



Leading Change, Restoring Trust –
How a CEO's "Hundred Day Plan" Drove an Agenda for Change at MCI
By Vince Hulbert

Managing change is one of the most difficult tasks that any institution can face – yet adapting to changing business conditions and maintaining reputational strength is vital to corporate survival.

Theoretical models and academic analyses can help executives drive organizational change, but the dynamism of the marketplace often forces CEOs to improvise first and analyze later. Intuition and instinct are indispensable amid the high-pressure environment of managing a business in peril, often making the change-management process less linear and logical than it is portrayed by academic experts. Yet change management initiatives, when successful, often follow an identifiable pattern that can guide executives everywhere.

One of the great modern-day analysts of change management is John Kotter, a professor of leadership at Harvard Business School. In his book *Leading Change* (Harvard Business School Press, 1996), Kotter has established a proven, eight-step model for leading corporate change – a model in which communications plays a major role.

A real-world test case of Kotter's theories, the case of the telecommunications firm WorldCom, now renamed MCI, is one of the most stunning examples of crisis-driven change in Corporate America. It is a heartening example of how a company can combine sound business theory and relentless execution to achieve major business results in an abbreviated timeframe.
Taking On the Skeptics: Capellas' Mission at MCI

The process began with a daunting task. After one of the most notorious corporate scandals and the largest bankruptcy in American history, WorldCom began its long recovery process by appointing Michael Capellas in December 2002 as its new CEO and Chairman. His objective was clear: to get the company out of bankruptcy and to put it back on solid financial footing. To do so, he would have to win the support of creditors and investors, persuading them that the company had a viable future. He would also have to persuade investigators, the federal bankruptcy court and government officials that the company had cleaned up its act. None of this could happen without undertaking massive change within MCI and without rallying employees who were essential to serving and retaining customers and to instituting major reforms.

Skeptics said the company could never be revived. Critics were pushing for the company to be dissolved. Some scholars predicted that, like Penn Central in the 1970s and Enron at the turn of this century, it would take years for regulators, lawyers and judges to sort out all the issues and allow WorldCom to emerge from bankruptcy.

How was Capellas able to lead the company's transition – within just 18 months – from being the poster child of bad ethics and a step away from liquidation, to emerging from bankruptcy and being relisted on NASDAQ? And where does the role of communications fit in? Hill & Knowlton, which helped with many elements of Capellas' program, can offer some perspective on the communications effort. And John Kotter's framework for change offers some clues.

MCI President and CEO, Michael Capellas and other company employees celebrate at the NASDAQ during the company's relisting. In 18 months, Capellas was able to lead MCI's emergence from the largest bankruptcy in corporate history.

Kotter's Change Model

Kotter's model outlines the eight essential steps of change management

1. Establish a sense of urgency
2. Form a guiding coalition
3. Create a vision
4. Communicate the vision
5. Empower others to act on the vision
6. Create short-term wins
7. Consolidate improvements and produce still more change
8. Make changes permanent: Don't go back to the old ways.

Capellas and his management team probably did not refer directly to Kotter's academic theory in leading the company's transition. But in practice, MCI took each of these steps and fulfilled Kotter's model.

While a full-scale analysis of Capellas's actions requires a longer academic study, there was clearly one bold move by Capellas, early in his tenure, that had a huge impact on the company's ability to accomplish several of these steps. Soon after becoming CEO, Capellas created and launched a highly visible "Hundred Day Plan." Although a 100-day drive for change is not unique – it became legendary with Franklin D. Roosevelt's initial whirlwind of reform – Capellas's plan stands out for its organizational impact. With this initiative, MCI was able to accomplish a number of the key objectives outlined by Kotter's key objectives.

Specifically, the Hundred Day Plan went a long way toward:

- Establishing a sense of urgency
- Establishing a vision
- Communicating a vision
- Creating short-term wins
- Consolidating improvements and producing still more change
- Laying the groundwork for permanent change.

Here is a more detailed discussion of how Capellas and his team proceeded.

The First and Essential Step: Establish a Sense of Urgency

At least half of the companies undergoing change, Kotter asserts, fail in this vital first step. Certainly, leaders of companies that are in crisis or in bankruptcy have an advantage in establishing the need for change, since their employees recognize that the company's survival may be at stake – but that doesn't automatically result in change. Even if it's clear to employees that the company is in bad shape, it still may be important to ratchet up their sense of urgency.

Pursuing his Hundred Day Plan, Capellas set a tone of urgency by engaging employees with candid talk about the risks that the company faced, while also emboldening them by laying out a path for success. Capellas also called for the filing of the company's plan of reorganization to be completed, confronting employees with a deadline that many thought impossibly optimistic.

Energized by the Hundred Day Plan, the company set about tackling a long list of aggressive goals. A countdown clock was posted on the company's internal website. Motivational signs – exhorting "Act with an outrageous sense of urgency" and "We have a need for speed" – were emblazoned on MCI facilities around the world.

MCI might have taken another approach: It might have viewed the workout from bankruptcy as a multi-year effort. After all, Enron – which went into Chapter 11 long before WorldCom – has yet to emerge, and many companies require years to work their way out of bankruptcy. Yet clearly Capellas thought it wiser to mobilize for an all-out sprint rather than a marathon.

Create a Vision

The vision behind the Hundred Day Plan was simple: to persuade employees that the company did have a future and that its workforce could determine the company's destiny – despite all the external forces bearing down on them. Their future would include some turbulence, but taking quick action would be wiser than bemoaning their fate.

