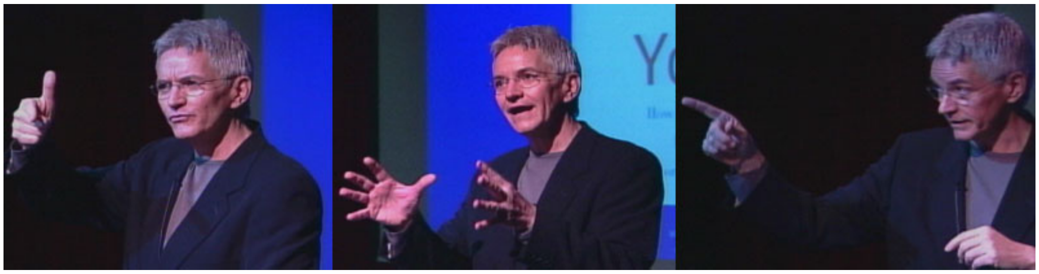

WHY DID NARDELLI FAIL TO TRANSFORM HOME DEPOT?

(**January 30th, 2007 at 9AM** (Pacific Time) Microsoft is sponsoring Laurence Haughton's online workshop *More Buy-In – A Strategy to Overcome Resistance to Change and Improve Follow-Through*. Attendance is free. Click here. http://go.microsoft.com/?linkid=6019242)

Now that Bob Nardelli is out at the Home Depot the armchair quarterbacks and hindsight pundits are full of speculation about "the fatal flaws" and the "unforced errors" that caused his sour (albeit lucrative) exit. I think they all (so far) have missed the most significant factor.

It wasn't that Nardelli's "political" skills were lacking or that his strategy was wrong (or even the curse of Six Sigma). At the root of his underperformance was something that most people would call a strength not a weakness. (And it's a strength you, Bob, and I probably share).

The big reason Nardelli was, from the beginning, never going to win at Home Depot was that he **recognizes the need for change very quickly and acts on it**.

I know that seems contradictory so let me explain.

In the late 1990s I spent almost five years writing and researching the reasons that companies move so slow and end up road kill. One of the biggest institutional obstacles was the powerful urge to hold on to the status quo and the incredible unwillingness among many people to **let go**.

As a result I, alongside a lot of other executives, worked on our strategies to open up when hearing new ideas and to embrace change more quickly. From what I've read Nardelli had done much the same during his tenure at GE.

But as the experts explain, "good things often have unintended (negative) consequences."

What unintended consequence comes from learning to recognize the need for change quickly and act without delay? It's a huge blind spot!

Many early adapters and fast acting managers have a hard time imagining that others do not see what they see and they therefore radically misinterpret or underestimate what it will take to get the majority of their associates to buy-in.

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From the beginning there were signs that Nardelli didn't have enough buy-in at the Home Depot. People in the stores were whispering, "Nardelli has no retail background" and "The board is paying him too much money." "He doesn't get it," senior executives grumbled, "Everything he's doing is counter-culture." Even Wall Street didn't buy-in. "The market's getting saturated," one expert wrote. "I wouldn't be in a rush to buy it [Home Depot's stock]." (This was at a time that Nardelli's turnaround efforts were barely off the drawing board.)

Now as someone who embraced change and acted quickly in the past Nardelli saw these people sitting on their hands and making negative comments and decided that was proof positive that they were the wrong people for the new situation.

And he was partly right. About 20 percent of the average large company won't ever buy-in and try new ideas or innovations.

But that leaves a large group of people who may be right for the job but who stay on the fence longer that the leaders anticipate. They look like immovable resisters, but they're not. They are simply more average folks, people who need to see that the change is safe and likely to succeed before they will give a strategy their buy-in.

This is the critical lesson I've learned in the last three years as I've been researching the art of execution. Not enough buy-in one of the four big reasons why half of all the best laid plans fail. But it's not callousness or stupidity that causes executives to underestimate the challenge and assume the worst. It's that many of us have the eyes of the early adapter. We've opened our minds to what we see as an obvious need for change. And we assume that any resistance is irrational (or sinister). We lose good people and take a big step back. In the end that causes us to miss our announced milestones and disappoint our stakeholders.

So now we have an opportunity to learn from the mistakes of another (a painless way to gain vital experience). Here's the lesson: Every well thought out strategy needs an equally well thought out plan to get enough buy-in. That plan starts with realizing that everyone isn't like us. Many are slower to buy-in. But if they see the path is safe and likely to succeed they will (also) follow through.

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