

# Kerrie's Challenge: Leading an Unpopular Change

## Case E

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## E-1 Kerrie's Challenge: Leading an Unpopular Change—Part A

Kerrie Peterson did not sleep well the night after the quarterly financial review and planning session with Chief Executive Officer Tom Wilkes and other general managers of Access. Times were starting to change for Access, a Fortune 100 company in the financial services industry. The company had experienced strong profits and revenue growth over the last three years partly due to the positive economic climate of the Clinton era. It was then June 2000, and the projection for the third quarter indicated a significant decrease in revenues. The CEO had taken a very strong position that the general managers, as heads of the various business units, had to be proactive and cut their operating costs so that the company still reported a profit at the end of 2000. By the end of the meeting, each of the general managers had committed to specific cost reduction targets. Kerrie had agreed to a cost reduction goal of 15 percent of her operating budget. When Kerrie left the meeting, she felt confident that the corporate lending business unit could meet this goal. But as she lay awake in bed, she knew it would be an uphill battle just to convince her senior management team that the goal was realistic.

Kerrie had been general manager (GM) for the corporate lending business unit for two years. The business unit provided lending products, e.g., credit cards, loans, equipment leases, and financial planning services to small and medium-sized companies. The number of small businesses had grown over the previous two years, and their needs for financial support to expand their businesses had made this market very attractive. The promotion to GM for corporate lending had been a significant increase in leadership responsibility for Kerrie. Kerrie joined Access only ten years earlier, leaving a top management consulting firm to accept the position as head of strategic planning at Access. Kerrie had been given her first line position in 1995 as GM of a small, but unprofitable business unit. Kerrie got noticed by top management when she was able to turn around the business and achieve a net profit margin of 10 percent.

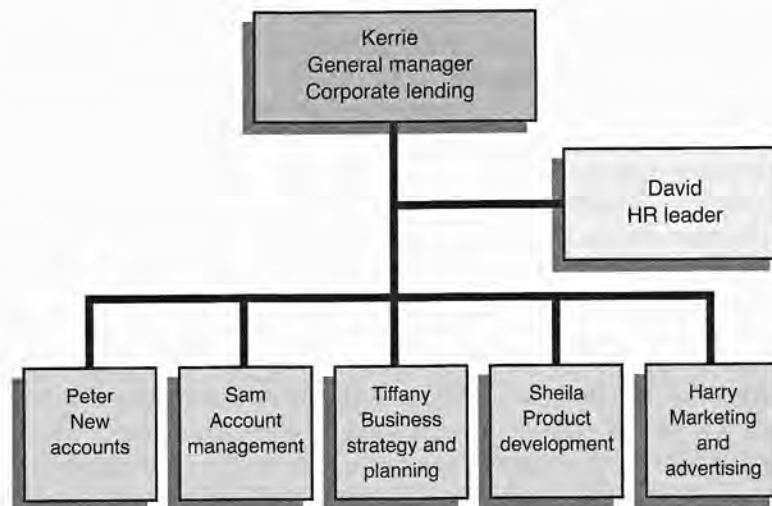
On the way to work the day after the review and planning meeting, Kerrie recalled the early days in her new role as GM of corporate lending. When Kerrie received the promotion, Tom Wilkes shared with Kerrie his assessment of her strengths and developmental areas. Kerrie remembers that he said she was viewed as being very bright in terms of identifying market opportunities and in developing the appropriate strategies to build the business. Her weak side was her limited leadership experience. Tom had said that she still had to prove that she had the leadership capability to inspire others and to align a large organization behind a vision. He suggested that the corporate lending business unit was a good opportunity for her to develop and demonstrate this capability. She knew this cost reduction effort would be seen as a test of her leadership ability.

When Kerrie took over as GM, she took time to get to know and assess the capabilities of each member of her senior management team. The two most senior members of team were Sam Wright and Harry Long. Sam was the vice president of account management, which was the largest division of the business unit with five thousand account managers geographically dispersed across the country. The account managers were the primary point of contact for approximately ten to fifteen companies and were responsible for everything from answering routine inquiries to providing their clients financial advice. Sam had been in his position for five years and was well respected by his employees. He previously headed up new accounts and had been with Access for eighteen years. Kerrie was aware that Sam had thought he should get the promotion to the GM position, and it seemed that the disappointment had left him a bit resentful and even negative at times. Harry, on the other hand, seemed to have accepted the fact that he would never be GM. He had been the vice president

of marketing and advertising for the last ten years and was very comfortable in that position.

Kerrie had not been impressed with the other three members of her team, and when she had the opportunity, she made changes in those three positions. Kerrie promoted Peter Brown to run the new accounts department because she had been impressed with his forward thinking when she worked with Peter on a project when she was in strategic planning. Kerrie hired Tiffany Morris as head of strategic planning. She came with high recommendations from the same consulting company where Kerrie had worked. Sheila Chen had been in the product development group of corporate lending and had led a very successful new product introduction. Kerrie rewarded her by promoting her to vice president of product development. Kerrie was pleased with the composition of her team at this point, but she also recognized that there was considerable disparity in age, education, and experience among team members and it would take time for them to work together as a team. Exhibit 1 summarizes the team members' backgrounds.

