

RESEARCH REVIEW

Stop *thinking* ‘change management’. You can act now to ‘manage for results’.

In the face of the credit crunch, intensified global competition and pressure to create greater profit at lower costs, many companies are embarking on yet another round of ‘change programmes’.

But latest research from the Economist Intelligence Unit (EIU) - commissioned by Celerant Consulting - suggests strongly that current approaches to change need to be revised to deliver a real return on considerable investment.

Celerant’s own insight is that change can and does bring measurable, sustainable and positive results, when it is implemented and managed correctly. And what goes wrong with change is both clearly identifiable and fixable in the short-term, and can stay fixed for the long-term. Managers can learn from (and avoid) the mistakes of the past. But to do this, they need a whole new people-centred approach to drive effective change.

In short, change programmes themselves need to change. How? By making sure they factor the human aspects of change into the equation. This has traditionally been described as ‘winning hearts and minds’. Yet the phrase does not do justice to what, in Celerant’s view, is the foundation of all successful change: involving and integrating employees and their skills and experience from the very start.

Research overview

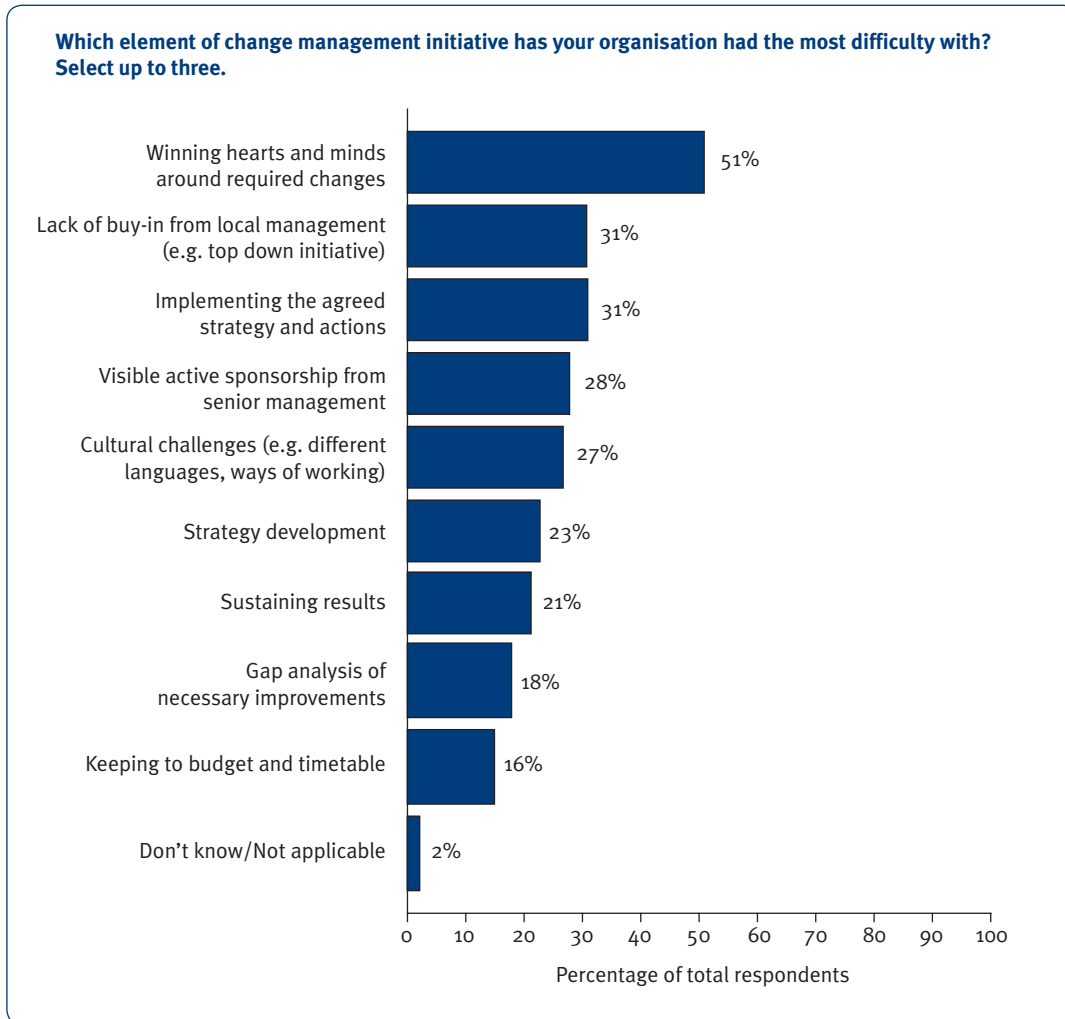
The EIU led research on change programme ‘attitude and experience’ amongst 600 + senior executives in companies of over \$500m p.a. revenues: 77% EU and Nordic, 23% US. The survey was completed in Spring 2008 (for full details, see the end of this paper).

