Model Overview

The 90 Days Transformation Model

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A 90-Day Plan for Fast and Effective Change

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Model Overview

The 90 Days Transformation Model

A man who does not plan ahead will find trouble right at his door.

—Confucius

Companies need to constantly reinvent themselves to remain competitive in today's world. However, they don't need to keep reinventing the wheel. The 90 days transformation[1] model provides companies with a framework with which to transform themselves in order to stay ahead of the curve.

In the introduction, we described how change efforts have evolved, and how transformation efforts provide significant leaps in improvement as opposed to the incremental change that occurs daily in an organization.

In this chapter, we revisit the critical success factors, look more in depth at the general 90 days transformation model, examine why it's effective, and meet six companies that used the 90 days model.

CRITICAL SUCCESS FACTORS REVISITED

Through an extensive and intensive analysis of transformation efforts, we identified several critical success factors that differentiated between successful and failed transformation efforts.[2] In particular, successful transformations had the following characteristics: (1) all-encompassing, (2) integrative, (3) fast, and (4) had full, passionate commitment and buy-in, especially at the top layers of the organization (see figure 1-1).

- ***All-encompassing.*** In their transformation efforts, successful companies first and foremost looked at and analyzed all aspects of the company, looking under all the rocks and leaving no stones unturned. As General Electric's Donovan mentioned, all eight

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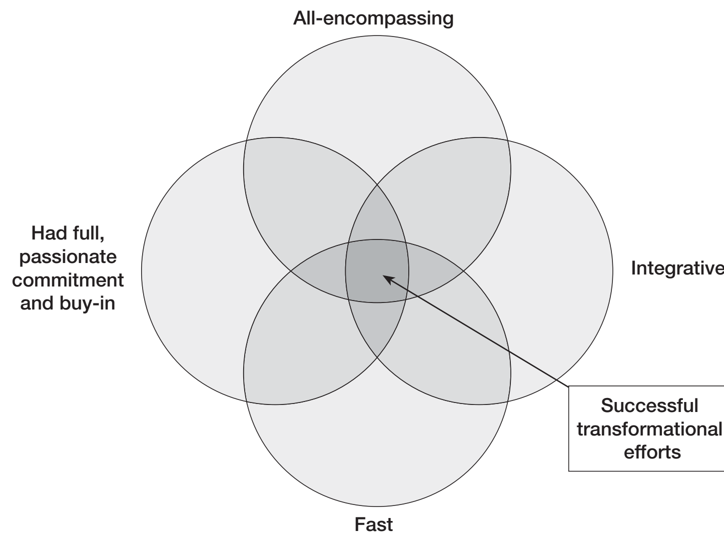
cylinders of an eight-cylinder engine must be used—no longer can companies afford to use only one cylinder at a time.

- ***Fast.*** By using all eight cylinders at a time, companies reduce downtime and hand-off periods. Successful companies engaged in all their efforts in parallel, looking at everything at once.
- ***Integrative.*** Successful transformation efforts also integrated and synchronized various functions and processes within the organization to take advantage of the cross boundary synergies in parallel.
- ***Had full, passionate commitment and buy-in.*** While complete buy-in is important at all levels of the organization, it is especially critical from the top. Lack of buy-in at the top level may, in fact, impede the transformation effort by stalling it and creating, rather than removing, obstacles.

We found that most successful transformation efforts fully embraced all these critical success factors, while failed efforts typically lacked at least one, though often more, of these factors.

FIGURE 1-1

Critical success factors



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CRITICAL SUCCESS FACTORS APPLIED

Having seen the critical success factors, let's now look at how these critical factors are applied and how they affect the transformation effort. Their power can be seen in particular by comparing companies that used them and companies that didn't. Specifically, the dyads we will introduce here are companies that are comparable in many ways.

Apple Versus Sony

Sony's transformation efforts from 1999 to 2003 were almost exclusively targeted at improving operational efficiency, cutting costs, and implementing a new organizational structure across the organization. These initiatives were purely internal-facing—none of them was visible to the consumer. In contrast, in addition to streamlining its operations, Apple in 1997 implemented a new product line strategy and focused on developing exciting and innovative new products. Furthermore, Apple rolled out a series of impressive advertising campaigns that managed to rekindle the interest of consumers and revive Apple's brand message. As Board Member Gareth Chang of Hughes International wisely stated, "We forgot sometimes who pays the bills—it's the customer who pays the bills."[3] Thanks to these customer-focused initiatives, Apple was able to rectify its situation; Sony did not (see figure 1-2).