In addition to a short-term focus of escaping from bankruptcy, Capellas anchored his Hundred Day Plan in a longer-term picture of what MCI would become: a company that would usher in major IT advances through its Internet Protocol (IP) network, focusing greater attention on business customers and less on consumer markets. Capellas also helped employees understand the challenges facing the telecom industry as a whole and helped prepare them for years of change.

Communicate a Vision

Without credible communication and lots of it, writes Kotter, the hearts and minds of the troops can never be captured. The MCI experience presents a vivid picture of what “lots of communications” actually looks like.

Looking back, these three key points are noteworthy for communications professionals:

- Communicating the vision required much greater resources and time than developing the vision.
- Communicating the vision began well before the Hundred Day Plan was rolled out: Within the first 30 days of his tenure, Capellas met with almost every major business customer, conducted an all-employee broadcast/webcast, and led town-hall meetings in six of MCI's major facilities.
- While the communications team played a pivotal role, the tone for change was set at the top by direct, continuous communications by Capellas himself.

The Hundred Day Plan was launched with an all-employee broadcast/webcast that conveyed an enthusiasm often reserved for major external announcements. One part of the webcast even included former NFL star Emmitt Smith, whose perspective was used to help reinforce one of the key marketing goals for the company. Yet that webcast was only one part of the communications story.

Here is a brief summary of the communications output that came just from the CEO's office during the year and a half from the day Capellas arrived to the day that MCI emerged from Chapter 11:

- Eight CEO conference calls to all MCI employees at the level of director and above
- Seven worldwide all-employee broadcast/webcasts conducted by Capellas with his management team
- Twenty-five all-employee “town hall meetings,” led by Capellas, outside the MCI headquarters building. This number does not include the additional town-hall-style meetings led by other members of the management team.
- Twenty-six e-mails from Capellas to all MCI employees
- Six quarterly face-to-face, two-day meetings led by Capellas with MCI's top 80 executives to review MCI's business and progress toward emergence from Chapter 11.

At the same time these efforts were being executed by Capellas himself, an intensive corporate communications program was being driven by other senior MCI officials.

Plan and Create Short-Term Wins

The Hundred Day Plan went a long way toward building credibility for Capellas and the new management team, because it allowed the company to prove that it could do what it said it would do.

In launching the plan, MCI shared its goals publicly through its website, though it chose not to hype the plan with external audiences. Publicly sharing the goals not only provided accountability – perhaps more than any management team would ever wish for – it also set the foundation for achieving significant short-term wins. In addition, Capellas also sent an important signal: Success isn't in creating the plan, but in actually achieving it.

And achieve it the team assuredly did. Major short-term wins included:

- Filing the company's plan of reorganization and securing support for it from 90 percent of MCI's creditors
- Recruiting and installing a new management team
- Developing the company's new business code of conduct and establishing a “zero tolerance” policy for ethics violations
- Expanding the availability of the company's flagship consumer product, The Neighborhood, to all 48 states
- Retaining the company's top 300 business customers
- Developing the company's three-year business plan
- Rolling out a series of customer advocacy programs.

Consolidate Improvements and Produce Still More Change

The wins brought about by the Hundred Day Plan helped pave the way toward several other needed changes. Most of those changes were even more complex and ambitious than reaching the Hundred Day milestone, requiring an even greater amount of time and an even greater commitment of people with specialized skills. These changes included:

- Rebuilding the company's financial controls and in-house finance team
- Reconstructing 10 years of financial history in order to provide three years of audited financial data to the SEC. This effort involved more than 1,500 finance professionals from inside and outside the company.
- Adding three new members (including the CFO, General Counsel and Chief Ethics Officer) to the company's nine-person management team, while adding seven new members to the company's Board of Directors
- Rolling out one of the largest corporate ethics programs ever designed, which required the training of more than 50,000 employees worldwide
- Implementing a long list of corporate governance reforms
- Reorganizing the company's business and structure around four customer-facing groups and establishing a new P&L break out for the entire organization.

Starting during the Hundred Day period and continuing afterward, MCI designed and rolled out an ethics training program for all its employees worldwide.

Make the Changes Permanent

One of the tests of any change management initiative is whether the changes actually become part of the company's operating style. Many of the seeds that Capellas planted during the Hundred Day Plan have indeed grown and are becoming part of the culture of the new MCI. These areas include:

- A heightened sense of ethics among the company's employees
- Greater feelings of empowerment, future possibilities and productivity among employees
- The company's movement to a greater focus on IP technology and serving the business market
- Greater openness and more forthright communications at all levels of the company.

Engineering the turnaround of any troubled company is hard enough, but rescuing a battered firm from imminent peril – after it has suffered enormous reputational and legal damage – requires even more ingenuity. Whether Capellas and his team consciously drew ideas from Kotter's work, or

whether the MCI initiative was driven chiefly by the instinct and insight of a battle-hardened corporate CEO and a seasoned executive team, the MCI recovery program achieved extraordinary results that helped put the company back on the road to solvency and stability.

All in all, achieving dramatic corporate change requires nimble thinking and decisive action – the kind that Kotter has envisioned and that Capellas has driven. The example of the new MCI confirms that ambitious corporate agendas can be achieved, and that straightforward, clear and honest communications can play a major role in driving the process.

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