“The problem is that management education focuses on how to run things, not how to change things. The process of taking a steady state entity and changing it is a critical process in its own right and gets precious little education attention. The two activities are significantly different. A good manager does not equal a great change agent.”

Ian Clarkson, Chief Executive, Celerant Consulting

Organisations don't change – people do

The reason, the research reveals, that most change programmes fail is that they do not motivate the staff involved, so the latter do not want to change their behaviour – they are simply not engaged. (The drive for people engagement was referred to in the EIU research as “winning hearts and minds”.)



The table above confirms that over half of respondents cited the issue of failing to involve and integrate employees and failing to work with (not against) the human dimensions of change as the key obstacle to change programme success.

Lack of endorsement from local management, obstacles around implementation of the change strategy and lack of visible and active sponsorship from senior management are also significant factors.

The results paint a clear picture of the road to effective change being blocked ‘on the ground’. Senior and local management don’t commit, the people who make the change real are left unengaged, their skills and insights are not integrated into new approaches and strategy is not translated into executable actions. But of all these factors, the people factor is paramount. It is not organisations that change, it is the people inside them. And changing people is the key to fundamental change for the better at the organisational and operational level.

But what exactly is driving the substantial current appetite for internal change?

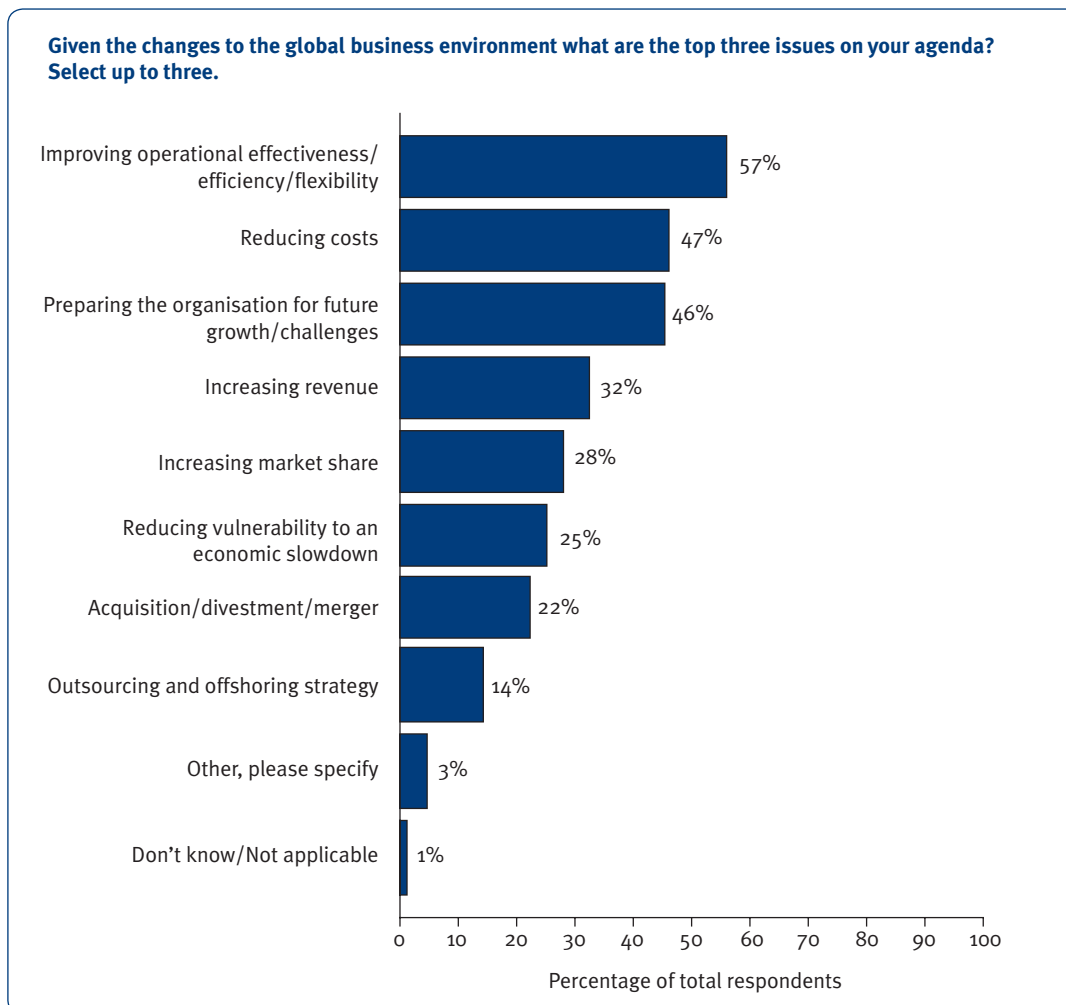
“There are two axes of management in change – technical and human – and people (managers) rarely balance the two elements successfully.”

