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8 THE ART OF PILOTING

Starting with a pilot may be the best route to executing big strategic changes.

Faced with uncertainty, managers often use pilots to field test new ideas before rolling them out across a wider part of the organization. But, what are the key success factors for conducting pilots?



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THE ART OF PILOTING

Managers regularly encounter the dilemma of wanting to achieve a significant improvement in performance while knowing that trying something new is inherently risky. Examples include bringing a new product to market within 18 months, developing a shared service platform across operating units, introducing new customer sales processes or outsourcing a major business process. And there is good reason for managers to feel concerned about introducing major changes with customers and employees. Results show that complex, cross-functional strategic initiatives have a habit of not turning out well. In fact, only 38% of transformations are completely successful at improving organizational performance.¹

A common response to the dilemma of how to introduce major changes without exposing the organization to the high risk of failure is to pilot the initiative in a limited part of the organization. Pilots allow managers to tackle critical questions that reduce both external and internal uncertainty (see **Table 8.1** and **Figure 8.1**). External uncertainty comes

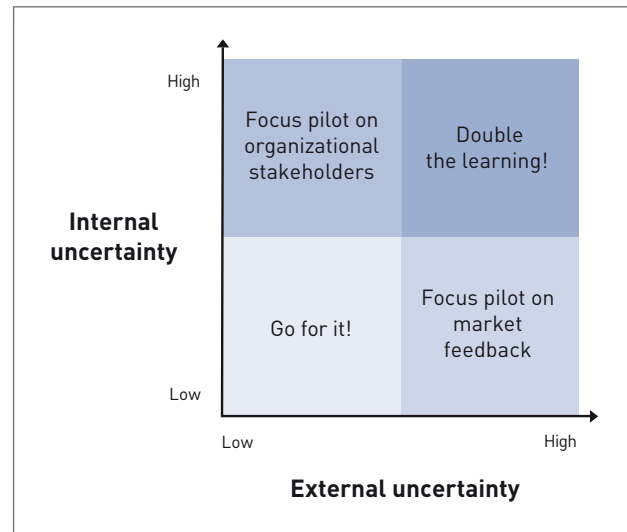


Figure 8.1 | Piloting to Reduce Uncertainty

External uncertainty – customers and markets:

- Does our new product or service do what we want it to do? Does it work?
- Does the customer appreciate our new product or service?
- How do our customers judge success? What measures are they using?
- How can we improve our product or service features to better satisfy our customers?
- How can we improve our interface processes with our customers to serve them better?

Internal uncertainty – organization:

- Does this new process or system produce the results we want? Is it feasible?
- How can we improve the process or system to work more effectively and efficiently?
- Can we convince our organization to make the change to this new way of working?
- Is the new way of working acceptable to employees? How can we make it more acceptable?
- What resources do we need? Is this more or less than expected?
- Do we have the right knowledge, skills and experience to make this a success? Can we develop this fast enough?

Table 8.1 | Sources of Uncertainty in Strategic Initiatives

from the market and customer preferences. Internal uncertainty comes from a lack of knowledge about the feasibility of an initiative and the organizational readiness to accept change.

In some cases, the pilot may reveal “showstoppers” that make the initiative impossible to complete. For instance, a company with a new chemical compound to fireproof seating in stadiums was all set for a worldwide launch but found out during the pilot that the new chemical could not be used with the customer’s existing manufacturing equipment. In these cases, the small scale of the experiment serves to protect the business from excessive risk of failure, a little like placing a small bet at a casino. In other cases, fast learning allows the team to improve and refine the basic working concept, creating a more valuable proposition for customers or a superior process that employees can embrace more enthusiastically.

But there is a downside. Piloting takes time. The gamble that managers wage is that by initially going more slowly, the team will eventually be able and willing to move more swiftly and more surely to achieve a successful roll-out.

But what factors lead to successful pilots? We have been investigating this question by selecting a number of major strategic initiatives from large multinational companies and interviewing the managers connected with each initiative – the strategic initiative leader, team members, senior managers from the steering committee, managers from the pilot unit and managers from the initial roll-out units. Our preliminary findings point to six key factors:

1. Select the right pilot

Choosing the right pilot depends critically on what you are trying to achieve during the strategic initiative. Here are some examples of how different goals may influence your pilot selection:

Reducing external uncertainty:

- **Obtain proof of concept:** When you are not sure whether your new product or service will deliver on promises, it is best to pilot with a smaller and less significant customer. Look for one that is hungry to gain competitive advantage over the big boys. This protects your organization from a high profile failure.

