ALEXANDER PROUDFOOT
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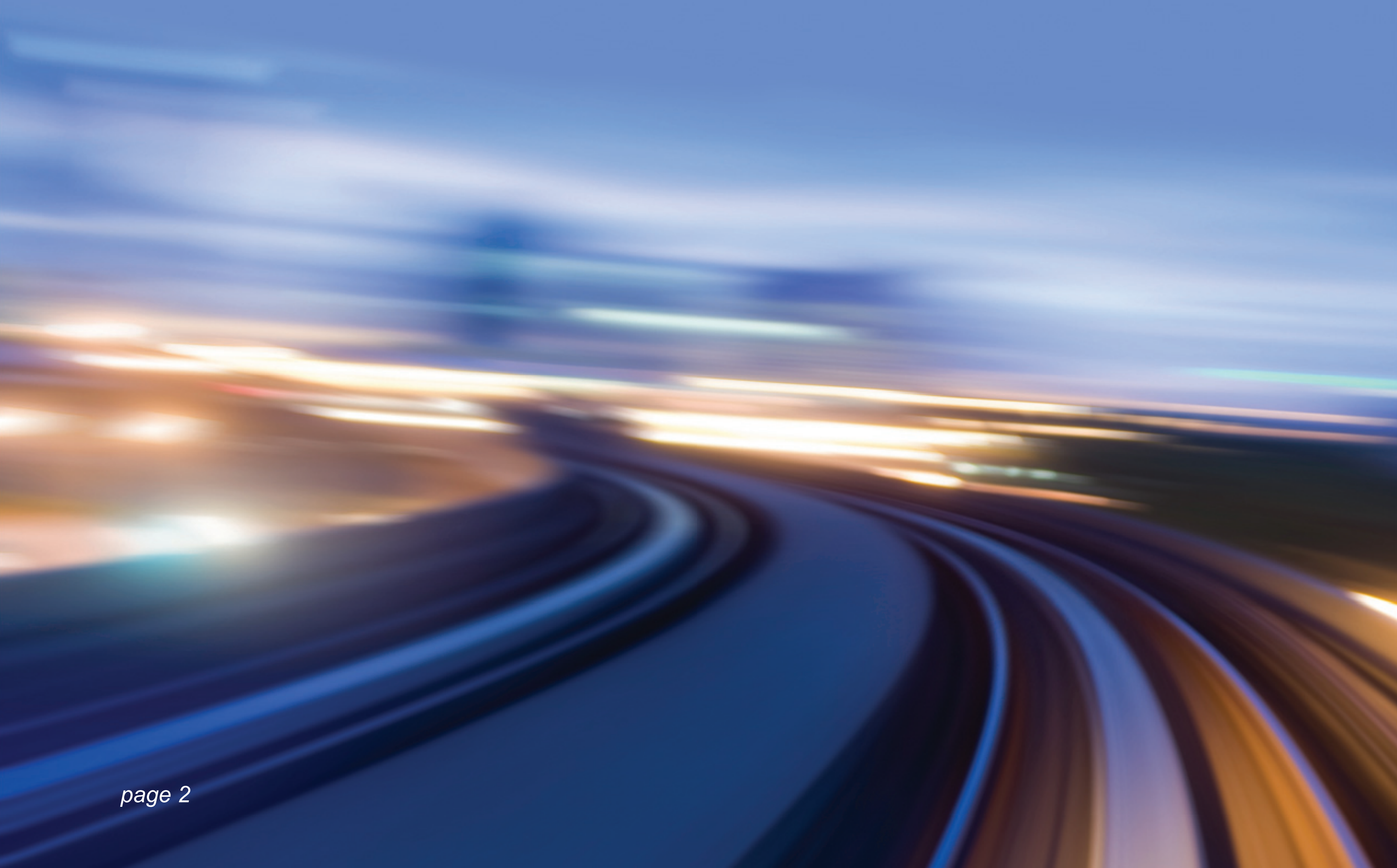
Driving
Change

Delivering change successfully

Companies have been responding to change for centuries, but it remains a real challenge for most.

Today it is vital for a company to respond readily to change as markets evolve and company goals adjust accordingly. But this demands flexibility and agility from the company as well as the ability for the CEO to lead, manage and execute that change swiftly and effectively. Recent economic events have only served to intensify the pressures on CEOs to realize the full potential of their businesses within tighter and tighter deadlines. Faced with this reality, the challenge to CEOs is clear: success demands excellence in the execution of operational change. This paper focuses on some of the common pitfalls and how to avoid them.