Ian Clarkson, Chief Executive, Celerant Consulting

Why 'all change'? And why now?

All thinking on change programmes says that you need to have a 'burning platform' if you are to motivate people to change and if it doesn't exist, you need to create one. Clearly, the current banking crisis and economic slowdown provide such a platform. In harder times such as the current economic downturn, change programmes move from being a discretionary spend to a 'must do'. This has (or should have) a clear connection with, and impact on, the bottom line and managers must look more intensely at enhancing what they do and at sweating their assets harder.

The table below details the top issues on the minds of senior executives in the face of economic downturn, revealed by the EIU research.



“There has been an explosion in the management consulting market over the past 30 years and yet companies are still emphasising organisational effectiveness and cost reduction. So the questions are - What has consulting been achieving in that time? Why hasn't the problem been fixed for good? Leaders must have confidence in the ability of change programmes to deliver real bottom line results if they are going to write the cheque.”

Ian Clarkson, Chief Executive, Celerant Consulting

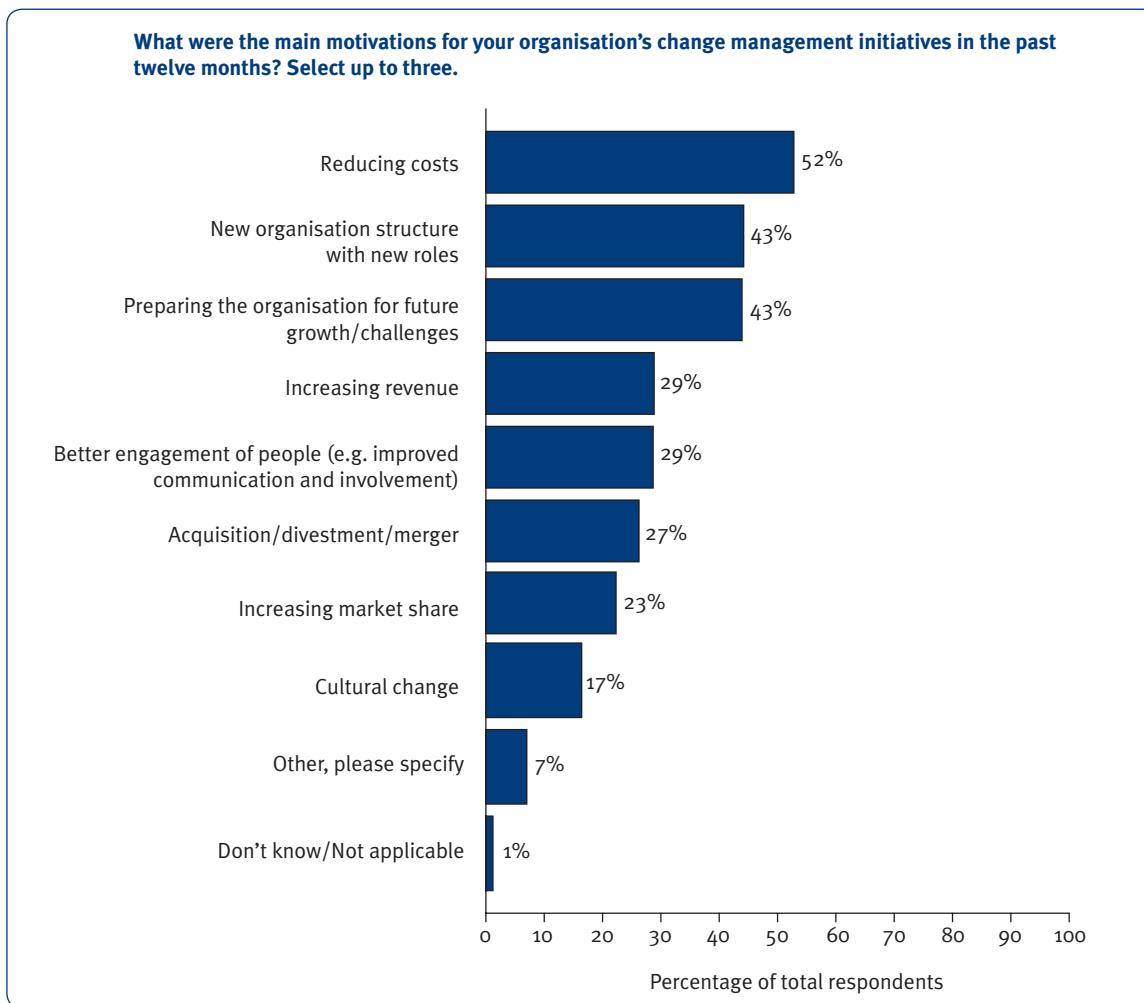
Getting the operation onto the front foot