At Apple, the leadership was completely overhauled with a new CEO and board of directors, bringing not only a new energy but also a new sense of direction and focus for the organization. Steve Jobs, considered the heart of the organization, was warmly welcomed back to lead Apple. His return alone was enough to inspire Apple's customers and employees. This kind of fresh perspective can be essential for building buy-in and shaping the transformation. At Sony, the leadership situation was very different. The CEO, Nobuyuki Idei, was a long-standing presence in the organization, and although Howard Stringer was recruited in 1997 to be the CEO of Sony Corporation USA, he had no direct power—until 2005 when he was named CEO of Sony Corporation—and was controlled by Idei. This situation, coupled with the Sony leadership's lack of charisma, stifled the energy that was needed to implement a successful transformation. To make matters worse, when Stringer entered his new leadership role his credibility was immediately questioned, because his background did not match the strong engineering and technical tradition that was at the heart of Sony.

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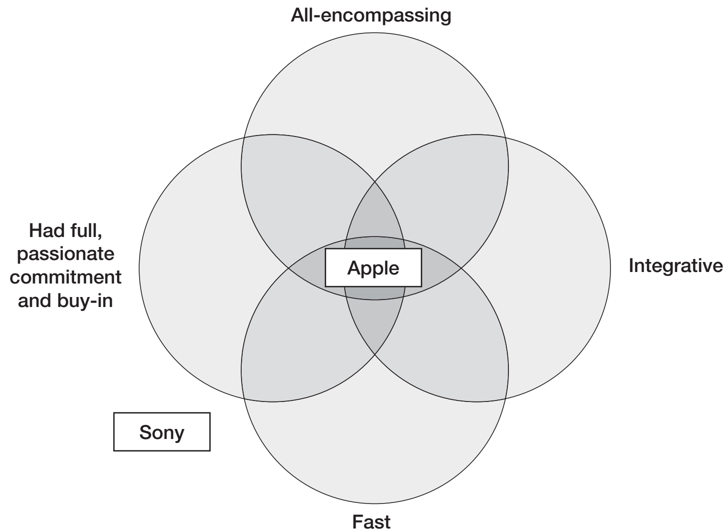
FIGURE 1-2

Critical success factors: Apple vs. Sony



Since these two transformation efforts originated in very different environments, with different types of leadership, they resulted in different focuses and results. The Sony transformation became a relatively uninspiring, piecemeal corporate reform to better the position of the company. A lack of urgency, combined with less than compelling leadership, resulted in superficial cost-cutting techniques that did not yield the desired effect. Conversely, Apple's transformation was born of necessity. The inherent sense of urgency, combined with Jobs's stellar leadership and holistic approach, produced a consistent strategy with good focus on the customer and excellent support from inside the company. The opposing results of the two transformations are well reflected by BusinessWeek's 2003 rankings of best and worst managers: Jobs was categorized among the best managers, whereas Idei was ranked among the worst.[4]

Hewlett-Packard (Fiorina) Versus Hewlett-Packard (Hurd)

Hewlett-Packard (HP) is one of the world's largest information technology corporations, providing products, services, and solutions. Following the re-

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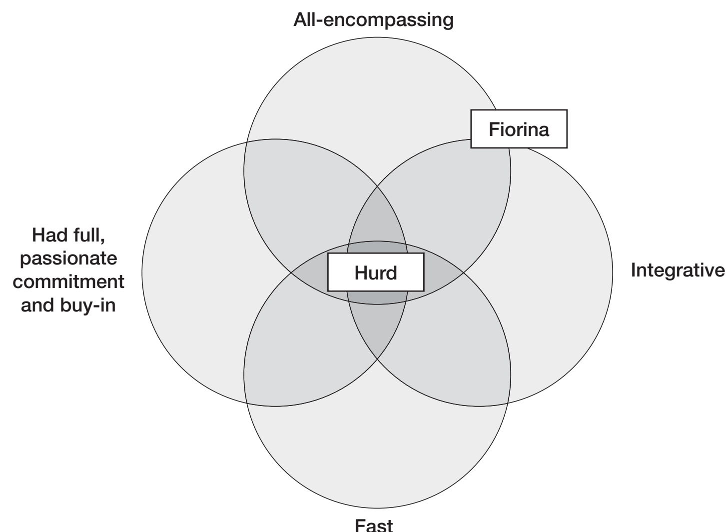
tirement of Lewis Platt, Carly Fiorina joined HP to lead the company into the new millennium, but she failed on two major accounts: (1) She failed to get buy-in from the company, and (2) she failed to execute, or hold people accountable, leading to a slow and lagging effort. When Mark Hurd replaced her in 2005, HP was arguably in a worse situation than when Fiorina arrived. In his efforts, Hurd leveraged the critical success factors to his advantage, building on Fiorina's work but achieving a more desirable outcome (see figure 1-3).