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An article by the Alexander Proudfoot research team

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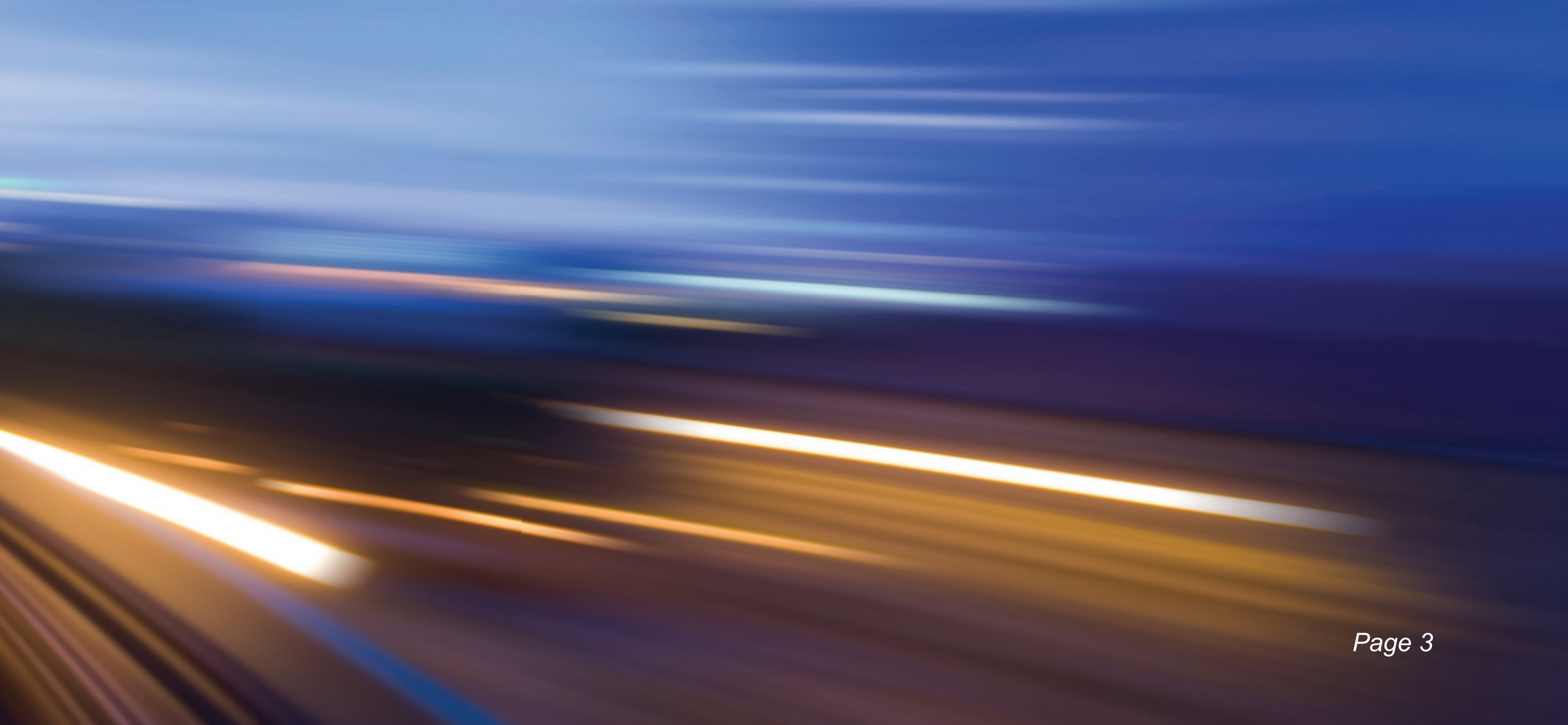

Introduction

If there is one word that is cropping up a lot lately it is the word change. Politicians of all persuasions, right across the globe predict that "fundamental" change is needed if recession is to be avoided and growth sustained. Quite what sort of change is required rather depends on where in the world you are. In Europe it is broadly about eliminating waste and improving productivity. In India, Asia and North America a mixture of social reform and driving economic growth is the priority, in the hope that this will put consumption back on a rapid growth trajectory.