Front of mind with those surveyed is the issue of improving operational effectiveness, efficiency and flexibility. Cost reduction is the next most pressing issue, followed by making the organisation ready for future growth and challenges. Clearly, there is a desire to make the enterprise better at what it does today and to prepare it to be more cost effective going forward.

When compared with the senior management mindset in the past twelve months, it would appear that pure cost reduction has now taken second place to greater operational effectiveness, reflecting a realisation that reducing costs only comes through an improved operation.

A further and important inference is that cost reduction alone, as a reaction to change, is not enough to make an organisation survive and thrive in a tougher climate.

Below, we detail the key motivational drivers for change management initiatives over the last twelve month period:



Change breeds more change

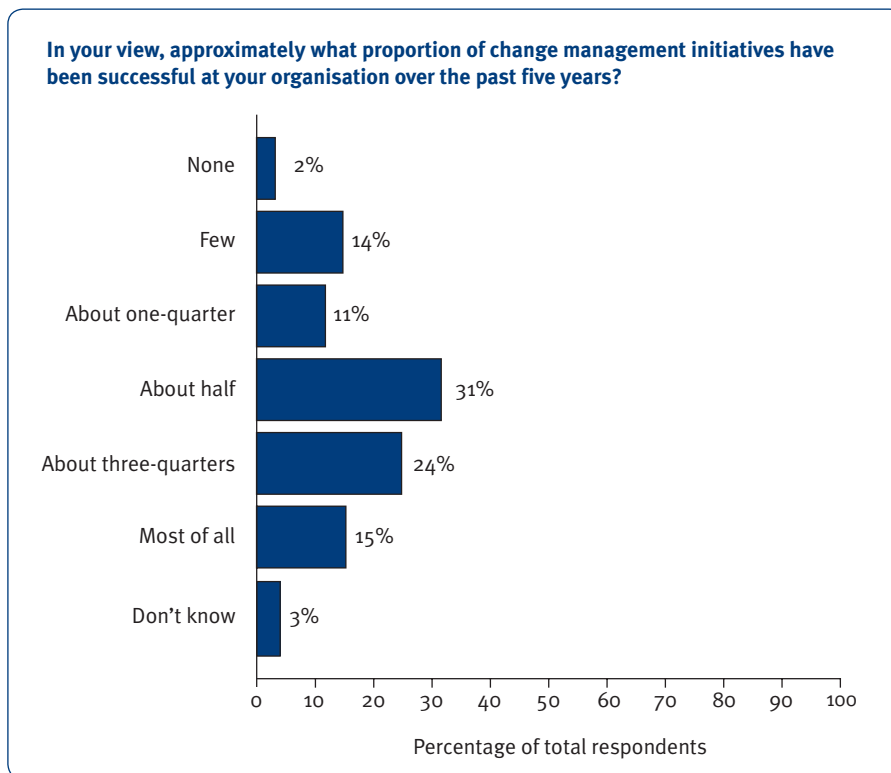
Second only to cost reduction is organisational change itself – change drives the need for change programmes! With the pace of change getting faster every day, organisations need to develop an ability and agility to change on an ongoing basis to survive for the long-term.

