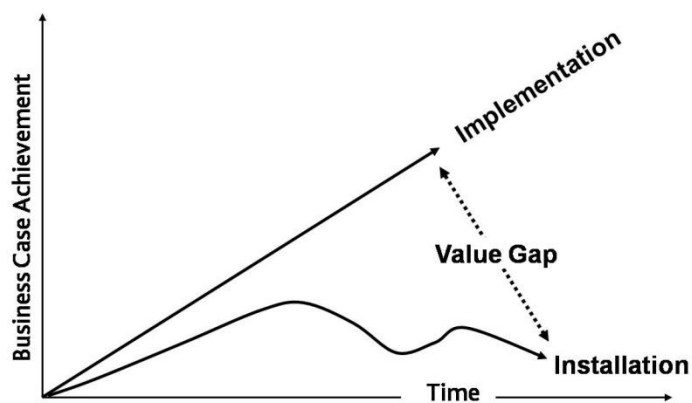


## Reducing the “value gap” of organizational change

### Installing versus implementing change

Describing change in terms of success and failure may be clear-cut and straightforward - but it's not accurate. And, perhaps more importantly, it's not helpful. So we began to make a distinction between installation and implementation instead. This perspective resonates with people at all levels of the organization because it's more accurate and more palatable to view change from this standpoint. Senior executives are more likely to say “Yes, I can see it's been installed” rather than “Yes, I can see it failed”. Recognising these shades of grey is also essential if you are ever to close the value gap and lift installation into implementation - see Figure 1.1.

Figure 1.1: Implementation versus installation



One of the reasons organizations don't reap the full benefit of change initiatives is that they confuse installation and implementation, and stop at installation. They don't appreciate that installation is just a milestone towards full implementation and, as such, they take their collective foot off the accelerator and momentum falls away. Consequently the changes languish at installation, never fully delivering their promised potential. For example, having a new IT system at head office may be successful installation, but if everyone is still using the old system then the change has been a waste of time, money and energy, and has not delivered its rewards.

In a real-life example of how installation can fall short, we were recently working with a well-known business in the UK. Over the years they had acquired numerous companies, some large and some small. On the surface everything appeared integrated: for example, there were shared policies, uniform email addresses and identical branding across the business. On closer inspection it became clear that the employees of many of the acquired companies still saw themselves as part of their original organization. They acted like people in a rather repressed occupied country. As soon as senior management left the room they reverted to using the name of their old company. They frequently told me how the change process needed to be adapted for the needs of “their company” and it also became clear that they still used a set of shadow processes to manage things like customer relationships. They didn’t associate or connect to the new business, and all their stories were about how great the old company had been and how inadequate the new one was. Whether the stories were true or down to rose-tinted nostalgia or even sheer bloody-mindedness was irrelevant. What had happened was

that there had been no change management process to ensure that people left the past behind and embraced the new organization in a positive and constructive way.

Change doesn’t happen when the new system is in place or the software is uploaded to the servers or the hardware is up and running. It happens when someone engages with the new system and realises that the information they now have access to is better in some way than it would have been with the previous system. It happens when someone says, “Yes, this system is helpful to me” or even, “I’ve just got to get on with it and learn some new skills”. In those moments change is implemented, behavior changes and the full potential of the business case is realised.

The reason the difference between installation and implementation is called a “value gap” is because there is a difference between the value that’s achieved at installation and the business case or return on investment that was initially predicted. And it is this value gap that is the most powerful case for change management and developing a change capability in every organization. Without proven change management processes it is very difficult to consistently achieve the organization’s change goals.

You might want to take a moment to think about change in your organization and take a guess at what the value gap may be. When we run workshops we usually have a good deal of ceiling staring and chin rubbing before someone bravely suggests, “Oh, I don’t know, but it will be a lot!” Occasionally we have had senior participants make a few high-level estimates, based on the number of previous initiatives and their respective success, and announcing that the company was probably some \$80 million out of pocket. We’ve even had the odd client admit to more than \$100 million across their global operation!

You’ll never reach 100 per cent implementation in all your initiatives, but there is a huge financial reward and competitive edge to be enjoyed by any organization that can successfully close that value gap. A recent Changefirst study indicated that on large projects where more than £1 million was spent on implementation, change management can add £6.50 of value for every pound spent. So the potential gains are enormous.

## The costs of installed change

There are four main costs associated with settling for installed change:

- installed change is expensive
- installed change extracts a high people cost
- installed change costs leaders their credibility
- installed change makes your organization a poor competitor in the marketplace

### **Installed change is expensive**

Whether you are implementing new technology or are radically altering a business process, there is always a financial cost involved. In one study conducted in 2004, John McManus and Trevor Wood-Harper showed that the estimated cost of IT project failure alone across the European Union was a staggering €142 billion. Professor Chris Clegg of the University of Sheffield conducted research into the same area and discovered that as much as £58 billion is wasted in IT-related change in the UK every year. Our guess is that these estimates only include large IT changes; imagine how big that number would be if you included all IT change. Much of the true waste in change is lost through smaller failed initiatives.