When Fiorina joined the company, HP was a decentralized organization without a company-wide strategy. The silo structure resulted in customer dissatisfaction, slow responses to the changing business environment, and brand diffusion. Lack of accountability was also problematic, as sometimes managers were required to clear their decisions with dozens of executives.[5] Additionally, then-CEO Lewis Platt failed to capitalize on the Internet revolution, putting HP in a less-than-desirable situation.

Fiorina entered with the dazzle of marketing under her belt and attacked many different aspects of the company, including reorganization, cost-cutting, vision-setting. However, she did not have support and buy-in; she never took the time to develop rapport with individual employees. Additionally, employees didn't completely support her initiatives because Fiorina failed to execute, or

FIGURE 1-3

Critical success factors at Hewlett-Packard



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hold employees accountable, as mentioned above. Often, she would speak of the grandiose vision but fail to follow through on it, which lost her credibility and support of the organization. The HP-Compaq merger, a key tipping point in her tenure, illustrated this clearly: employees, stockholders, and the board of directors were divided in the decision, but Fiorina managed to push the decision through by a narrow margin. This meant that a portion of the company didn't support the merger, resulting in conflicts during her tenure.

As her replacement, Mark Hurd has brought the company back to the fundamentals by focusing on data and execution. Building credibility and establishing rapport with the employees, Hurd has gained buy-in throughout the organization. Additionally, he has addressed many different aspects of the company, building on the strategy and vision initially set by Fiorina. Through his efforts, HP's stock price has more than doubled within two years of Hurd's arrival, EBIT margin has increased by 60 percent, and revenues have increased by nearly 20 percent at the expense of fierce competitors, such as Dell.

General Motors Versus Nissan

General Motors (GM) and Nissan are both large automobile manufacturers that faced dire circumstances at the turn of the millennium. After undertaking their respective transformation efforts, however, General Motors has remained troubled, while Nissan has been extremely successful and has been internationally acknowledged and recognized. A big part of the difference in their respective outcomes can be accounted for by the extent to which they used the critical success factors: Nissan fully embraced all of them, while General Motors struggled with embracing even one (see figure 1-4).

In 2001, six months after Rick Wagoner took the helm of GM officially as CEO and informally as GM's transformation leader, GM posted a net profit of $420 million. By 2005, however, net income turned into a loss of over $10 billion. Aside from poor management and decision making, how can we understand this tremendous failure? The lack of any critical success factor may provide some insight, for the GM transformation was piecemeal, not integrated, executed serially, and lengthy.

The lack of integration of different parts of the transformation resulted directly from the nature and culture of GM. According to Jay Conger, a professor of management at the London Business School, "GM has always been a very siloed corporation with all of its different divisions really operating like separate companies. There have been numerous reorganization efforts at GM,

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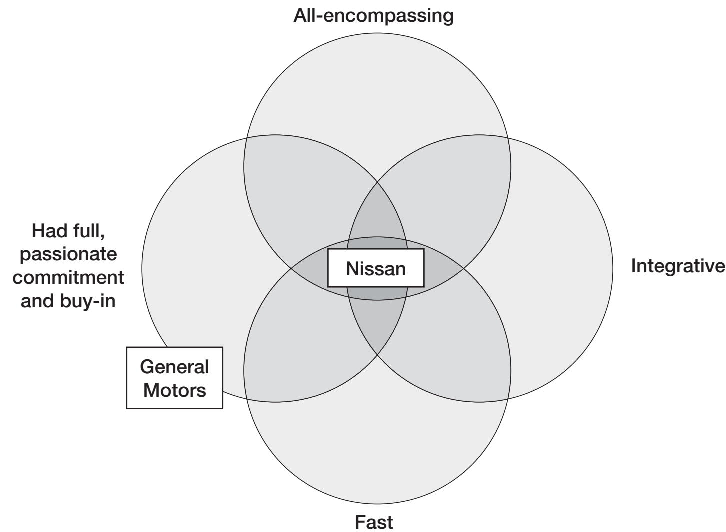
FIGURE 1-4

Critical success factors at Nissan and GM



and most have not fared well, because of the turf battles and independent nature of GM's divisions."[6]

Additionally, the transformation effort at GM has been extremely piecemeal, with the company addressing a few key issues at a time, such as human resources, information technology, lead time, and dealer location.[7] Furthermore, cost cutting, a poor long-term strategy, has been a major part of GM's transformation effort—in June 2005, GM announced plans to eliminate twenty-five thousand jobs in the United States, or 17 percent of its U.S. workforce, by closing several plants in the coming years.[8]

Partly because of this tremendous cost-cutting effort, GM has encountered tremendous difficulty in getting buy-in for the change effort from middle management. This has in turn resulted in senior-level executives' view that their transformation is an "evolution not a revolution," and that the transformation process will be a lengthy one.[9] This has ironically become a self-fulfilling prophecy. For example, the IT aspect of the transformation itself took six years![10] Interestingly, this lack of a sense of urgency has often been connected with many unsuccessful transformation efforts.