Note the emergence of reduction to vulnerability to an economic slowdown as a change driver. Note also that, interestingly, neither increasing revenue nor growing market share figure as top three drivers in either chart. Might it be the case that ‘change programmes’ do not have as strong a link with actual revenue and market share growth in senior managers’ minds as they do with the idea of ‘preparation’ for these desirable outcomes. Is the correlation between change programmes and delivered results as strong as it should be?

What's in a name?

Some 64% of companies asked have seen half or more change programmes fail, whilst only 15% said most or all programmes succeeded. Cost reduction programmes can, reasonably, be argued to have the wrong name and to be heading in the wrong direction. 'Spend to save' measures should be called 'spend to deliver results'. The reason that more than 50% fail is that they start with the aim of achieving change, not delivering results. Clearer objectives at the start are the key to greater success. Otherwise the company loses sight of the ultimate aim.

For a more detailed response set to the question of how many change programmes succeed or fail, see below:



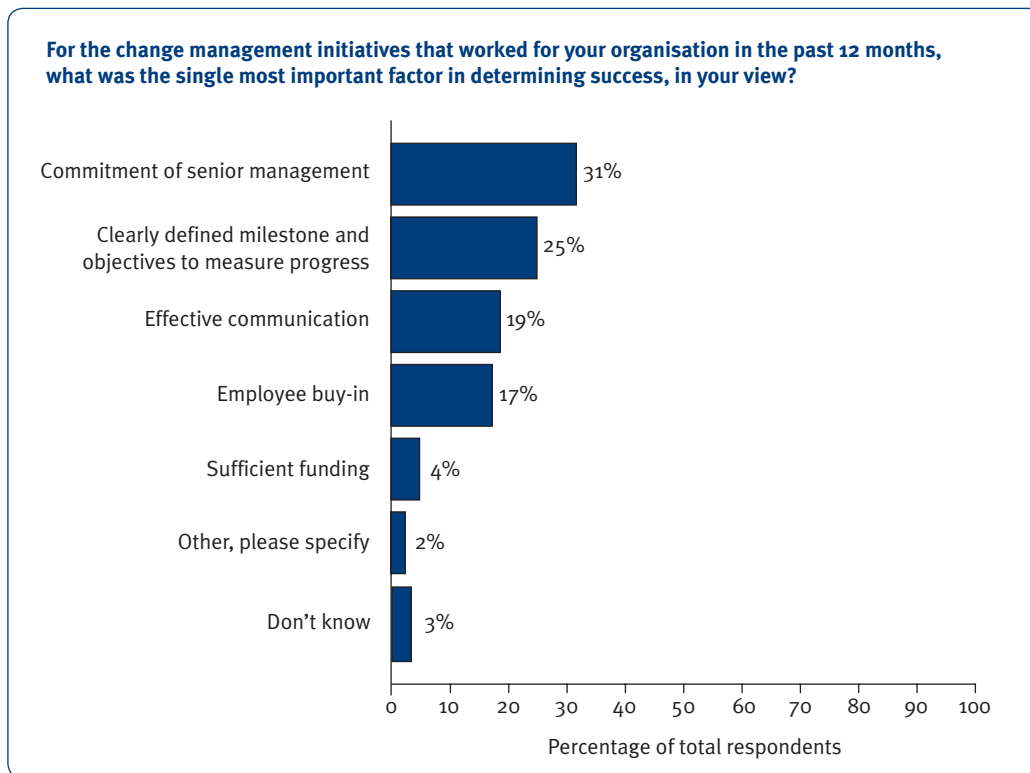
Does change work?

When asked the question 'do your change programmes work', the responses from managers in the table above, suggest that failure figures largely in the corporate change experience. The chart details responses to the issue of whether change programmes have been successful, or not, over the last five years.

It is striking that over 30% of respondents report 'about half' of change management initiatives have succeeded. The logical inference is that the other half have either failed or made no difference (in effect, failure). Only 15% feel that most or all of their change programmes have been successful. What are the reasons for this steep fall-off between change programme inception and successful impact?

