strategy is built around the plan for change and its goals, cadence, and metrics. Yet, the implementation of the strategy relies on people. For them to successfully execute the strategy through to its end, they need to:

1. Know what the strategy is
2. Understand their role in the strategy
3. Feel driven to act upon the strategy
4. Have a sense of ownership of the strategy

To achieve this, companies must understand that the transformation strategy is in itself a great story. It has the starting point of the hero's humble beginnings, where they don't have the information or skills they need to reach their fairytale ending. Along the way, they will face many obstacles and perhaps need to defeat a demon, such as competition or regulation, to achieve their goal.

While companies measure the success of a strategy through metrics, they need a captivating story to drive the characters that will implement it.

04 STRATEGIC AMBIDEXTERITY

Only about 3% of companies can both innovate and execute better than their competitors. Companies that achieve this 'strategic ambidexterity' do so by encouraging multiple cycles of innovation and execution.

They modularize their project and after executing one module, addressing the challenges and making changes, they converge around the core strategy again. They marry creativity and execution in multiple short learning cycles.



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Members participate in virtual meetings to gain insights, approaches, and tools to tackle their most pressing leadership and business challenges, while also developing valuable peer networks for the future - all to accelerate organizational performance and achieve their business objectives and professional aspirations.

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