- **Learn:** When you need to improve a concept that is already operational, go for the reference customer that everyone in the industry is watching. Once you perfect the winning formula, your customer will become your biggest advocate. As an initiative leader explained:

We really wanted to pilot with the market leader. We knew that they were interested in this type of product and so were willing to pilot with us. The beauty of this arrangement was that once we had ironed out all the problems during the pilot then they could endorse our equipment as best in class.

- **Test feasibility across markets:** When you are trying to create a product or service that can be used widely across several market segments or markets, establish a small reference group of diverse customers and pilot with them all. An initiative leader creating a “European” product told us:

We dominate in Scandinavia, so if we had piloted just there, the results would have been biased. Our goal was to create a European product, not a lot of country-specific products, so we wanted to check the feasibility in different cultures, different market situations, different competitive situations and different organizations. So we piloted in parallel in five different countries.

Reducing internal uncertainty:

- **Overcome the internal skeptics:** In any initiative, there will always be people who say, “This can’t be done in our company.” So if you know that the initiative is likely to be unpopular or resisted by many people in the organization because it involves big changes to business processes, go for the largest and most complex pilot that you believe the team can handle without serious mishap.

We chose a large pilot for reasons of credibility so that the rest of the world could see that this was a big enough sample, touching the biggest units and the biggest markets. So then we knew we had high credibility, which meant that after the pilot no one would be asking if this was the right thing to do.

- **Create a credible example to pull the rest:** In most organizations, certain business units or markets are known for being the experts in certain disciplines, for example new product development, manufacturing or sales process. So, when you want to generate a “halo effect” that gets people begging to be next in line for the initiative, pilot with the recognized experts. One initiative leader explained his choice of pilot as follows:

France is one of our biggest operations and the most professional operation. A lot of the smaller organizations feel that if something has worked there, then it is all right – sort of like an opinion leader. If we do something in France and they have doubts about it, then lots of people will have doubts about it.

- **Bring everyone on board:** The problem with only one pilot is that not all managers may identify with the chosen unit. But if you carefully select several units then you can create a high level of social proof that gains the buy-in of the majority of the stakeholders. As an initiative leader commented:

We wanted to choose three countries that are representative in terms of size (big, medium, small). We have 42 front lines that are pretty different, ranging from 10 users in Cyprus to 500 in France. We wanted as much as possible three front lines that represent the diversity, in terms of size, continents and also in terms of legacy systems, place ... At the time, we had some really different situations in terms of country operations. We did not want to take the risk of using one country, which would have been easier, but afterwards the other countries would have said, “Ah yes but that country business is completely different from the business in my country.”

So, sometimes, a carefully chosen set of pilots can drive more organizational commitment than just one exemplary case.

2. Ensure strong management support

For successful pilots, management support is required at two levels. First, at the senior management level, there needs to be a relentless background noise or buzz that

continually focuses the attention of the organization on the importance of the overall project. As we were told:

This was a key project and has huge visibility in the organization. It has really been emphasized and communicated at all levels, from our president in each of his communication letters, to the executive board in each of their meetings, to the MDs on the front line.

Second, at the level of the pilot, local management support is absolutely key. The piloting team is venturing into new territory and fear of failure is very real. Like troops going into battle, the team needs local supporters who are committed to and enthusiastic about their cause and who are ready to keep the supply lines and communication lines open for them. As an initiative leader on an outsourcing project told us:

The GM of the pilot country is one of our best leaders. He sees the bottom of the trough, but he is driving his team to come out the other side and to keep going by saying, “This is the right thing to do.” If we had worked with the ones who were resisting these changes and we were in the valley of despair, we would have gone no further.

3. Learn as much as possible as early as possible

As the team ventures into this unknown territory it is impossible to predict what is going to happen. Given the high probability of bad surprises, teams need to make sure, as far as possible, that their learning is front-loaded. You want all the bombshells upfront, when you still have flexibility in your project design and when you still have enough resources to make big changes and take another route to your destination. Wait too long for the major learnings, and that’s when the showstoppers will hit.