Kerrie reflected on their first annual business planning process. Initially in that meeting, the atmosphere had been competitive among the team members. Each



**Main Responsibility**

Acquire new customers	Grow business with current customers	Identify new business strategies and develop annual business plan	Develop new products	Design and implement marketing campaigns
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**Education**

BS, Education, 1978, NC State	BS, Business Administration, 1970, Ohio State	MBA, 1995, Wharton School of Business, 1991	BS, Information Technology, 1988, Stanford University	MBA, 1985, Rutgers University, BA, 1968
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**Career History**

Promoted from a smaller business unit where he had worked with Kerrie	Promoted from head of new accounts. In current position for 5 years	Hired in from the consulting company where Kerrie worked	Previously led a successful product introduction	Has been in current position for last 10 years
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member was touting his/her accomplishments and trying to win investment dollars for his/her function. Kerrie had to be very persistent in her expectations that the team members could move beyond their own self-interests and make decisions that were in the best interest of the business unit as a whole. She used her consulting skills to try to keep the discussions fact based and to make sure there were clear decision-making criteria. Over time, she felt that the team had made progress, but she also realized that this cost reduction effort would require tough decisions, and she wondered if the team was up to the challenge.

### E-1a Senior Management Team Meeting

When Kerrie arrived at her office, she asked Betty, her executive assistant, to call a meeting of the senior management team for 10:00 a.m. She told Betty to tell the team members that the meeting was urgent and took priority over other commitments. The meeting started promptly. Kerrie's unspoken thoughts during the meeting are shown in italics in the following dialogue from the meeting.

**Kerrie:** I want to thank you all for clearing your calendars to make this meeting. I would have given you more advanced notice of the meeting but the topic is urgent. On Monday, in the financial review and planning session, I learned that the results for the second quarter are starting to show the impact of the recession that the economy appears to be facing. The projection for third quarter is even more dismal. Tom Wilkes wants us to take action now, instead of waiting for profits to fall any further. As leaders of this business, we must take steps to keep our costs in line with revenues. The GMs in the meeting have all agreed to a goal of reducing operating costs by 15 percent by the end of the year. I know this goal sounds very aggressive, but we are one of the largest business units, and we must do our part to achieve this goal. I don't have to remind you that we all have a lot at stake personally. If the financial community isn't convinced that we can manage this downturn, our stock price will suffer and that means our stock options and bonuses decrease in value. I am looking for this team to work with me to develop and implement the action plan required for our business unit to meet the goal.

**Sam:** We've been through this drill before lots of times. It means we freeze all jobs that are open, reduce travel expenses, and eliminate all nonessential purchases. From what I have been reading, many experts believe this downturn will be over in six months. How did you all come up with a 15 percent cost reduction goal? Isn't that cutting so deep that we endanger the continued growth of the business?

Kerrie felt a bit challenged by Sam, especially because she knew there wasn't a clear, quantitative study to back the 15 percent goal.

**Kerrie:** *Sam always acts like he has all the answers.*

**Kerrie:** We are seeing the impact of the recession already. Look at our own business unit results for this quarter. We are below our profit target by almost 10 percent. We can't wait until the business is in serious trouble. Currently our operating budget is \$500 million, and we must reduce that amount by \$75 million by the end of the year. Are there other questions about the goal?

There was a brief silence, and then Tiffany spoke.

**Tiffany:** The predictions I have seen indicate that the recession will last for at least a year. I think we should take a more strategic approach and look for opportunities to drive costs out by reengineering business processes.

**Sam:** Your strategic approach will take too long. Didn't you hear Kerrie say that we need to meet this goal by the end of the year?

Kerrie could see the old pattern of behavior between Sam and Tiffany starting to occur—tit for tat. Even though Tiffany had an impressive academic background, she often felt her views were not respected because of her age. Sam had sometimes complained that Tiffany was pushy.

**Kerrie:** We need to use both approaches. We should implement short-term cost saving measures immediately. Not hiring new employees, reducing travel expenses and nonessential purchases will reduce operating costs by approximately 5 percent, but that still leaves us with another 10 percent to achieve. We must start identifying opportunities to make our processes more cost effective. That's the only way we can meet this goal.

**Harry:** We looked at outsourcing the production part of our marketing campaigns before. We run an internal print shop that produces the marketing materials for our mail campaigns. The print shop has worked hard to benchmark with external print shops and reduce its own costs to be competitive. I really hope we aren't going to revisit this option. It would really discourage the print shop team, and I know we would lose productivity.

**Kerrie:** *Harry is protecting his turf. He probably won't ever change.*

**Kerrie:** We need to consider all options.

**Sam:** Are there any costs we can take out of the marketing budget? We could be more selective in the marketing campaigns we conduct.

**Harry:** If you recall, we went through a rigorous cost-benefit analysis of all the marketing campaigns during our business planning sessions. All of the campaigns show a considerable return of investment. Do we really want to curtail marketing campaigns that will build business and increase revenues? Isn't that just shooting ourselves in the foot?

