Harvard Business Review

REPRINT H03S9Z
PUBLISHED ON HBR.ORG
JULY 24, 2017

ARTICLE
CHANGE MANAGEMENT

What Spinning Off a GE Business Taught Me About Managing Ultra-Fast Change

by Margaret Keane

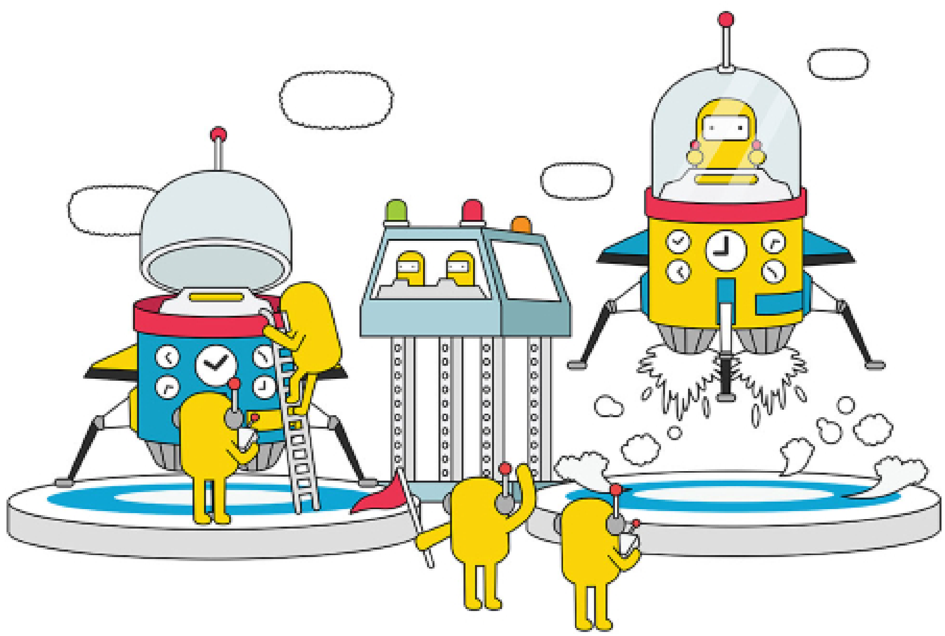
Harvard Business Review

CHANGE MANAGEMENT

What Spinning Off a GE Business Taught Me About Managing Ultra-Fast Change

by Margaret Keane

JULY 24, 2017



Change management can be a test for any organization. Several studies by Towers Watson show that just 25% of change management initiatives are successful over the long term. I wouldn't be surprised if the statistics are worse in my industry, financial services, where so many companies are large, global, regulated, and structurally complex.

So four years ago, when I was CEO of GE Capital Retail Finance and tapped to lead a mega change initiative — splitting off our unit into a new, publicly traded company, Synchrony Financial — I'll admit I viewed it as a huge challenge. Major organizational changes, covering everything from recruiting and branding to regulatory approvals and marketing, happened in rapid succession, with a hard deadline of 12 months to get it all done for the IPO — and 18 months from the IPO until our full separation from GE.

While every CEO is forced to work through organizational change, many will tell you that of all their duties, change management scares them the most, because nearly every aspect of a company and its leadership is tested. Change management certainly tested us. We went from being part of a company with over 300,000 employees, at GE, to being a company of 10,000, at Synchrony Financial, seemingly overnight. We hired roughly 1,000 new employees in approximately 15 months to build our operations, human resources, compliance, and technology teams. (We have hired more than 5,000 new employees since beginning the effort in late 2013.) During this time, we had to cut the cord from the distinct, 100-year-old culture at GE and create something that was uniquely our own.

This is what I learned:

Ask, listen, and be transparent with employees. When the separation plans were announced, I knew our employees would be anxious. I just didn't know in what ways.

What I did know was that I, and our leadership team, needed to solicit feedback — a lot of it. The first thing we did was engage in ongoing listening sessions. We sat down with small groups of employees across functions and talked about everything — including leadership, operations, compensation, benefits, and staffing. We also talked about how we would run the business and serve our clients while we set out to separate. We couldn't hit the pause button while we figured out what to do.

We asked about employees' hopes and concerns. We held monthly town hall meetings where we could discuss these issues in large groups, and we created an anonymous "Ask Margaret" question box that gave every employee a direct line to me. Very quickly, common concerns bubbled up. We found that while people understood our vision, they worried about their careers and what would happen to their long-term health and investment programs. I was initially surprised at how direct and personal some of these questions were, yet they made so much sense in terms of the massive change we were introducing: Would paychecks be delivered on the same day they had been previously? Would employees have the same number of vacation days? Would our health insurance programs include their doctors and hospitals? People wanted detailed answers — and they wanted them fast. And when we were too slow, they were not afraid to tell us.