However, consider the case of Nissan. Carlos Ghosn joined as COO and transformation leader, and in a few short months had involved a big portion

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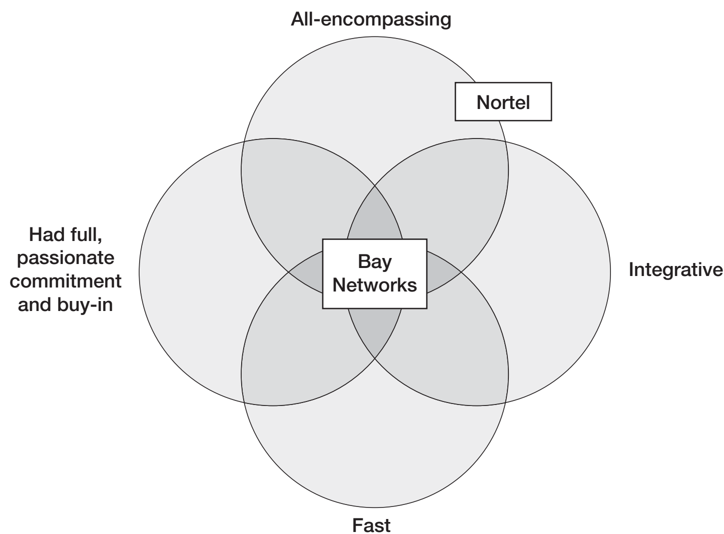
of the company to develop an integrative plan that addressed many of Nissan's pain points. This plan, called the Nissan Revival Plan, incorporated not only cost-cutting efforts to reduce debt but also strategies for long-term growth.[11] In developing the plan, Ghosn made sure he had support from the top levels of the organization, which in turn gave him more influence and respect in the organization. At the same time, he also made sure he had buy-in from other levels of the organization. Through an integrated, all-encompassing, and speedy transformation effort, the goals stated in the Nissan Revival Plan, such as introducing twenty new models, reducing debt in half, and becoming profitable were all met within two years, an entire year ahead of schedule.

Nortel Networks Versus Bay Networks

The transformation efforts of both Bay Networks and Nortel Networks, two telecommunications companies, were headed by Dave House. Shortly after House's stunningly successful transformation of Bay Networks, Nortel acquired the company and hired House officially as president and unofficially as Nortel's transformation leader. However, various factors, especially lack of top-down buy-in and integration at Nortel, made House incapable of replicating his success at Nortel (see figure 1-5).

FIGURE 1-5

Critical success factors at Bay Networks and Nortel



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At Bay Networks, House was able to harness the capabilities of his workforce to bring about a successful change effort. Using a model similar to the 90 days model, House attacked every aspect of the organization, especially its dysfunctional culture, and developed an integrated strategic solution that addressed the key problems plaguing the company. As the CEO of Bay Networks at the time, House was able to get buy-in from the top levels of his organization, which were then able to get buy-in at the lower levels. This top-down buy-in was important in analyzing and solving the problems in a timely and efficient manner. Furthermore, the buy-in was also important in keeping Bay Networks focused and aligned with the transformation effort.

At Nortel, however, House encountered numerous obstacles that led to an unsuccessful transformation effort. First of all, Nortel engaged in a piecemeal transformation that was neither integrative nor effective. The divisions within the company were unable to cooperate and create the cross-boundary synergies that are so powerful in a transformation effort. More importantly, House was not given the authority necessary to lead the transformation effort, nor did he have adequate buy-in from the top levels of the organization. Because Nortel was controlled by a board of directors that was focused more on managing the company than attending to the transformation effort, even CEO John Roth didn't have the power or mandate to work with House to drive the transformation through the organization. Therefore, even when employees would claim and promise to do something, House could not enforce execution and delivery of their promises. This lack of support created unnecessary obstacles, and House's efforts were ineffective against the long-standing bureaucracies and inertia of the organization. Therefore, lack of power and authority undermined House's attempt to transform Nortel, despite his understanding and knowledge of the critical success factors for transformation efforts.