**Kerrie:** This discussion isn't going to be easy. We have to be open-minded. I want us to focus on the cost structure of our core business processes and think about how we can do these processes more effectively. Maybe we need to accelerate our use of the Internet to streamline our processes.

**Peter:** I support this approach. I am having trouble signing new accounts because our costs are higher than our competitors. The time is right to make changes that will benefit the business over the long term.

Kerrie was relieved to feel some support in the room, and she wasn't surprised it came from Peter.

**Sam:** Just how do you propose taking costs out of our business processes now that you have been in our business unit for almost two years?

**Peter:** In the last business unit I worked in, we reorganized the account management function. Instead of numerous account managers across the country calling on accounts in person, we began servicing accounts more effectively over the phone and through the Internet. We actually found that our customers preferred accessing their account directly through the Internet versus having to call an account manager to get answers to their questions. There is a lot of opportunity to streamline account management.

**Sam:** The account management function in your previous business unit is quite different than ours. We provide consulting services that require our account managers to have a thorough understanding of our customers' businesses. That just isn't possible over the phone. Before we start changing our core business processes, why don't we reevaluate our decision to enlarge the business strategy group? We have built a new competitive intelligence function, and I don't believe they are adding a great deal of value. I get much of the same information about our competitors from my account managers.

Kerrie could see that Sam was feeling threatened as he tried to shift the attention to another part of the business unit.

**Tiffany:** That's pretty shortsighted. I don't think you have even tried to take advantage of the reports the competitive intelligence group has issued. Have you ever read them?

Kerrie was getting a bit angry with Tiffany.

**Kerrie:** *This kind of response doesn't help me or the other senior managers to see her as a mature member of the team.*

Kerrie recalled that she had to help Tiffany hold her own in team meetings before. Kerrie felt it was time for her to learn a more effective way of defending her position.

**Kerrie:** OK, you two. We must listen to all options and not get defensive. I haven't heard from Sheila. Any thoughts?

Kerrie wasn't surprised that she had to ask Sheila for her opinion. Sheila lacked the confidence to speak up and make her opinions heard.

**Sheila:** We are very close in rolling out a new lending product. I hope our current financial situation doesn't prevent us from moving ahead with this product. It is important to be in the market with this product before our competitors. Couldn't we also look at growth opportunities that will increase revenues and not just cost-reduction strategies?

**Kerrie:** Growing the business is still very critical, but we can't depend solely on our projected revenue growth. If the recession deepens as predicted, we may not see the increased sales expected from this new product or our other initiatives.

**David:** If we are serious about reorganizing the account management function, we need to recognize its potential impact on employees. To manage this change effectively and minimize the negative effect on employee morale, we should develop a change management plan that will help employees deal with this change.

**Kerrie:** I think you are right, David. Let's talk about this topic after the meeting. I would like your help.

I want to move quickly in developing our action plan. I will schedule another meeting next week. I would like all of you to think about other opportunities that we overlooked today. I also want to start to scope out the potential cost savings on a few of the ideas we discussed. Harry, I want you to go back and look at the estimated cost savings that were projected if we outsourced the print shop. Tiffany, I want you to look at eliminating the competitive intelligence group, and Sam, please start scoping out the potential savings associated with reorganization of the account management function.

There is one other idea I want to investigate and that is greater use of the intranet. I know we have moved some of our reports that we used to mail out hard copy and have made them available through the intranet. There may be other reports or applications we could distribute electronically as well. Peter, will you look into this strategy? What I want to see on my desk by Monday on all of these strategies are the following: (1) anticipated dollar savings, (2) number of employees potentially impacted, and (3) major risks or drawbacks. Are there any questions? One other reminder—we need to keep this work confidential. Until we have a clearer direction, I don't want the whole workforce to be disrupted and lose focus.

The meeting adjourned after two hours. When Kerrie got back to her office, she felt worn out and discouraged with the way the team had responded to this new challenge. She wondered how she could have handled the situation differently. The

more she thought back on the interaction in the meeting, the more she realized she needed to have a better understanding of the resistance that almost all of the team members were expressing. She decided to meet with David, the human resources leader (HRL), and get his help. She also wanted to get David started on developing that change management plan he mentioned in the meeting.

When she met with David, he was very concerned that Kerrie and the team were not addressing the impact that this cost reduction goal would have on employees and their morale. He felt strongly that Kerrie should give a lot of thought about how to communicate the goal to the organization. Kerrie realized that her focus had been mainly on getting the senior management team on board and making timely decisions on the appropriate actions to take. She promised David that she would spend time on drafting a message to the organization. Kerrie told David that she was glad that he brought up the need for a change management plan in the meeting. Kerrie wanted David to explore options on how the business unit handles any employees who may become surplus. In particular, she asked David to look at the feasibility of offering an early retirement package that would reduce the number of employees that would have to be laid off.