When we spotted these issues, we did our best to fix them, whether it meant hiring new people, changing policies, or reorganizing. As we did this, we went on a roadshow, with the senior leadership team holding face-to-face meetings with employees around the globe. We have more than 1,000 employees co-located at a number of different partner sites, so we needed to make sure each employee heard the same message directly from us, not only through email. And we didn't say it just once. We continually explained what we were doing and why we were doing it so that there was no room for misunderstanding or rumors. We aimed for constant transparency, even before everything was final.

Create (or revise) a defined mission and values. As my leadership team and I fielded questions about our company's purpose, I knew the answers couldn't come just from the top. Often I received this question from our employees: "How can we preserve our GE heritage while embracing our new future as a stand-alone company?" To get to the answer, I asked them the same questions I had asked our senior leaders.

We talked about their emotions: What inspired them to come to work each day? What words evoked the passion they felt about the organization? What values drove them? What made them proud? In all, we engaged more than 500 employees from around the world for feedback on our culture through focus groups, interviews, workshops and anonymous ideation sessions.

We quickly realized that the key to building our own distinct culture was to capture the ambition that already existed — and the opportunity that attracted people to the company in the first place. We transformed those feelings into a simple sentence: "We pioneer the future of financing, improving the success of every business we serve and the quality of each life we touch." This ended up being the "true north" our employees rallied around.

Be open to creating new work policies and benefits. "What makes sense across a 300,000-person conglomerate like GE won't necessarily make sense for a 10,000-person organization." This comment came up in one of our feedback sessions, and it stuck with me. Once we knew what we stood for, we had to turn those words into actions. We also had to analyze the needs of different groups — not just at headquarters but at every location and every level. We moved away from the one-size-fits-all model.

One big lesson I learned was not to assume that you know what people value. A CEO is far removed from the day-to-day concerns of most workers. A program or benefit may sound good, but if it isn't improving employees' lives, then we need to find something else that will. During our feedback discussions, for example, many associates brought up their desire for more flexibility. Individuals trying to manage children's school events, dentist appointments, or home services, for example, needed more control over work schedules. What did we do? We created a policy that allows them to take time off in one-hour increments (versus the minimum of four hours required in our previous company). It was a highly valued change.

As we further studied the employee feedback, as well as the composition of our workforce that was very different from GE's, we made many changes. We developed a four-year transition plan to move from a defined benefit pension to an enhanced 401(k) plan; we changed our philosophy and approach to bonus plans; and we even changed compensation levels and job titles to be better aligned with our industry. We were completely transparent about all of these changes and took employee feedback into account as much as we could.

One idea we retained from GE was to celebrate diversity. At the same time, we needed to do it in our own way. We kept diversity networks that represent women, African American, Asian, Hispanic, LGBT, veteran, and disability groups. We also added a diversity symposium that brings members of these groups together annually to share their unique perspectives — perspectives that can lead to great ideas and help us better serve our diverse customer base.

Find ways to have fun. As we made strides on the separation plan, one of my senior leaders asked: "With everyone working so hard, how do we find time to celebrate?" I believe celebrating success is critical, but it's important to make it personal and authentic. This is one area where consistency is not necessarily a virtue. You need to allow each leader to create their own idea of fun, as long as it ladders up to a larger theme. There's always a danger in trying to overengineer culture.

During a time of transition, it's easy to focus on the work. Yet this is exactly when focusing on people is more critical than ever. At a time when we could have taken a pause on all training, diversity, and culture initiatives, we doubled down on them. This has paid off dramatically.

Rapid change doesn't have to be a recipe for confusion. You can bring employee engagement and productivity to new levels when organizations and leadership are transparent, take everyone's opinions seriously, and offer an authentic shared vision. At Synchrony, we had to evolve quickly and rip off the Band-Aid when we spotted issues. The build ended up looking much different than I or anyone else expected.

Of course, the journey isn't over. We separated, went public, and created a name and a brand. While we now have a unique Synchrony culture, it doesn't end there. There simply is no finish line for culture. But I'm thrilled with where we landed, and even more so with where we're headed.

Margaret Keane is President and Chief Executive Officer of Synchrony Financial. She led the Retail Card platform at GE Capital as President and CEO beginning in 2004, later expanding her responsibilities to become President and CEO of the GE Capital Retail Finance business in 2011.