OVERVIEW OF THE 90 DAYS TRANSFORMATION MODEL

The previous section used brief case studies to illustrate how the critical success factors can impact the outcome of a transformation effort. Further in-depth analysis and case studies of companies and their best-in-class transformation practices revealed a striking similarity in the path taken by several successful companies: 3M, ACI (Asian Company Inc., a pseudonym), Bay Networks, Nissan, Apple, and VeriSign. The similarities between these companies' transformation efforts led to the development of the 90 days

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transformation model, which embraces the critical success factors. The key principles and tools described in this model were extracted from our analysis of not only these six companies but all the successful transformation efforts. And, failed transformation efforts identified several practices to avoid and obstacles to anticipate.

In the introduction, we noted that the corporate landscape changed significantly because of the information revolution, rapid globalization, and fierce competition in the 1990s. We also noted that we were interested in seeing whether the Y2K, Telecom, and dot-com bubble at the turn of the millennium had the same effect. In particular, would we find the tools and practices identified in our analysis to be different in the prebubble (before the dot-com bubble burst in 2000) and postbubble (post-2000) periods? Was the dot-com bubble substantial enough to effectively change the rules of the game?

Through both our quantitative and qualitative research, we found striking consistency between successful companies that transformed before the bubble and those that transformed after the bubble. Hence, even though the environment had changed in the hype of the bubble and the following correction period, the entire landscape wasn't overhauled the same way it was with the emergence of postmodern society. Hence, the tools, processes, and practices that have been identified as best-in-class are relevant to today's world, regardless of whether the company the practice was drawn from was a prebubble or postbubble company.

Also noted in the introduction, the 90 days portion of the 90 days transformation model refers not to the full transformation implementation of the effort but to the diagnosis and planning stages. By the end of the 90 days, the organization should have identified the root causes of the problems and developed a detailed blueprint for the actual implementation, which will take an additional six to twelve months.

The 90 days transformation model consists of three main phases, each lasting 30 days: phase 1, phase 2, and phase 3. Flanking both sides of the 90 days are two additional phases: the pretransformation and the transformation implementation phases. A day-long integration meeting attended by all the key players of the effort highlights the end of each phase. Figure 1-6 gives a visual representation of the timeline of the 90 days transformation model.

The 90 days effort is run in parallel with the normal inner workings of the company, so that the organization is not put on hold for the sake of the transformation effort. Rather, employees involved in the effort carry out both their day jobs and the tasks associated with the transformation. By doing so, nothing in the organization is sacrificed, though employees must be prepared

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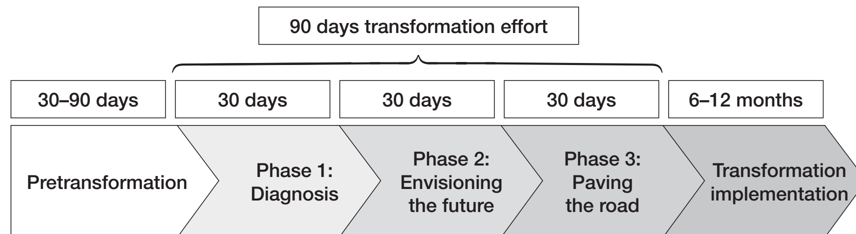
FIGURE 1-6

90 days transformation model



to put in extra time and energy to ensure that their schedules do not slip in either their daily job functions or the transformation effort.

The heart of the pretransformation phase is the transformation leader's preparation before the actual engagement. In this phase, he not only plants the seeds for a successful transformation, he also begins creating momentum by getting buy-in from key players throughout the organization. The most significant deliverable of the pretransformation phase is the creation of cross-functional rapid response teams, after which the organization enters phase 1.

During phase 1, the transformation leader assigns each cross-functional rapid response team to each major business function and drives a company-wide diagnosis of its problems and their respective causes. By working in parallel, cross-functional teams save time, involve employees, and provide a more holistic and thorough perspective on the organization's situation.

Once the company has completed its analysis and diagnosis, the teams progress to phase 2, where they develop a detailed vision of where their respective function should be. This vision should address the problems found in phase 1, and the company should conduct a gap analysis to determine what is missing between the current situation of the company and the envisioned future.

Phase 3 is the development of a detailed implementation plan to move the company from its current state to its future state. This phase also involves the planning for a new organizational structure and a publicity campaign to be implemented in the transformation implementation phase.

As implied by the name, the transformation implementation phase involves actual execution of the implementation plans. The original cross-functional

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rapid response teams are disassembled here, and former team members are sprinkled throughout the organization, spreading their enthusiasm, newly gained knowledge, and expertise.