She then shifted the focus of the conversation and told David that she needed his help in interviewing the senior team members and getting a sense of how they felt about the cost reduction effort. Kerrie felt that the team members would be more open with David than if she called each one of them into her office to discuss the situation. David had been the HRL for the business unit for the last five years, and he had worked with all the senior team members on various human resources issues. He seemed to get along with all the members of the team. David reluctantly agreed. His interview notes are shown in Case Appendix A-1.

The week went by quickly. On Monday morning, Kerrie was anxious to get the cost estimate reports from her team members. By noon, all the reports were on her desk. As she expected, only one of the options had the potential of meeting the cost reduction target, and that was the reorganization of account management. Kerrie also saw in her mail David's notes from the interviews with the senior management team. As she read the notes, she felt very alone. She thought to herself, "You are a star that everybody loves when the business is doing well, but when times get tough, everybody's first response is to take care of themselves." Kerrie realized that she, too, preferred strategizing about growth opportunities rather than leading an unpopular change effort. Kerrie needed to decide how to handle the decision-making process with her team and how to get their buy-in on the decision. The next meeting was scheduled for 1:00 p.m.

## Case E Appendix

### **Interviews with the Senior Management Team**

David, the HRL for the business unit, interviewed the members of the senior management team. The notes from these interviews are provided in this case appendix.

#### **Sam, Account Management**

Sam is really concerned with moving too quickly to reorganize the account management function just to meet the cost reduction goal. Sam still sees the goal as a short-term effort to make the balance sheet look good. When the economy picks up, the CEO will shift back to putting the pressure on growing the business. Sam said, "Our executives want to have their cake and eat it too. Cut costs this month and grow the business next month. But if we reduce the account management workforce, we will feel the impact through reduced revenue growth." His concern is that his account managers will become preoccupied with the reorganization and the possibility of

losing their jobs, causing business results to suffer. His function has key goals, related to business growth, that they have to achieve to ensure the business meets its financial goals. Sam understands that having best-in-class economics is critical. He knows his customers are pushing for lower cost services, so he supports the overall cost reduction efforts. He just doesn't think it is smart to target the part of the organization that can produce growth. Sam also has concerns about Kerrie's leadership. He thinks she seems to be reluctant to make the tough decisions. She operates based on a team approach to decision making, which takes a lot of time. Sometimes he wonders if Kerrie already knows the outcomes she wants. She seems to go through the process of involving the team just to build political support.

#### Tiffany, Business Strategy and Planning

Tiffany has tried hard to develop an organization that is capable of identifying the leading-edge trends and new opportunities for the business. She feels like the rest of the senior management team is using the cost reduction initiative as a strategy to reduce her function's influence. The competitive intelligence group is relatively new. She just hired the director from a consulting company that performed competitive intelligence in the financial services industry. She felt good about being able to attract what she felt was a critical competency for the organization. Tiffany said, "You know it is really difficult to bring about significant change in an organization because even though you are making progress, given the right opportunity, the organization will revert. Some members of the senior management team have seen my team as a thorn in their side. They haven't openly debated the data we presented. Instead, they have played the game well. I think they now smell blood." Tiffany is also disappointed in Kerrie. She expected Kerrie to take a stronger position in supporting the importance of the competitive intelligence group to the business. She and Kerrie had formulated the role of the group together based on clear examples of where this expertise had been missing. She feels Kerrie should take a stronger leadership role and provide clearer direction for the team.

#### Harry, Marketing and Advertising

Harry has the experience of looking at the pros and cons of outsourcing the production of the mail campaigns at least two times previously. The first time the concern over quality and ensuring compliance with privacy guidelines and regulations prevented moving forward. The second time the controls and quality seemed to be sufficient, but the cost savings were minimal. There also was a concern that an outside vendor would not be as responsive as the internal group. Harry knows from many years of experience that marketing is not an exact science and its downstream services have to be able to respond to changes quickly. Based on the previous cost comparisons with external vendors, Harry has made significant process improvements in the print shop and an investment in new printing equipment. He believes that his operation is pretty close to best-in-class economics—given a true apples-to-apples comparison.

#### Sheila, Product Development

Sheila believes that the outsourcing of the production of the mail campaigns or the reorganization of account management has the most potential. She feels that the option of eliminating the competitive intelligence group is really just shifting the work from one group to another. The competitive intelligence work still has to be done, and it will probably fall on her group as an added responsibility with no additional head count. Sheila says, "The reorganization should make a significant change in the way work is done—a strategic change to the work flow or process. We can't reduce head count without improvement in the process and without any efficiency gains."



### Peter, New Accounts

Peter is one of the strongest supporters for reducing costs. He is finding it more and more difficult to gain new customers when the services provided don't justify the cost of the product for a lot of potential customers. Peter learns a great deal about competitive products and their value proposition from his field sales force. His function looks to the senior management team to take steps to strengthen the value proposition and make the product more attractive in the market. Peter believes that reorganizing the account management function is the best option and could result in significant savings. He believes Sam won't be open to even surveying his customers to determine the services that are most important to them. Peter is convinced that the customers are open to new ways to service their accounts. Peter commented, "We have to take this cost reduction goal seriously. It is critical for our business. I don't think the whole team is open about where there are opportunities for cost reductions in their part of the organization."

