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# IS YOUR CHANGE MANAGEMENT APPROACH KEEPING PACE WITH DIGITAL?

By Stéphanie Mingardon, Meldon Wolfgang, Mike Lewis, Aaron Snyder, and Greg Meyding

**I**N BUSINESS TODAY, CHANGE isn't merely constant; it's exponential in pace and scope. Hardly a company has been untouched by digital transformation, and big data and analytics and artificial intelligence have taken hold with breathtaking speed. So have new approaches to generating value, such as agile ways of working. At the same time, shifting demographics, skill imbalances, and the unique values of millennials (such as their desire for purpose and inclusion) are reshaping the talent supply. Together these forces are revolutionizing the way companies, leaders, and employees work, interact, and produce.

The nature of change in the digital era has important implications for change management. The elements of change management defined in BCG's distinctive approach—enabled leaders, an engaged organization, clear sponsorship and governance, and a level of implementation rigor we call Executional Certainty—remain as essential as ever. Yet when applied in the traditional manner, these elements are no longer sufficient. As we'll see, change man-

agement today requires a heightened level of active leadership, a faster pace, employee inclusion, and the ingraining of new behaviors. By addressing these four imperatives as part of their overall change efforts, companies can strengthen their adaptive-ness, competencies, and ability to change. They'll go a long way toward making change stick and achieving critical business outcomes.

## Four Imperatives for Change Management Today

Transformation efforts often fail or fall short. We believe this is largely because the lion's share of programs focus on the strategy and operational aspects of change, shortchanging the people and cultural components. But even integrated transformation programs—those that include the traditional full suite of change management elements—need more.

**Leaders must be personally engaged in the change.** Of the more than 500 senior executives surveyed in a 2016 study by the

## Addressing the Four New Imperatives in Change Management



Source: BCG analysis.

Economist Intelligence Unit, 20% identified “lack of commitment by senior management” as the single most significant cause of transformation failure.<sup>1</sup>

In the era of always-on transformation, leadership is not only about having a vision and setting a strategy; it’s about creating alignment and putting in place the right conditions for change. Employees face increased pressure due to flatter organizations, agile operating models, and the more intense focus on the customer, so leaders need to serve as role models by embodying the organizational values and desired behaviors. They can no longer delegate change to mid-level project managers and direct from behind the scenes; they must inspire and engage the enterprise.

**Change must happen faster.** Technological change is accelerating, which means customers expect more and expect it faster. Yet digital advances introduce complexity. A BCG study shows that 74% of managers claim that complexity is hurting performance. In addition, as the competition for talent has intensified, people change jobs more frequently, meaning that companies must act swiftly to gain advantage. Finally, shareholders expect results more quickly than ever. Speed is at the core of value creation today, but to achieve it, organiza-

tions must simplify structures, processes, activities, and decision making.

**Employees must be included.** Like customers, employees expect more today: they crave transparency and collaboration, want their voices to be heard, and want to be engaged in meaningful work. They want to know that their contributions have impact. A recent CEB study showed that when employees actively participated in planning a change initiative, the effort was three times as effective—and implementation planning was 10 times as effective—as initiatives developed solely by leaders.<sup>2</sup>

**New behaviors must be ingrained.** Change, by definition, requires new behaviors. Indeed, according to a 2011 Economist Intelligence Unit study, senior executives consider behavior change the single most important success factor in a change program. Yet many change efforts neglect to align the organizational context (through elements such as leadership and performance management practices) to elicit the right behaviors. Moreover, the digital world calls for new ways of working—agile approaches that emphasize iteration and customer feedback, cross-functional collaboration, and a greater use of digital and social-media tools. New behaviors cannot be instilled by dictate—or through

yesterday's work methods. To activate and embed behavior change, companies need to tap the very tools and methods that are triggering their transformations, being mindful of the viral power of digital interactions.

## Elevating the Importance of People and Behavior Change

Most change programs focus on the strategy and mechanics (the so-called "hard" aspects). BCG, however, has long promoted an integrated approach that gives equal weight to the people and behavioral aspects of change. Enabled leadership and an engaged organization are as crucial as a disciplined focus on execution, a project management office, and rigorous governance.

To address the four digital-era imperatives, we have developed a suite of change management methods and tools that can be overlaid on the foundational, integrated change management program to augment its impact. Conceived as a systemic approach, this suite of agile-based solutions positions people at the core of the change process.