Note that the 90 days model can be tailored to meet an organization's particular needs. The practices and tools explained in each phase can be modified as necessary, depending on the particular situation of the organization. Let us now look at the model as a whole and see what makes the model so powerful when all these steps are combined.

WHY IS THE 90 DAYS MODEL SO EFFECTIVE?

The 90 days model is particularly effective because it incorporates the critical success factors into its DNA. Key reasons for its success are that it's participatory, all-encompassing, integrative, and fast.

It's Participatory

Cross-functional rapid response teams, the heart of the 90 days transformation, get buy-in from thought leaders and other key enthusiastic employees of the company and involve them in the transformation effort. Instead of calling in an army of consultants, assembling these teams early on in the effort creates a powerful coalition of individuals who support the transformation effort. Not only does this reduce the level of resistance to the change effort, it also breaks down many barriers within the organization, including functional barriers and the vertical chain of command. Upon completion of the effort, the organization will have grown and developed a set of leaders who have a broader perspective of company goals and logistics. The knowledge and expertise gained during the effort will aid them in taking responsibility in their daily work environment, leading to more sustained changes. Because the change effort and associated skills have been internalized, former members of the cross-functional rapid response teams can become change agents who have the experience and know-how to lead future change efforts. In this way, best practices are pushed down through the organization by leaders who were developed through the transformation effort. As Lou Gerstner, CEO and transformation leader of IBM, recognized, it is important that the employees themselves get involved in the transformation because "in the end, management doesn't change culture. Management invites the workforce itself to change the culture."[12]

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It's All-Encompassing and Integrative

In the 90 days model, change is all-encompassing, holistic, and integrative, meaning that every aspect of the business—including culture, strategy, cost cutting, organizational structure, process, IT, and values—is diagnosed. Collaboration across the boundaries of an organization, from geographies to functions, improves the ability of the organization to create value, especially in a large corporation. Without changing holistically, an organization may overlook key synergies that could bring significant value to it.

It's Fast

Even with this holistic change effort, the 90 days model is fast and cost-effective because the thorough and exhaustive diagnoses are conducted in parallel internally by cross-functional rapid response teams. By using employees in the change effort, the 90 days model capitalizes on the expertise and know-how of the company itself, saving the time, money, and energy associated with hiring an army of consultants. Using internal employees also accelerates the transformation effort, especially in implementation, not only because involved employees will be less likely to misunderstand their own solutions, but also because they will feel more ownership and accountability in implementation. An accelerated effort is important, since transformation efforts often fail because they take too long and lose momentum and support. Additionally, long transformation efforts consume a tremendous amount of time and money. Hence, decreasing the length of efforts not only increases their likelihood of success but also prevents the company from spending otherwise unnecessary resources.

BEST-IN-CLASS TRANSFORMATIONS

Throughout this book, we will present numerous insightful stories from the transformation efforts in our research sample. These stories will highlight the major transformation steps, common successful practices, and even common pitfalls and practices to avoid. While they often come from tremendously successful companies, these stories more importantly represent specific instances of successful change. Few companies do *everything* well—it is therefore important to extract best practices from different companies, even if other aspects of their organization or behavior are slightly lacking.

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Before we begin, however, we would like to provide you with a brief background of the six companies that used a model that closely resembled the 90 days transformation model: 3M, VeriSign, Nissan, Bay Networks, Apple, and ACI.

3M

In 1998, 3M was experiencing declining profits and revenue, on top of stagnant growth and a bloated infrastructure. Culturally, employees were content with the status quo, for there was no fear of being fired. In fact, employees referred to the company as "Mother Mining" for its maternal attitude.[13] As a result, employees were cutting corners and delivering mediocre performances. In an attempt to cut costs, however, then-CEO L.D. DeSimone cut over 5,000 jobs and decommissioned 10 percent of its global factories. This proved ineffective, as profits only improved slightly by 2000, and 3M began to seek out a new leader.

In 2000, James McNerney was brought in to heal the company's ailments. In the first ninety days, McNerney announced a global strategic plan and five company-wide performance initiatives that would help cut costs, create standards, and increase efficiencies. These five initiatives were Six Sigma, 3M Acceleration, sourcing effectiveness, indirect cost control, and eProductivity. In fact, McNerney had begun to implement four of these five initiatives within sixty days of joining the company. Furthermore, McNerney led the company through a cultural transformation, emphasizing accountability, efficiency, structured innovation, and a focus on market strengths.