A recent piece of research carried out by the Conference Board earlier this year, amongst 444 CEOs, Presidents and Chairmen suggested that businesses were coming out of recession and preparing for growth. Whilst this was clearly a good thing CEOs' concerns were all focused on their ability to execute effectively, retain customers and be responsive to change.

The top 5 challenges were as follows:

Being adaptable and responsive to market change and an ability to execute effectively are increasingly critical components for business success. Without these components, establishing a culture of continuous improvement is extremely difficult.

Getting the workforce to respond quickly enough to change is a challenge that keeps many CEOs up at night. Recent examples of businesses struggling to respond to change include, British Airways, Royal Mail, Toyota and Honda. For British Airways and the Royal Mail the challenge is to persuade the workforce to accept fundamental changes in pay levels and working practices, part of a global shift in the needs and demands of both industries. In both cases the situation is made more difficult because of a lack of trust between the management and the workforce. The management feel that the workforce has been slow to respond to the need for change in the industry, whilst the workforce believes that the management is not being honest with them and that there is one rule for management and quite another for the workforce.

Toyota and Honda face a rather different challenge where the need is to regain customer trust after a series of car recalls and a suspicion in Toyota's case that the company had known about the faults but had been slow to take any action to repair them. For two companies that had built their reputation on quality and reliability, a loss of customer confidence in the quality of their product is not something that either company can allow to continue.

Even though the nature of the changes required for all four of these companies may be different one thing they all have in common is that the ability to change quickly and effectively will be a key ingredient for their survival.

One of the most frequently quoted statistics is that 70% of all change projects fail. It is perhaps quoted so often because it is so surprisingly high. Given we live in a world that is in a constant state of change you might be forgiven for thinking businesses would manage change rather better.

Understanding Resistance

Reading between the lines

Emotional behaviors play a big role in change programs. Resistance to change is not necessarily based on rational or considered criteria.

Any disconnects between the leader's vision and his subordinates need to be identified and fixed before change can be successful. It is vital that CEOs seek to truly understand the causes and nature of the resistance they face, even if their instinct is to get on with it and leverage the power of their position to instigate enforcement. Change through enforcement is rarely sustainable and always sub-optimal because employees feel excluded, overruled and brow beaten into submission.

"Resistance to change is not necessarily based on rational or considered criteria."

The trick is to read between the lines to understand what's causing the resistance so that management can intervene and relieve or remove it. The reason for resistance may not even be related to the changes being proposed. Resistance could, for instance, be related to an anticipated shift in culture or work ethic that the change represents. An example would be a manufacturing company that decided to embark on an aggressive new business drive. The whole program was carefully planned and a good head of steam was built up. The senior directors were tasked with specific "client accounts and sectors". A lot of activity was generated, sales meetings held, client presentations written and presented, marketing programs undertaken. Yet, after a year, there was little to show for it. The reason was that the senior directors felt that they worked better together focusing on a few big wins rather than working in silos on specific sectors. Intellectually it made sense to grow in the way they outlined but emotionally each had found reasons to fail.

Barriers to change

The largest barrier to change is in peoples' heads.

Failure to manage change well usually starts as John P. Kotter, the now retired Professor of Leadership at Harvard Business School, put it in his excellent article *Leading change: Why Transformation Efforts Fail* with the mistaken belief that business change or transformation is an event when in fact it is a process. The key factors that lead to failure are normally found in some or all of the following tendencies:

- Keeping people in the dark: The less people know, the lower their ability to organize a concerted resistance to the changes
- Hiding transparency: "Sneaking changes out and hoping no one notices"
- Underestimating people's ability and willingness to change: People are open to change if they're provided the skills they'll need in the changed environment and if they understand the purpose and the benefits to them and the business as a whole
- Lacking authenticity: Communication is only effective if the employees believe what you say and you can support it with evidence for the need to change
- Over stretching resources: Expecting employees to effectively manage the existing business volume while managing the introduction of all the new changes
- Neglecting the human dimension: Change causes people to go through a mourning process that requires time and attention
- Lacking urgency: People will only change if they feel dissatisfied with the current state and desire the future state the changes will provide
- Ignoring the value of vision: People need to hear, understand and sign up for a compelling vision of the future state, one that includes what success looks like
- False wins: Declaring victory too soon will cause a loss of confidence and momentum
- No performance driven data: Failure to embed and measure improvement in new approach so gains are not sustained.