It doesn't always fail

Clearly, not all change programmes fail and the key reasons behind those that do succeed are detailed below:



Based on the EIU research, the most important factors for change management success are:

1. Commitment of senior management
2. Clearly defined objectives and milestones and measurement against these
3. Effective communication

It is interesting to observe that, even when change programmes do succeed, buy-in from employees (the so-called “winning hearts and minds” issue) does not rank highly among the success factors (even through its absence is seen as a major cause of failure).

Senior management commitment and clarity of purpose rank highly as change programme success drivers. This might imply that such programmes will work if they are clearly drafted and ‘driven through’ by top management. But a valid and pressing question remains: how much more successful could they be if they had the buy-in of employees? (Currently this is cited by just 17% of respondents as a positive factor, even in successful change programmes.)

Impact of the current credit crisis

The current credit crisis has increased the demand for programmes that increase efficiency - with the majority of companies who conduct programmes intending to increase spending this year.

Key survey findings

- Despite or maybe because of the economic slowdown, companies will spend more on change initiatives over the next 12 months than they did in the previous 12 months. (Change programmes are seen as part of the armoury against corporate vulnerability in tough times; and spending money on them is felt to be worthwhile – even given their high historical failure rates.)
- Change initiatives are likely to focus on making organisations more flexible and efficient (but given the apparent disconnect between ‘flexibility’ and ‘efficiency’ – attributes - and market share and revenue growth – results - are change programmes seen as no more positive than ‘digging in for survival’ - as opposed to drivers of a more dynamic business?)
- However, managing change is still a big challenge for most companies (possibly because ‘change’ itself remains too much of an abstract concept, not immediately linked to issues such as market share and revenue growth)
- There appears to be little or no correlation between money spent and the success of change initiatives. (Is the financial capital applied failing to leverage the ‘human capital’ employed? Yes, clearly. But why? And how?)
- **Successful change comes from a combination of leadership, planning and communication – it’s all about understanding and working with the human dimensions of change and involving and integrating employees into new approaches that make the most of their skills, experience and potential productivity. (You have to understand statistically what you want to achieve – emotionally, structurally, organisationally and financially - and have a clear view of the ROI.)**

“It’s all to do with trust and values. Change programmes fail when people don’t trust their managers. The best approach is to be very clear about how to build trust and to communicate what values the management team stands for. Managers must learn to stop thinking ‘change management’ and start managing for a change.”

Ian Clarkson, Chief Executive, Celerant Consulting

The Celerant approach to change that delivers sustainable results

Top down? Or bottom up?

Celerant believes that a change programme should achieve lasting and positive results, rather than being one in a series of temporary measures. More than 20% of respondents to the EIU survey highlight lack of sustainable results from change programmes. In the well worn phrase, “winning the hearts and minds” of employees is cited as a key issue in the failure of change programmes. Yet for successful programmes, employee buy-in is not the most important factor cited for success.

The change programmes defined as successful are those ‘driven through’ by senior management. But this top down approach seems allied to failure in a high proportion of cases.

A different approach to change is needed if it is to succeed. The Celerant approach is not to apply yet more financial capital to superficial change. We leverage the human capital of organisations – the people – and the experience capital – what people know and understand already – to change their outlook positively and for good.

We work with the causes of underperformance – as opposed to their symptoms. We change behaviour as well as process. We energise workforces and their managers to achieve spectacular and sustained results that are industry leading. We leave our clients able to compete more effectively because their people are able to work more productively. Over 90% of our clients would work with us again, because we deliver.

The research

- Survey completed in April 2008
- Participants: 607 senior executives - 26% C-level
- 77% from western Europe and Scandinavia, 23% from the USA
- Focused on manufacturing, telecoms, chemicals, automotive, natural resources and energy
- Mainly large companies: 98% had revenues in excess of \$500m - 30% with annual revenues in excess of \$10bn
- Survey completed by interviews with selected experts

We have offices in 10 different countries and we will always go where our clients need us to be.

If you want a conversation about the ways we can help your business achieve results, every time, you can call us on:

Americas	+ 1 781 674 0400	Germany	+ 49 (0) 211 58 33 00 33
Belgium	+ 32 (0) 2 762 52 38	The Netherlands	+ 31 (0) 20 570 5400
Denmark	+ 45 35 45 90 01	Norway	+ 47 22 43 29 23
Finland	+ 358 10 396 8800	Sweden	+ 46 (0) 8 670 6579
France	+ 33 (0) 1 56 69 53 00	United Kingdom	+ 44 (0) 20 8338 5000

www.celerantconsulting.com