In addition to the various senior management team members' individual perspectives, the following common themes occurred:

- In general the team was angry about receiving a new cost reduction goal when they are close to halfway through the year.
- Several of the team members questioned whether or not the team would and could make this decision as a team. A few members felt that Kerrie should make the call on where the reorganization effort should focus.
- Three members wondered whether they could openly push back on Kerrie's direction. If they did, they weren't sure the impact it would have on their relationship with Kerrie and their own performance review.

## E-2 Kerrie's Challenge: Leading an Unpopular Change—Part B

Kerrie Peterson, the general manager of the corporate lending business unit, has set a 15 percent cost reduction goal for her business unit because of early signs of a recession in the general economy. The corporate lending business unit provides lending products, e.g., credit cards, loans, equipment leases, and financial planning services to small and medium-sized companies. Kerrie and her senior management team have met once to generate ideas on how to meet the cost reduction goal set for their business unit. The senior management team was composed of Kerrie's direct reports, who include Sam, the vice president of account management; Harry, the vice president of marketing and advertising; Peter, vice president of new accounts; Tiffany, head of business strategy and planning; and Sheila, head of new product development. David was the human resources leader for the business unit. At the end of the meeting, the team had generated several options, and Kerrie had assigned each option to one of her direct reports to calculate the potential savings and risks associated with the option. When Kerrie received the information on all of the options, it was clear that only one of the options had the potential of meeting the goal.

### E-2a Formation of the Redesign Team

At the next meeting of the senior management team, Kerrie shared the cost estimates for all the options under consideration and told the team that she could only see one option that could deliver the cost reductions needed. She informed the team that she had made the decision to proceed with the redesign of the account management function. She asked the team if they had any questions or concerns. Most of the team felt the choice was obvious. Sam expressed concern that the redesign could cause a high turnover in his workforce. Kerrie pointed out that the senior management team

had a key role in leading this change and helping employees accept the change with minimum disruption.

David suggested that the senior management team form a redesign team to analyze the current role of the account managers (AMs) and determine how to increase the efficiency of this function. Peter suggested that the redesign team benchmark with other companies and talk with customers to gain a better understanding of what they expect from their AMs. Sam also agreed that it was time to invest in updating the information technology utilized in his function and supported looking at how the Internet could be used to better service their customers. The charter for the redesign team was finally agreed upon. It was to develop a team-based design for the account management function, which utilizes new information technology and optimizes the allocation of resources. The goal for the team was to reduce the cost of account management by \$60 million. The other \$15 million required to meet the goal was expected to come from other routine cuts in spending.

Kerrie agreed to send out a letter to all members of the business unit explaining the situation the business unit faced and announcing the formation of the redesign team. The senior management team talked about the composition of the team and decided on the critical functions that should be represented on the team. Kerrie said she would include the list in her letter. David raised the question of how the redesign team members would be selected. Initially the senior management team assumed it would be up to them to select and assign individuals to the team. David pointed out that often the same people get appointed to special task forces. He suggested letting employees express interest in serving on the team and then having the senior management team select the team from this pool of volunteers. Peter said he felt it was important that the team was made up of the best employees and not just those individuals who were bored on their jobs. Sam felt that there would be considerable interest shown by the account managers in being on the team since they were in the employee group most affected by the redesign. After some discussion, the senior management team agreed that they would encourage their better employees to consider joining the team. David volunteered to draft a list of criteria that the senior management team could use in selecting the final redesign team members.

The senior management team also discussed the impact that this change would have on employees in the organization. From the early cost reduction estimate, the team knew that they were faced with a significant reduction in personnel. Kerrie asked the team to freeze all new job openings until the redesign was completed. David reported that the human resources division was working on a special early retirement for divisions in the company that were being downsized. The team asked David to develop a plan to help any displaced employees find other positions within the company. The senior management team was hopeful that most of the reduction in personnel would result from normal attrition or internal transfers.

Kerrie sent out the letter to employees the next day, and the response was slow at first, but the senior management team was pleased with the list of employees who had volunteered by the deadline. The management team met on Friday and selected the redesign team. Each of the senior management team agreed to inform the employees from their function. David pointed out that the redesign team needed guidance on the methodology for analyzing the business processes in account management. He suggested bringing in an outside consultant to conduct a three-day training session for the team. Kerrie supported David's suggestion and asked David to arrange for the training. Kerrie decided it was important to keep everyone informed, so she issued another letter to the business unit announcing the formation of the redesign team. Her letter is shown in Exhibit 2.

About two weeks later the redesign team met offsite for three days with an external consultant to learn the methodology and develop a project plan. Kerrie and the senior management team met with the redesign team on the third day. The redesign team raised several concerns about how the initiative was structured. First, there was no one from finance on the team, and everyone on the team agreed that it was critical

Date: June 1, 2001  
 To: All Employees  
 From: Kerrie Peterson  
 Subject: Formation of Account Management Redesign Team

Last month, I communicated the challenge we face in reaching the cost reduction goal set for our business unit. The goal is forcing us to go beyond just reducing travel expenses or other discretionary spending. It is requiring us to rethink how we operate the business and to identify breakthrough ideas to significantly reduce our operating costs. To help us meet our goal, the senior management team agreed to form a redesign team composed of dedicated resources for the next six months. As you may recall, we asked people who were interested in the assignment to volunteer.