Getting off to a good start

CEOs are generally good at understanding what the business needs to do in order to remain competitive. They usually have a very clear vision about how the business needs to respond in the light of market opportunity and competitive activity and they often feel a degree of frustration because they believe that the business seldom responds with as much speed and agility as they would like. This may be caused by a number of reasons. The CEO is not effectively communicating his vision; his team lacks his level of strategic agility, or a host of other things. Nevertheless, people mobilize. The CEO's angst is sensed by managers who in an effort to impress him try to respond. This is where the problems start because managers throw themselves into activity without really knowing or taking the time to fully understand the CEO's vision. The business is then reacting to a declared, but undefined, need for change, with lots of activity, because that feels better than no activity, rather than proactively defining the vision, cascading the goals, authentically embracing and planning change. As a result, the change has a chaotic and disjointed feel about it, activity for activities sake. Consequently employees voice opinions that are not based on a clear definition for change. When their voice is not heard, they feel insecure as they are unsure how to help, what to expect or how they will be impacted by these changes.

In this atmosphere trust in the CEO and between managers and employees quickly breaks down. Employees sense that managers are unsure of what they are doing. The CEO sees Managers as standing in the way of progress and being slow to respond. By the time the CEO discovers the degree of resentment employees feel about proposed changes and starts talking to them the damage is done and positions on both sides become increasingly entrenched.

> "Taking the right approach from the outset is vital, otherwise, impasse is likely."

Successful change checklist

- ✓ Take time to understand the current area where change is required. This time is never wasted and will help drive superior results
- ✓ Clarify the strategy, develop the measurable objectives. Be realistic about the scope and the timing
- ✓ Define at the outset how the change will be resourced. Be prepared to drop or reduce other tasks as it is unrealistic to go on adding tasks forever
- ✓ Take time to understand the cause and nature of any resistance to change. Emotional behavior plays a large role in change programs. Change through indifferent enforcement is rarely sustainable
- ✓ Reinforce the strategy consistently and regularly
- ✓ Communicate clearly and frequently, especially about measurements, results and consequences.

“Time spent really understanding the current business state is never wasted.”

Acknowledge the current state

Understand clearly the current state in the area where change is required.

“After you’ve done a thing the same way for two years, look it over carefully. After five years, look at it with suspicion. And after ten years, throw it away and start all over.”
~ Alfred Edward Perlman, New York Times, 3 July 1958.

Time spent really understanding the current business state is never wasted and yet in the desire to get underway this is the area that is most often overlooked. It is not so much that this phase is ignored. Reasons to seek improvement in a particular area are normally based on some premise or data. Normally it is that the premise is not reviewed in sufficient depth and consensus and agreement on the basis for the premise is not normally sought from a wide enough sample of those who are custodians of the process and who will need to be engaged in improving it. The fear is that building consensus takes time and the pressure at the outset is to get on with fixing the problem. Our experience is that building consensus on the business state and the potential areas for improvement at the start means that a broader range of potential solutions are identified, effective solutions are found and implemented much more swiftly and with better outcomes. So “time lost” at the outset is more than made up for at the implementation phase and the outcome is nearly always superior.

Taking this more inclusive, consensus building approach has another key benefit, it enables the business to build a compelling vision and desire for the future state and demonstrate both individually and collectively how everyone fits into the future state. Anxiety about job security and fear of the consequences of change are reduced and the desire to embrace change and adopt the new working practices is greatly increased.

This may all sound very obvious but failure to understand clearly the existing business state and failing to gain sufficient desire for change is a guaranteed recipe for failure. Managerial courage is required to stir up the status quo while simultaneously helping employees engage in change programs by providing the leadership, sponsorship, clarity of direction, involvement, rewards, tools and skills required to achieve success. Most employees want to do a good job and if engaged in the right way will rise to the challenge in finding effective and sustainable solutions.

Building the future state

The danger is that CEOs and managers tend to take the assumptive route e.g. “I have done some benchmarking and I know what industry best practice is. We are going to achieve this within three months. People will jump on board and automatically see the value; we don’t need to add work by attempting to ‘manage the change’.” This approach is not a good one. The likelihood is it will fall into the 70% that fail. Change thrives in an environment where people are ready, willing and able.