Traditional change management programs, administered through a project management office, are implemented in parallel with daily operations, as the changes are phased in. Our enhanced approach introduces changes to the daily routine, bringing everyone into the fold: from top leaders (who drive the change) to transformation management office and initiative heads (who manage it daily); and from mid-level managers (who cascade accountability through the ranks) to employees and teams (who contribute to, internalize, and activate the change). Traditional approaches are also one-way: developed solely by leaders and pushed out to the organization. Our approach allows employees to co-create change efforts.

Because behavior change and culture underpin all successful change efforts, this enhanced approach draws on the latest thinking in behavioral economics and sociology

to influence behavior change by triggering new habits. Digitally powered methods and tools bring the ability to diffuse information widely and in real-time, along with transparency, two-way communication, and the ability to analyze and course-correct promptly.

## The Enhanced Change Management Toolkit

BCG's enhanced change management approach provides a suite of tools and solutions that overlays and augments the core change management portfolio. It has four components.

**Catalytic Leadership, to help leaders spearhead the change.** To advance the change effort, top leaders must mobilize the broader leadership team and the organization overall. The Leadership Activation program combines elements aimed at individual and collective leadership-building to ensure that leaders are united, committed, energized, and equipped. A change maturity heat map helps assess leaders' level of change-readiness. A leadership profiling tool reinforces individual leadership development. These, combined with change, booster collective sessions, help foster alignment among leaders on their vision and priorities, and fortify leadership team effectiveness.

**Activist Program Management, to speed change.** Transformation today calls for a fundamentally new approach to program management that supports speed, iteration, and adaptiveness. The evidence shows that agile organizations are dramatically more successful than traditional organizations in many aspects of managing change. The Project Management Institute's 2015 *Pulse of the Profession* study revealed that agile organizations are six times more effective at anticipating external change, eight times more effective at developing strategies to respond, and 10 times more effective at implementing those strategies.

At BCG, we believe in Activist Program Management, a form of program management that is, above all, strong, direct, and

proactive. **Key**, our proprietary approach, fortifies governance and program management through agile methods and practices. It includes a software platform with analytic capabilities that allows rigorous end-to-end management of the change portfolio and programs. Key helps leaders reach agreement on initiative targets and efficiently track milestones. The transparency and discipline it builds in to the program helps accelerate progress. Impact centers—physical rooms and routines, such as a virtual control tower, portfolio walls, and stand-up meetings—provide transparency and enable rapid decision making. Together, these solutions give leaders an adaptable way to address evolving demands, solve problems, and manage and prioritize the change portfolio with transparency and speed.

**Open Source Engagement, to foster employee co-creation.** As we've shown, the case for inclusiveness in change efforts is compelling, and digital technologies support inclusiveness to a degree previously unimaginable. When used correctly, digital tools enable employees and leaders to work together to co-create change efforts. Tuned, BCG's employee engagement app, uses mobile technology to promote employee interaction—peer to peer, up and down, and across the organization—in a way that is simple enough for the technology-challenged executive or shop-floor employee to grasp easily. It can issue simple notifications to the whole company or to specific segments of the workforce, enable pulse-checks, and provide gamification elements (such as leaderboards) and feedback view mechanisms (such as real-time polls). Tuned relies on bite-sized content—90-second videos, short texts—that are digestible and easy to respond to. It thus serves as a mechanism for engaging employees and stimulating dialogue, ultimately boosting employees' empowerment and investment in the change.

**Enablement, to ingrain new behaviors.** If behavior change is the key to successful change, companies need to define and foster desired behaviors: hardwiring new routines into systems and structures, and ensuring knowledge transfer, up-skilling, and training for the new technologies and processes. Amethyst, a learning and behavior-change app, supports training and coaching for leaders or managers (although it can be used for any audience). It incorporates digital nudges, a concept drawn from behavioral economics; text messages, emails, apps, and gamification to prompt people to take desired actions. Because they generate data, digital nudges have the added benefit of enabling organizations to track the effectiveness of their change efforts. (See "[The Persuasive Power of the Digital Nudge](#)," May 2017.)

**T**HE TRADITIONAL FOUNDATIONAL approach to change management, no matter how rigorous, is no longer sufficient. Yet digital tools alone cannot possibly enable an organization to achieve large-scale, sustainable change. When combined, however, the two create a powerful and holistic way for change leaders to articulate, plan, deploy, and measure the results of their most significant change efforts. And by addressing the four new imperatives for change, companies can confidently meet the demands of always-on transformation as they navigate the broader forces of technological, operational, and cultural change with competitive might.

#### NOTES

1. *Strengthening Benefits Awareness in the C-suite*, the Economist Intelligence Unit, 2016 (report sponsored by the Project Management Institute).
2. CEB 2016 Workforce Change Survey; CEB 2016 Change Management Head of Function Survey.

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