I am happy to announce that we have completed the selection of the team members and we are very pleased with the talent and experience that will be on the team. The following individuals will compose the account management redesign team:

John Williams	marketing
Frank Simons	AM northeast
Sue McCarthy	customer service
Jack Furner	AM west
Ann Chu	business strategy
George Martin	product development
Sally Fields	AM southeast
Peter Block	AM midwest
John Taylor	information technology

This team is chartered to recommend ways that we can better utilize our account management resources while not sacrificing customer service and satisfaction. The account managers play a critical role in growing and sustaining our revenue growth. We need to find better ways of leveraging their talent so we can expand faster and with a lower cost base.

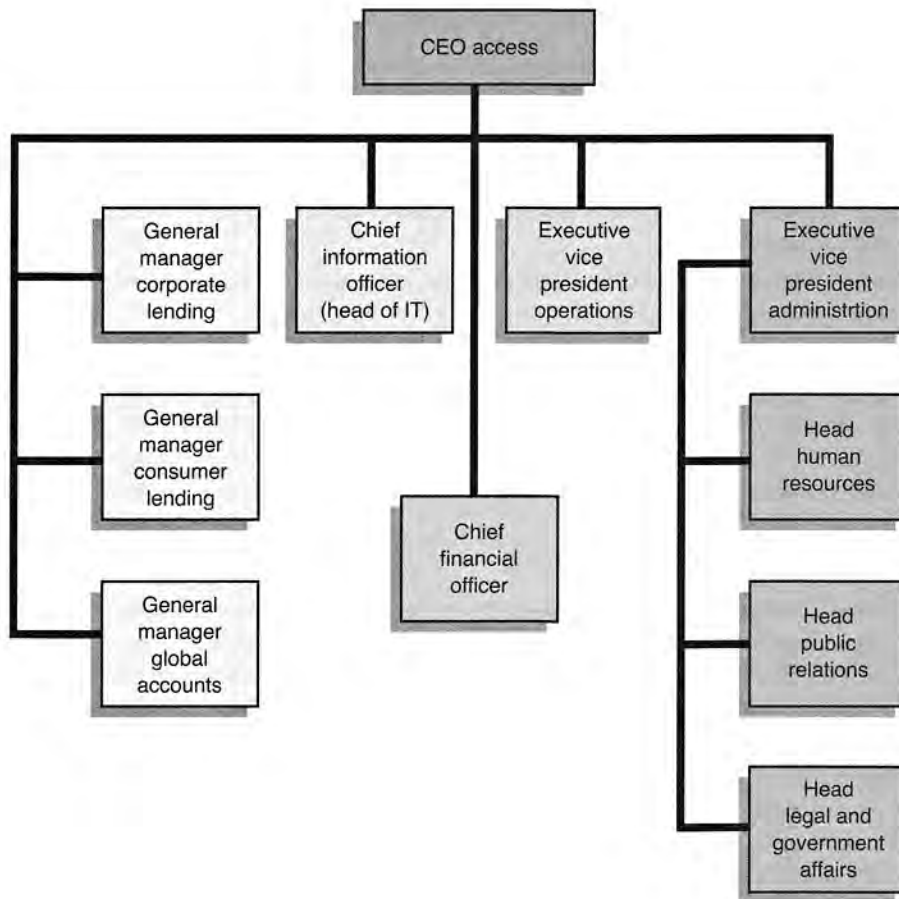
I expect everyone in the organization to give this team his/her support. The team will be gathering information from various sources within our organization. If the team asks you for information, I expect you to treat the request as though it was coming from me personally and respond in a timely manner.

If you have questions about the charter or the work of the team, you can talk with the senior management team member to whom you report or send me an email. The redesign team will be giving regular updates to the senior management team, and we will keep you informed of its progress.

## EXHIBIT 2

to have finance involved up front. Second, the team members wanted to collect data from operations, which provided the back office support to the AMs. The team did not feel empowered to interview employees outside of their own business unit. An organization chart for Access is shown in Exhibit 3. The team asked Kerrie to help resolve these issues. Kerrie agreed to talk to the head of operations and explain the purpose of the redesign initiative and ask him if could arrange for the redesign team to interview some of his employees. Kerrie asked Sam to talk with the finance group that supported corporate lending and ask them to support the team.

In addition, the redesign team was concerned about the results of the interim employee satisfaction survey. This survey was conducted on a regular basis throughout the company. The following results in Exhibit 4 for the corporate lending business unit were of particular concern.