Getting people ready

Readiness starts with alignment. In other words, no hidden competing commitments. Everyone needs to “be on the same page.” It requires carefully listening to and understanding perceived goals and commitments of every leader involved with the change so that a combined and uniform future state can be achieved. Employees need to see and feel their leadership team is aligned.

Readiness requires sponsorship from the CEO and his leadership team. They will need to factor in more management time at the outset so that the team sees them taking a hands-on approach. This will also demonstrate that they are serious about this project and that it is a priority. Employees need to know that their “backs are covered” by this sponsorship (e.g. it’s okay to take a risk during the change initiative).

Employees also need direction – they need to see the effort laid out in a road map with key deliverables, milestones and the finish line.

The CEO, managers and employees need updates on the work of the project. This requires a steady stream of communications from the CEO and managers to tell employees how they’re doing and from the employees to the CEO and Managers on how the project is advancing. Regular, planned communications and reviews also allow management to correct wrong assumptions about the change and to control rumors and any tendencies to interpret data erroneously. Additionally, it gives the CEO and Management a channel to consistently reinforce the purpose of the project and support alignment and sponsorship.

If the project being undertaken is seeking to make really meaningful change, there is a need to reconsider employees’ capacity. This may involve officially shifting their priorities (i.e. updating their annual goals) or drafting additional resources to help. Expecting employees to deliver all their existing responsibilities while at the same time establishing and delivering a new way of working and a new vision/future state is asking a lot.

Making people willing

Employees need to know “what’s in it for me?” They need to see the link between their effort and the results. They should be able to articulate: what key performance indicators are being measured, how do I affect them, and what does it mean to me in terms of rewards and or recognition. To do this, the project work needs to be supported by performance measurement data preferably using a Management Operating System.

People also need a say in the design of the future state. It should never be imposed on them. They should help build it. After all, they’ll own the delivery. This can be achieved through establishing task teams who work in small groups to design specific aspects of the future state.

Preparing people to be able

Transformations change processes and tools. The old way of doing something goes away and the new way emerges. Employees need to understand and learn these new processes and tools; they need skills to perform in the new state.

Communication during change

- Spend time talking to the workforce. Most employees are quite satisfied with the status quo. People refer to the 20-60-20 grouping (made up of 20% positive, 60% neutral and 20% negative). Therefore focus on the 80% that includes the positive and neutral groups and not on the negative group of 20% who may never buy-in
- Rare is the organization that communicates too much. Have measurable goals and track them, then communicate progress towards these goals
- Hold meetings at least once a week and include all members impacted by, or who are driving the process together in the same room
- Take time to build and invest in communication such that real conversations can be held on a regular basis
- To maintain credibility, don't feel under pressure to reply to those questions where it is too soon for an answer to have presented itself
- Communicate clearly, openly and frequently, especially about measurements, results and consequences
- Be prepared to hold public meetings to get the whole organization together to build momentum, create a memorable event, and exploit peer pressure for the change.

Skills training needs to be practical – it needs to integrate the application of the new processes and tools in the training environment so that transfer of learning to the job is more likely. Following that, it must be audited in post training "tests" of application to ensure transfer of learning. Finally, performance needs to be measured through the KPIs and the Management Operating System to demonstrate the performance improvement and measure return on investment.

"The fundamentals of successful change remain largely constant."

Looking to the future

"Attitude is a little thing that makes a big difference."

~ Winston Churchill, 1874 – 1965

All the evidence suggests that the pace of change is increasing but the fundamentals of successful change remain largely constant. By remembering that employees don't cease to be human when they come to work and by taking the steps we have outlined in this article we expect that you will avoid the pitfalls that cause so many change programs to fail. Alternatively you could take the view it is not necessary to change, after all survival is not mandatory.

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Our offer

- Speed – accelerating the delivery of performance improvements
- Execution with a sense of urgency – often the difference between aspirations and results
- Measurement – installing and training on the appropriate tools and systems
- Efficient people, process and performance management, and
- A wealth of experience from many different companies and many different businesses

About Alexander Proudfoot

We design and implement programs to help Chief Executives run their businesses more effectively.

We specialize in the design and execution of projects to achieve changes in operational performance, and as a result, financial performance. For more than 60 years, we have been helping companies, across the world and across all business sectors, change for the better.

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