

Change Management: Who's in Charge?

by Richard Rawlinson, Ashley Harshak, and David Suarez

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A new survey finds that transformations succeed when top executives pay attention.

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Change or die. The evolutionary imperative of organisms is now equally applicable to organizations. Consider the case of a government agency in the U.K., serving a customer base of more than 10 million people, which is completing a transformation that would have seemed unimaginable to anyone even vaguely familiar with the organization. Over many decades, its predecessor agency had become the type of enterprise that people dealt with only out of necessity. There were myriad operating differences from one location to another. Customer support was inconsistent. And consumers were mostly in the dark about how the agency could really help.

But over the past five to seven years, this new agency has established itself as a streamlined, committed, and customer-focused operation that barely resembles its predecessor. It has dramatically expedited turnaround times for customer service requests (from six weeks to 20 minutes); improved the accessibility, speed, and quality of its processes; reduced direct and indirect running costs by more than 15 percent while increasing staff productivity; and enhanced customer knowledge of its products and services.

To achieve this feat, the organization had to overhaul its entire operating model; incremental adjustments would not have reversed the slide. So it undertook a

wholesale transformation, redesigning employee processes, moving staff from the back office to customer-facing activities, cutting by more than half the number of processing centers, and replacing old legacy applications with new IT systems. Such a massive shift in focus and culture would have failed had senior management not spent significant time and resources addressing the people side of the change process. Agency executives identified critical skill and behavior gaps that would need to be bridged, specified the “learning journeys” that employees at every level would need to complete, and carefully measured and communicated progress against clearly stipulated transformation objectives.

This executive activism should not be downplayed or underestimated. Often in the past, senior managers have given the people side of business change short shrift. They have dismissed change management — the process of engaging people at all levels in the design and implementation of an organization's transition to a desired future — as soft and quirky and have inevitably blamed the activity itself for implementation failures.

But today an increasing number of top teams in the C-suite understand the importance of change management and give it board-level attention. They recognize that no transformation gains traction without the buy-in and commitment of employees at all

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levels, particularly line managers. According to a recent Booz & Company survey of more than 350 senior executives who have led major transformation initiatives at large organizations around the world, four out of five transformation programs (82 percent) now have dedicated “people” work streams designed to engender changes to employees’ skills, behaviors, and attitudes. And 59 percent of supervising executives agree with this statement: “A successful transformation is due more to the people initiatives than to other elements of the program.”

Still, although change management has come a long way in practice, the executives who have led these programs acknowledge that there is room for further progress. Today, most organizations have adopted a programmatic approach: They execute change in a disciplined but sequential manner, treating people initiatives as a vital but separate work stream.

In the not-too-distant future, change management will evolve into transformation leadership as organizations move away from a mechanistic, step-by-step approach and adopt an ongoing change facility as a core capability. Change management will not be a separate work stream or function that is activated when a new transformation initiative is launched. It will be an integral part of the organization’s culture, the way the organization goes to work — which, in and of itself, will become more dynamic, adaptive, and simultaneous.

Managing this continual change will become a key competency of leaders at all levels within the organization and will be supported and enabled by HR systems and structures that adapt easily to shifting transformation program objectives. We see this change leadership capability evolving along three fundamental dimensions:

1. Leading the change. Although people are assumed to be rational creatures, generally speaking, significant change brings out the emotional side in most of us. Part of navigating change successfully is responding sensitively to these emotional reactions. Senior executives play an important role here and need to understand more clearly how essential it is to lead the change. But our experience indicates that this responsibility falls most heavily on the shoulders of line and middle managers, who are, for the most part, ill-prepared to deal with employees’ nonrational responses to change. As a result, resistance often grows unchecked, and cynicism spreads.

To handle people’s concerns in a sensitive (hence effective) manner and therefore deliver the required commitment, organizations must embed a change leadership capability that inculcates new skills, tools, behaviors, and ways of working throughout the organization, but especially among line and middle management. These individuals are the role models who will, in turn, inspire the rest of the organization to embrace and execute the transformation. Forward-thinking organizations are already building management training programs specifically geared to encouraging the development of change management skills and capabilities.

2. Engaging the organization. Transforming an organization — whether through cost reduction or innovation — requires commitment and engagement at every level, starting at the very top of the organization. The secret to successful change leadership is the ability to have the organization embrace on an ongoing basis the vision of a desired future state. Employees should be motivated and willing to adopt new ways of working at any time. This capability is not just fundamental to the success of transformation initiatives, it is central to effective leader-

ship in today's ever-shifting global business environment.

To truly engage the entire organization, leaders and managers need to get hands-on with their teams. They need to not only model desired new behaviors and ways of working, but also find the time to actively coach subordinates to establish their buy-in and commitment. It is no longer enough to expect people to accept new behaviors; executives need to lead people in defining those behaviors and motivate them to adopt them, while tackling inappropriate ways of working. This process is all the more powerful in organizations where staff already respects and values management's capabilities, and where executives have a change management tool kit in place to engage, influence, and motivate their teams.

3. Establishing appropriate HR systems and structures. Organizations can support the changes being made at the individual level in terms of training and development by building HR systems and structures — for example, clear descriptions of roles, key work objectives, and an appropriate compensation plan — that reinforce the development of an embedded transformation leadership capability. Recruitment processes should ensure that future hires not only fill critical skills gaps in the new operating model, but also demonstrate an aptitude for adapting to and absorbing change. Reward and recognition systems should motivate people to engage in desired change leadership behaviors at all times. Employment contracts, performance appraisals, and sales incentives should all be tailored to encourage the development and retention of managers capable of delivering change.

There is no question that transformation programs today are more successful than they have been in the past, and that this improvement is directly attributable to the increased focus on the people side of change. The more organizations focus on and value these three critical dimensions of change leadership — leading the change, engaging the organization, and establishing appropriate HR systems and structures — the more effective and prosperous they will be in the Darwinian business environment of the 21st century. +

Resources

DeAnne Aguirre, Louisa Finn, and Ashley Harshak, "Ready, Willing, and Engaged: A Practical Guide for Sponsors of Change," Booz & Company white paper, September 2007: Identifies the eight levers that engage people at all levels in the organization to assist in a transformation, whether on a large or small scale. (PDF) www.booz.com/media/uploads/READYWILLINGANDENGAGED.pdf

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Richard Rawlinson, Christopher Hannegan, Ashley Harshak, and David Suarez, "Change Management Graduates to the Boardroom: From Afterthought to Prerequisite," Booz & Company white paper, June 2008: Results of the Booz & Company survey on change management (mentioned in this article) of 350 senior executives who have led major transformation initiatives at large organizations worldwide. (PDF) www.booz.com/media/uploads/ChangeManagementGraduatesToTheBoardroom.pdf

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