**EXHIBIT 3**

<b>EXHIBIT 4 Employee Satisfaction Survey—Corporate Lending Business Unit</b>			
<b>Survey Statement</b>	<b>Year end 2000 % Agreement</b>	<b>Interim 2001 % Agreement</b>	<b>Change +/-</b>
Access has a sincere interest in its employees.	72%	65%	-7%
When changes occur, my leader communicates the effect the change will have on me.	68%	58%	-10%
Management treats employees with respect and dignity.	75%	68%	-7%
My leader is open and honest in providing information.	72%	68%	-4%
Management communicates important information in a timely manner.	78%	62%	-16%
I am rewarded based on my contribution to business success.	64%	59%	-5%
Teamwork is a priority in this organization.	76%	65%	-11%

Written comments included:

- The cost reduction initiative is just another way for management to ensure they will get their big bonuses at the end of the year.
- No one has asked my opinion on where cost savings could be achieved.
- We heard the announcement about the formation of the redesign team but since then we have been left just waiting for the other shoe to drop. Management should communicate more.
- I enjoy my job at Access and feel I have contributed to the business, but I have started to look for another job because of the uncertainty.

After the meeting with the redesign team, Kerrie went back to her office and cancelled her meetings for the rest of the day. She asked Betty to call David and see if he could join her in her office. David stopped by Kerrie's office about 30 minutes later. When he entered Kerrie's office, he found her reading a *Harvard Business Review* article on leading change that he had given her two weeks ago.

**David:** I see you are reading the article I sent you. You wanted to see me; what's on your mind?

**Kerrie:** I am very disappointed with the interim employee survey results. Two of the questions where our scores dropped significantly are related to communicating on a timely basis. I have issued two letters, the first about the cost reduction goal and the second on the formation of the redesign team. They couldn't have been more timely. What do employees expect?

**David:** When I have spoken with employees, they don't seem to understand why the cost reduction effort is needed. Many of them don't feel any slowdown in the demands on them. They don't spend time every month looking at the profit or loss report like you do. I get the feeling they think management is creating this crisis just to get more work out of them.

**Kerrie:** Don't they listen to the news on TV? They have been talking about the coming recession for the last three months.

**David:** People can listen to the national news but assume it won't affect them. It is the denial stage of their response to change. For them to understand the urgency, they must hear the message several times in many different ways. Just written announcements to the organization aren't that effective. Many employees don't even read them.

**Kerrie:** I imagine people are feeling a lot of uncertainty, especially in account management. I don't know what more I can tell them. It will take the redesign team some time to conduct their analysis and make their recommendations.

**David:** I believe most employees are feeling the uncertainty, not just in account management. This is the time that employees need to see and hear from their leaders. It is important that there is a consistent message that they hear from all members of the senior management team.

**Kerrie:** Are you suggesting that I should hold more "town hall" meetings with various groups of employees and communicate the need to meet this cost reduction goal?

**David:** That would definitely help.

**Kerrie:** How will I handle the questions for which there is no answer, yet? Couldn't meetings like that make it seem like I'm not being direct and open with them?

**David:** These meetings are never easy, but they certainly are better than formal letters. Besides that's why they pay you GMs the big money! Is there anything else you need from me at this point?

**Kerrie:** No, I need to think about how I want to handle the communications. Next time the senior management team meets, I will include the topic on the agenda.

After David left, Kerrie thought about her own leadership style. She wondered if she had what it takes to establish the credibility with employees during these trying times. She did reach the conclusion that she needed to communicate more with employees.

### E-2b The Data Collection Phase

It took the redesign team about a month to conduct the data collection, which consisted of customer interviews, competitive benchmarking and a task analysis of the account managers to determine how they were spending their time. The key findings from the customer interviews are shown in Exhibit 5.

The results of the competitive benchmarking uncovered several surprises both for the redesign and the senior management teams. Several competitors appeared to be ahead of Access in utilizing the Internet and phone to replace face-to-face meetings, which resulted in a significant reduction in the cost of the account management function. The team only selected companies that offered a similar line of services and were servicing the small and middle-sized businesses. The data gathered is in Exhibit 6.

The third component of the data collection was the task analysis survey that all account managers were asked to complete. The results of the survey are shown in Exhibit 7.

This analysis pointed out that the AMs were spending a considerable amount of time on nonvalue-added administrative work such as attempting to return calls to customers, scheduling visits to customers, and making travel arrangements. Another

#### EXHIBIT 5 Customer Satisfaction Interviews

Key Services Provided by AMs	Level of Satisfaction with AM's service
• Returning telephone calls on a timely basis	• Very dissatisfied
• Providing accurate information	• Somewhat dissatisfied
• Resolving problems or complaints	• Satisfied
• Providing financial guidance that reflects an understanding of my business	• Very satisfied
• Keeping me abreast of new products and services	• Very satisfied

#### EXHIBIT 6 Access and Competitive Benchmarking

Benchmarking Factor	Access	Company A	Company B	Company C
No. of customers per AM by size of account	Small: 15 Medium: 8–10	Small: 20 Medium: 15	Small: 15 Medium: 5	Small: 30 Medium: 10
Account management costs as a percent of revenue	30%	25%	40%	20%
No. of visits per year to customer sites	4 visits	1 visit	monthly	1 visit for medium
Average response time to customer inquiries	2–3 days	24 hours	3–5 days	4 hours
Internet access to account information	No	Yes	No	Yes
Role of AM: generalist or team leader of specialists	Generalist	Team leader	Generalist	Generalist
Location of AM	Geographically dispersed	Regional centers	Geographically dispersed	Regional centers