Through McNerney's efforts, 3M's net sales and net income increased every year from 2001 through 2004. By the end of 2004, in fact, annual net sales had increased $4 billion, or 25 percent over the 2001 mark, topping $20 billion for the first time. In that same four-year period, stock price increased $23, peaking at $85 per share.

VeriSign

In the second quarter of 2002, as the industry recovered from the deteriorating domain name market and weak technology and telecommunication services environments, VeriSign Communications Services (VCS), a division inside Verisign Inc., did not find itself in a very competitive position.[14]

Facing mature products with decreasing margins and a lack of innovations in the product pipeline in the VCS division, Verisign's visionary CEO,

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Stratton Sclavos, hired Vernon Irvin as the new executive vice president to help revive VCS and take advantage of market transition.

Irvin recruited several teams in September 2003 to help design strategies to turn VCS from a $400 million division into an $800 million one. Instead of proposed solutions, Irvin received replies like "We don't think we can do it," "We've tried everything," and "We don't know how to do what you want us to do to grow that business, because we don't think it's there."

Despite these disparaging remarks, Irvin raised the bar, setting a new revenue goal of $1 billion by 2006. He initiated a cross-functional rapid response team effort and assembled a "$1 Billion team" to drive the transformation effort. Within ninety days, the core teams developed a set of detailed implementation plans that later guided the execution of the transformation effort.

Irvin's sense of urgency and deep-seated commitment made the transformation effort highly successful. In just ninety days, he was able to empower people to take ownership over the future of the organization; he created a burning platform for change. Over the next twenty months following the ninety days, VCS met its goal of $1 billion two years ahead of schedule, and has positioned itself as "the leading provider of intelligent infrastructure services for the Internet and telecommunications networks."[15] In recognition of its leadership in creating and marketing its third-party mediation offerings to the telecommunications industry, VeriSign won the Telecommunications Service Provider of the Year Award for 2004.[16]

Nissan

In 1999, Nissan, a major Japanese automotive manufacturer, was experiencing a severe set of problems. With an insurmountable amount of debt, inflated supplier costs, standstill new product development, and no profit for nearly eight years, the company was in a state of crisis. There was a lack of focus on the customer, and employees had little concern for the pursuit of profits. Brand power had eroded, with Nissan giving away nearly $1,000 for every car it sold in the United States. Nissan's global market share had decreased from 6.6 percent in 1991 to 4.9 percent in 1999. To top it off, executives and managers felt a deep sense of resignation and helplessness.[17]

In an attempt to rescue the corporation, the company signed an alliance agreement with French automaker Renault. Immediately thereafter, Renault sent Carlos Ghosn, who was appointed as COO of Nissan, with a team of Renault employees to start "one of most aggressive and comprehensive restructuring efforts ever attempted by a manufacturing company the size of Nissan."[18]

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After talking with suppliers and customers, and learning as much as possible about the company within a short time span, Ghosn initiated a cross-functional team effort to examine the problems within the organization and to examine potential solutions. He set up nine cross-functional rapid response teams to cover the areas that needed reform.

In just three months, these teams came up with solutions and significantly contributed to the development of the Nissan Revival Plan, which was unveiled in October 1999. The plan reflected a precise course of action to revive the company and was very precise in its metrics, focusing on a quick return to profitability, debt reduction, and cost cutting. Specifically, the plan called for a return to profitability in fiscal year 2000, a profit margin in excess of 4.5 percent of sales by fiscal year 2002, and a 50 percent reduction in the level of debt that existed at the time the plan was revealed.

The implementation of the plan was so successful that Ghosn announced in May 2002 that the plan that was proposed for a three-year span was completed in just over two years. In terms of financial results, the operating profit increased from $6.8 million to $2.9 billion, and net profit from a loss of $5.7 billion to $2.8 billion. Operating margin increased from 1.4 to 5.5 percent, and capacity utilization increased from 53 to 82 percent. While the Nissan Revival Plan in 2000 was a huge success, currently Ghosn is leading a second transformation of Nissan to increase the number of product lines and improve operations.

Bay Networks

In 1996, there were a few key competitors in the computer networking industry, including Cisco, Wellfleet, and SynOptics. In an effort to become a major networking company and to compete against Cisco, which was growing through the acquisition of a series of smaller companies, Wellfleet and SynOptics merged to become Bay Networks. However, soon after the signing of the contract, the two companies experienced the difficultly of integrating two corporations with very different corporate cultures. Wellfleet, headquartered in Boston, boasted a very formal, East Coast culture, while SynOptics, headquartered in Silicon Valley, exhibited a more Western, entrepreneurial style. The differing managerial styles and the difference in geography exacerbated the problem. Therefore, with the company never fully integrated, Bay Networks plunged into a phase of decreasing profits. Furthermore, there were problems in the product pipeline, with products having bugs, lacking features, and often missing deadline. In January 1997, the company realized that

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something had to be done, and hired Dave House, former executive vice president of Intel, as CEO, chairman, and president of Bay Networks to come and rescue the company.