When we were working with a very senior programme director for a FTSE 100 company he one day said that in his organization you could be in charge of a change project worth up to £5 million, and if it was installed and no benefits resulted few questions were asked. Those involved were simply not held accountable for these “small” change projects. Apparently the executive team were only interested in the £5-million-plus projects. If any of them “went south”, then the people leading those initiatives could find themselves dealing with a whole set of negative outcomes.

We’ve worked with global companies for nearly 20 years, but even we were surprised. Even assuming that these accounts may have been embellished by a little hubristic exaggeration, the implications are enormous. If what he says is true – and we have no reason to believe otherwise – it’s likely that it is also true of many large organizations. In which case the aggregated amount of failed change across all organizations must be colossal.

Not only does this highlight the massive financial cost of poorly implemented change, but it also demonstrates the impact on people.

### **Installed change extracts a high people cost**

If the evidence suggests that a fraction of attempted change is implemented, then the majority of people involved in change will only have experienced installation – at best. This has serious repercussions for employee engagement. The comprehensive data held by the polling organization Gallup, who research human nature and behavior in organizations, suggests that in an average organization, the ratio of engaged to actively disengaged employees is only 1.5 to 1. In other words for every three engaged employees there are two who are actively disengaged!

As a comparison, world-class organizations record an engagement ratio near 8 to 1, meaning there are eight engaged employees for every disengaged one. Within the US workforce, Gallup estimates the cost of disengagement to be more than \$300 billion in lost productivity alone.

What is interesting is that one of the major influencing factors in employee engagement is the degree to which all employees see the organization successfully implementing change. Being part of change initiatives that constantly fail or end up at installation demotivates people and saps their energy, focus and excitement. And it's not good news for those leading the change either.

### **Installed change costs leaders their credibility**

As a change agent or change leader, if you keep announcing changes to your employees and nothing much happens it creates cynicism and lowers trust.

This means leaders pay the highest price for failed or installed change – they lose their credibility. The very core of leadership is trust, and installed initiatives erode that trust at an alarming rate. In our work the most frequent question we get asked is, “How do I persuade my boss to demonstrate support for this change?” This becomes even more pressing if that boss has a track record of installation. It creates the “palm tree effect”. When the leader announces yet another change, the employees simply adopt the characteristics of a palm tree in a storm. They bend over to accommodate the storm, but once the storm has passed the trees spring right back to their original position as if nothing had happened.

Unfortunately for the leader, the palm tree effect isn't always personal. If the organization has a legacy of failed or installed change, it can be very hard to break down the resulting cynicism and persuade others that a new leader is going to make the difference. In those situations the palm tree effect will prevail.

### **Installed change makes you a poor competitor**

If it's necessary to stay a step ahead of the competition or regain lost market share, then installation will have obvious repercussions for your competitive advantage. It is clear that the organizations which will prosper are the ones who can effectively implement change, adapt to changing consumer trends and so on, regardless of their market position or dominance. Many competitors have very similar strategies but it's their respective ability to execute those strategies that sets them apart.

There is also an opportunity cost associated with installed change. We all have a finite amount of time in our working day. If you or your employees or colleagues are preoccupied with change, especially change that doesn't end up meeting the expected business objectives, then the business has without doubt lost valuable working hours that can never be recovered. Those working hours could have been put to better, more profitable, use elsewhere. In fact, in some cases it has been found that shareholders or taxpayers would have been better off if the organization had simply given them the budget spent on the change initiative.

### **Successful implementation is not free**

Clearly implementing change, rather than just installing it, brings enormous benefits – but there are costs associated with implementation too. Let's run through the organizational costs associated with implementing change.

You have to appoint a dedicated resource to lead the change management activities. Depending on the size of the project this could be one person or a group. In our experience, asking part-time project team members to take responsibility for a major change project is a significant risk factor in change.

You have to allow more time for all the change management activities to roll out. Well-planned and executed involvement, learning and communications do take more time to deliver. The goal is to create momentum early in the project by engaging with people. Out of this you want to create a “snowball” effect – where you pick up speed as the project gains traction over time.

You have to train your people to be effective in planning and executing change. This takes time and money. You can get change management from untrained project team members; it’s just not likely to be very good change management. You need to train people to be able to plan, execute and track change activities, especially those activities that involve and impact on other people. You need your people to have skills in areas such as communication, behavioral change and involvement.

Nothing worth having in life is free and sustainable change is no exception. Implementation can be costly but is nowhere near as costly as failed or installed and failed change. The rewards of seeing a change initiative through installation to ownership and engagement are exponentially increased if you use change management to drive towards implementation.

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## About Changefirst

Changefirst has been working with organizations for over 20 years with a clear goal - to enable organizations to deliver on their change agenda. In that time, we have worked with over 300 organizations in over 45 countries, training more than 30,000 people to use our tools and processes.

In the last 5 years, the accelerating pace of change and wholesale disruption of business models has seen client requirements changing significantly – with a need for solutions that are cost effective, scalable and available 24/7. To meet those needs we have developed Roadmap Pro for organizations that must deliver their change projects quickly, comprehensively and cost-effectively.

In 2018, Changefirst was assessed and certified as meeting the requirements of ISO 27001:2013 for providing Change Management services.



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