At the start of the pilot, the team needs to list what they don’t know and what assumptions they are making for each phase of the initiative. Don’t take anything for granted. This list sets out the learning agenda. Order the phases as far as possible so that the big assumptions are dealt with first. As the team moves from one phase to another, actively reflect on what was learned during the previous phase and how this influences the next. One initiative leader told us about how he had to deliberately stop an initiative when the feedback got too bad, to make sure that the team could catch up with the learning agenda.

We identified the issues based on user feedback and then I went back to the countries to say, "We have stopped; this is what we are doing, these are the corrective actions that we are taking and these are the deadlines for those to be in place. We will return and re-audit you to see whether or not what we have put in place is successful before we move along any further."

4. Set expectations carefully

One of the biggest mistakes that a piloting team can make is to set unrealistic or uncertain expectations. While the goal of the overall project may be to increase sales, reduce costs or increase the efficiency of the assets, usually it is impossible to demonstrate this during the course of a short pilot conducted over a few months. Yet many teams set these expectations upfront and then stakeholders understandably demand the right to wait for proof.

If you don't provide clear rules of what should be the expectation of this pilot and what are the deliverables, you risk not being able to draw a clear conclusion or that your pilot will continue indefinitely. At the beginning of the pilot, some people want to measure the business benefit. But this is not possible in one year because introducing CRM [customer relationship management] may put the organization under stress and so it might decrease sales before increasing them. If you want to measure the benefit, then you have to take two years. There were some stakeholders demanding to see the benefit, but I said that the pilot would only test if people are comfortable, if the vendor is OK and if sales people like it.

At the outset of the pilot, it is better to clearly lay out intermediate goals or key performance indicators that are measurable within the time frame of the pilot. For instance, for a project involving the introduction of a new IT system, you could measure the degree of user acceptance following the pilot. If this has been agreed upfront, stakeholders are unlikely to come back and ask for more before the roll-out. Another good check before starting a pilot is to make sure that stakeholders agree on how the performance criteria will be measured. If, at the end of the pilot, the stakeholders are still debating whether or not the external or internal customers are satisfied, then the time spent on the pilot may have been wasted.

5. Involve stakeholders early on

It pays tremendous dividends to get the key stakeholders involved as soon as possible so that they can share their task-relevant knowledge and contribute to the pilot's success. Activities might include delegating elements of the initial pilot design work, getting feedback on potential customer reactions and including them in the draft for the steering committee. As the head of a customer initiative said:

We really involved sales people in the pilot. They designed the solution and we implemented it to their specifications to make sure that it would be well accepted by them. If you explain that it was designed by the corporate people or by the corporate marketing people, then there is little chance of success.

Early participation substantially increases stakeholders' acceptance of the initiative and gets them on board and ready to support the piloting team.

6. Develop employees' skills and knowledge

Many piloting teams get lost in the technical parts of the project and prioritize steps such as systems changes and process modifications over engaging and training employees.

They forget that change is essentially a people business. As an initiative leader told us:

I think that one of the key success factors for the pilot was that we had really thorough and extensive training for the users – that's around 100 to 130 people.

Employees who are going to work with the new systems and processes need to have the skills and knowledge to use them. This means clearly communicating the need for change, planning for the training ahead of time, giving employees time to practice with any new technology, providing helpdesk support and rapid feedback to inquiries, and rewarding and encouraging changes to new behavior. Leaving out these steps will lead to unhappy and vocally dissatisfied employees. Quite apart from putting your pilot at risk, this also severely dampens enthusiasm for rolling the project out further.

¹ "Organizing for Successful Change Management: A McKinsey Global Survey." July 2006.

QUESTIONS TO ASK

Particularly when your organization faces an uncertain environment, a pilot can have a significant impact on the success of the roll-out of strategic initiatives. The next time you are responsible for executing an initiative and want to be able to “sleep at night” during the roll-out you may want to consider the following:

- How often do you typically use a pilot to test an initiative before adoption?
- What criteria do you typically use to choose the location of the pilot?
- What are some of the ways in which management can actively show their support for a project during the piloting phase?
- How can you ensure that the pilot team is learning as they execute?
- When piloting, do you set expectations for the pilot outcomes before the start? If yes, what sort of expectations do you set?
- How and when do you involve stakeholders? Do you use a deliberate communication plan?
- Do you always make sure that there is sufficient change management support for your pilots in the form of employee training?