House worked to "Intelize" the Bay Networks culture through his "House-Training" program, which was designed to educate his employees on the art of decision making, conflict management, effective meetings, and straight talk. Furthermore, he set out to refurbish the product pipeline in order to encourage innovation of new products. In just two months, Bay Networks had finished the planning phase of the transformation effort and was ready to implement the change effort.

As a result of his effort, Bay Networks successfully transformed itself and was acquired in 1998 by Nortel Networks for $9.1 billion. As mentioned earlier, House was appointed as president of Nortel and hired to help transform Nortel, especially its culture.

Apple

In January 1996, Apple reported a loss of over $60 million.[19] Sales had plummeted and customer satisfaction was very low. Although Mike Spindler had just taken the helm in 1993, Apple decided to bring in a new CEO in 1996. The new CEO, Gil Amelio, however, fared no better. Focusing on cutting costs, Amelio failed to address some of the more critical aspects facing Apple and turned to Steve Jobs as an advisor. When Jobs officially took over as interim CEO in 1997, Apple's market share was around 3 percent, and its share price was at the lowest point in its history.[20] To illustrate the dire situation Apple was facing, Michael Dell replied to the question of how he would handle the situation with, "What would I do? I'd shut it down and give the money back to the shareholders."[21]

Steve Jobs recognized the deep-rooted problems Apple faced. In particular, the lack of a uniform agenda and overarching strategy led to disjointed decisions and poor sales. To address these issues, Jobs turned the company back to its core competencies, narrowing its product line and refocusing the company on its customers rather than on its competitor Microsoft, going so far as to partner with Microsoft. In this vein, Jobs not only ensured that Apple developed products that customers would want but also decided to leverage one of Apple's greatest assets—its brand. The hallmark result of Jobs's efforts was the introduction of the iPod in 2001, which quickly became one of Apple's best-selling products ever. Additionally, Jobs also turned Apple around operationally, revamping its distribution system and inventory management processes.

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Jobs transformed Apple from a struggling computer manufacturer to a highly successful company that also provides consumer devices and multimedia services. In 2006, Apple was ranked as having the 39th most valuable brand in the entire world.[22] Furthermore, since 1997, Apple share price has increased from $4 (split adjusted) to well over $100 in 2007.[23]

ACI

ACI (Asian Company Inc.) is a pseudonym for a midsize systems integration and consulting company based in Bangalore, India, with offices in Paris and Silicon Valley. Before the transformation in 2002, ACI lacked a clear vision and strategy and was very deal focused, even at the expense of profit and a unique value proposition by the company. The company had a loosely decentralized organization with considerable redundancies between the various business units and had no clear metrics to measure the performance of the company. Human resources was mainly a secretarial function, and there was no clear control and budgeting process. On the sales and marketing side, processes were ad hoc, a situation that was exacerbated by the exodus of a top sales and marketing executive to the competitor. Leadership did not trust the employees and, in turn, the company had a high turnover rate. Furthermore, customers were unhappy, and many of them either had already switched or were seriously considering switching to a competitor.

After the 90 days transformation effort, ACI increased its revenue twofold in three years, and its percentage increase in revenue was 30 percent greater than that of its fastest-growing rival. In that same three-year period, net income increased threefold. Furthermore, within two years, turnover was reduced by 50 percent.

CONCLUSION

In this chapter, we introduced you in more detail to the critical success factors and the 90 days model. We looked at some case studies of companies that applied the concepts, and we analyzed why the 90 days model works.

At the end of the chapter, we looked at six companies that followed a strikingly similar path: the 90 days model. In our analysis, we recognized that companies typically don't do everything perfectly, and best-in-class practices come from many different sources. Additionally, the practices we've extracted represent instances of successful transformation efforts.

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Throughout the rest of the book, keeping in mind the general framework of the model (pretransformation, the three phases, and transformation implementation) will help you follow the overall picture of the effort. Moving forward, we will now turn to the pretransformation phase, where the company recognizes it has a problem or is dissatisfied with its current situation and selects a transformation leader.

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Notes

Chapter 1

1. 90 Days Transformation is a registered trademark of Tabrizi LLC.

2. See the appendix for detailed findings and results from the quantitative and qualitative analysis.

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