<b>EXHIBIT 7 Account Managers Task Analysis Survey</b>		
<b>Task Description</b>	<b>% of Time Spent on Task</b>	<b>Value Added by the Task</b>
1. Attempting to return calls (telephone tag)	12	Low
2. Answering questions on status of customers' accounts by telephone	5	Medium
3. Analyzing customer account activity to identify suggested improvements	2	High
4. Tracking down information to respond to customer complaints	8	Medium
5. Scheduling visits to customers' sites	5	Low
6. Making travel arrangements for customer visits	3	Low
7. Researching and networking to consult with customer on various topics	20	High
8. Developing consulting recommendations and presentations for customers	15	High
9. Conducting face-to-face meetings with customers	10	High
10. Traveling	15	Low
11. Completing other administrative functions, including weekly status reports	5	Medium

task that took a considerable amount of time was doing the research required to respond to customers' inquiries. To understand this task better, the redesign team interviewed several AMs. The AMs explained that the product line and services offered by Access have grown in complexity, and it was almost impossible to be an expert in every area. Because the AMs were expected to respond to the customer, the AMs often had to use the internal network to find the information required. This research took a lot of time and often frustrated the AMs because their contacts within Access had other priorities and did not always call back in a timely manner. A few of the AMs also offered the opinion that the frequent visits, which they were expected to make to the customer site, were not adding value. Sometimes it felt like an imposition on the customer. If they did not have new information or recommendations, the customers did not want to waste their time on routine updates.

During these interviews, the AMs asked a lot of questions about how their role would be impacted by the redesign. The rumors floating around were that their role would be reduced to a phone center job. The AMs also complained about the task analysis survey that they were expected to complete. Comments included:

"Management doesn't trust us to manage our time effectively—they think they have to check up on us."

"Why are we the only ones completing the survey?"

"Why are other parts of the organization not completing the survey too?"

The redesign team shared a summary of the data collected in their monthly meeting with the senior management team. Sam was very interested in the benchmarking data and asked the redesign team a number of questions. Peter was more interested in the results of the customer interviews. He wanted to know how many customers were interviewed and why they were "somewhat dissatisfied" with the accuracy of the information they received. The redesign team members responded that they had interviewed more than 10 percent of the customer base, which totaled

**EXHIBIT 8** Account Management Comparison

Current AM Role	Future AM Role
Answering routine inquiries from customers on the status of their account	Analyzing customer account activity and recommending improvements
Generalist—expected to know all product lines	Project leader for a team of experts
Frequent visits to customers to maintain relationships	Visits centered around well-prepared updates for the customer

more than 80 interviews. The team explained that the main cause of inaccurate information appeared to be due to timing. New information is posted to the customers' accounts daily so information may be accurate one day, but out of date the next day. Peter pointed out that if customers had direct online access to their own accounts, that many of these complaints would be eliminated. Kerrie was surprised with the task analysis and the amount of time spent on low and medium value-added tasks.

Toward the end of the meeting, Kerrie encouraged the team to create a design for account management that would be motivating to employees. She emphasized that the team should not just redesign the role to be more cost effective, but also look for ways that the job could be more rewarding and less frustrating than the current role of the AM. Kerrie suggested that the team develop a vision of the new role and a comparison between the current and future roles.

After the meeting with the senior management team, the redesign team began formulating its recommendations for the account management function. Exhibit 8 is the comparison that the team developed, as Kerrie had requested.

Although the redesign team had made good progress on the vision of the future, they knew that they could expect a lot of resistance from the AM workforce, and it would be difficult for the AMs to see the positive aspects of the new role. The rumors and negative perceptions of the redesign that were building in the AM workforce were indications of the reactions that could be expected from the AMs. The redesign team knew they would not be successful in gaining the buy-in from the AMs without the help and leadership of the senior management team.

When it was time for the monthly meeting between the redesign team and the senior management team, the redesign team presented its vision for the AM role and specific recommendations on how to make the transition. The redesign team expressed its concern that the new vision had to have senior management's support and sponsorship. Kerrie thanked the team members for all their hard work and praised them for their innovative thinking. Kerrie then turned to her senior management team and told them it was then their turn to lead and make the change happen. Kerrie said the senior management team would meet the following week to develop an implementation plan. As Kerrie left the meeting, she wondered if her senior management team was up for the hard work that still needed to be done.

On the way home from work that night, Kerrie reflected on that sleepless night after the quarterly review meeting. She was pleased with the progress that the redesign team had made and felt confident that its vision was moving the account management function in the right direction. But Kerrie was still uneasy about implementing the change. She thought about her own role in leading the change and wondered what leadership style would be most effective at this point in the change process. She thought about Sam and how she and other members of the senior management team could support him during the transition. Kerrie realized that the next meeting for the senior management team was critical. She decided that when she got home, she would list the key issues that the team should address in its meeting to plan for implementation.