PUTTING PEOPLE AT THE CENTER OF CHANGE

By Reinhard Messenböck and Michael Lutz

This article, part of BCG’s series on the challenges of transformation, focuses on key elements in the people journey. Other articles will explore the leader and program journeys that companies must undertake simultaneously. More than ever, companies are finding that managing these interdependent journeys in a holistic and fully integrated way is essential to their success in achieving change.

E ven as it becomes increasingly urgent for companies to create competitive advantage through transformation, more and more of them are finding this difficult to do. Research shows that up to 75% of change programs fail to capture long-term value. Forbes estimated $900 billion in missed value creation in digital transformations in 2018. One result of such failures can be seen in BCG research that found that just over 50% of the Fortune 500 companies from 2000 had gone bankrupt, had been bought, or had shut down by 2017.

Why do so many transformation efforts fall short of their goals? One factor we have observed is that as companies strive to increase the speed with which they generate and implement solutions, they tend to overlook a critical limit on their transformation efforts: the speed at which employees can absorb and internalize change.

Consider a leading global wealth manager whose employees, we recently found, had to deal with approximately 250 changes per year. These included operating model changes; new leadership structures; new productivity procedures in areas such as travel booking, digitized financial planning, and HR; new enterprise resource systems; agile ways of working such as sprints; and new legal and risk requirements and compliance procedures.

Each initiative was thoroughly planned by a central change team. That team, however, failed to truly consider the employees who would have to change their way of working and to recognize the many other demands on their time. This resulted, not surprisingly, in overstrained individuals who were unable to adapt and poor business outcomes.
Transformation efforts used to be limited by the rate of idea generation and stifled by lengthy technology implementation cycles. As a result, companies started focusing on advances in idea generation and solutions deployment (through methodologies such as agile, digital platforms, open source code, AI and robotics, cloud solutions, and so on).

Today, by contrast, originating a lot of new ideas and bringing them to an initial stage of implementation quickly is merely the status quo in corporate transformation, not a differentiator. And as change in the external environment continues to accelerate, companies are not only creating great ideas faster, shortening their development cycles, and issuing more and more new MVPs; they’re also increasing the frequency and number of parallel transformation efforts—thereby pushing hard against the limits of employees’ capacity for change.

Our experience has shown us that successful transformation efforts put employees at the very center: their ability to absorb change becomes the bottleneck that needs to be managed. Yet new global research we have conducted on over 1,000 companies indicates that transformations, in general, pay little or no attention to the people journey—that is, to ensuring that change initiatives are implemented in an employee-centric way. Consequently, we believe that employee centricity is absolutely essential for companies that want to use transformation to create competitive advantage.

How the Modern Workplace Ecosystem Sets Transformations Up for Failure

Ensuring an employee-centric implementation requires, first of all, a thorough understanding of the modern workplace ecosystem.

There is a simple reason why so many great ideas generated in transformation efforts fail to lead to success: they are launched into a workplace ecosystem that makes it extremely challenging for people to embrace these new ideas. In the typical workplace, employees face many, varied, ongoing, conflicting, and at times nearly overwhelming demands from at least four work-related sources:

- **From Leaders.** Demands can include project duties, performance reviews, ad hoc requests, and ongoing responsibilities within an employee’s team. This creates difficulties when an employee plans his or her time around project duties, only to have to deal with an influx of ad hoc, urgent requests that require attention and derail the employee’s workplan.

- **From Peers.** Such demands can include requests for collaboration, requirements to participate in events and team activities, and input into projects outside the employee’s direct scope of work.

- **From Direct Reports.** These may be, for example, reviewing work, requests for help and support, and coaching and mentoring duties.

- **From Existing Processes and External Interactions.** Examples might include reporting, client requests, and meetings.

In the midst of so many demands from all directions, employees find it extremely challenging to know how to respond. Many find it difficult to refuse requests from superiors, even when they are already overburdened. The fact that requests also often come without explicit instructions about priority forces employees to make their own assessments of the relative importance of various tasks. The resulting overload and lack of clarity become even worse if corporate transformation or improvement programs are added on top of routine demands—easily leading to resentment and low employee engagement, or even to employees’ tuning out altogether. Companies will inevitably face the risk that employees will resign, thus putting the program’s goals at risk.
What Chief Transformation Officers Can Do

If companies want their transformation efforts to succeed, chief transformation officers (CTOs), working with a transformation office, must first develop a granular understanding of their workplace ecosystem—an area in which most managers are, at best, guided by intuition—and then ensure that transformation leaders in the organization can remove obstacles to change, mitigate risks, and help employees navigate the demands placed on them. Such an approach enables people to fully engage with the transformation, to become not just implementers but proponents of change.

Our research shows that successful, employee-centric transformation maximizes Employee Capacity to Absorb Change (ECAC)—a measure that provides information on how well and how fast an organization can adapt to change at a given moment.

Employee-centric transformation that maximizes ECAC has two essential components. First, a transformation office (created as part of the program journey) ensures transparency on both employees’ “business as usual” environment and the specific impacts the transformation will have on them. Second, the transformation is supported by leaders who have the knowledge, skills, and willingness to guide employees through the transformation (the leader journey).

Our research suggests that transparency on both “business as usual” and the impact on employees of change initiatives is of utmost importance. By understanding these impacts holistically, transformation offices can use new technologies and tools to analyze the ECAC score for the organization, at the right level of the organization, over a period of time and obtain exact information on where change is and is not being adopted. Only with such transparency can CTOs and other transformation leaders guide and coach employees so that they are ready, willing, and able to adopt change. They can do this by

- Performing regular and rigorous checks for all transformation initiatives to understand how employees are reacting to change and if they are adopting it
- Adjusting transformation initiatives to allow for better implementation—such as changing timelines or milestones when multiple initiatives have intersecting ones
- Providing fit-for-purpose coaching or training materials for upcoming initiatives—such as detailed manuals for process changes, gamifications to increase adoption rates, and digital and on-site coaching offerings
- Providing dedicated coaching and support for organizational leaders, who are critical to sustaining change

Companies can develop a fine-grained understanding of their workplace ecosystems and make the ecosystem more receptive to change. For a global industrial conglomerate we have worked with, we created customized views of the workplace ecosystem for the organization as a whole, specific teams, and specific initiatives. Initiative leaders were then able to use this to revise the parameters of their efforts in order to decrease the burden on teams and individuals.

The increased velocity of transformation, combined with the complexity of the workplace ecosystem, places particular demands on a company’s employees and on the leadership in particular. In a transformation, an organization’s leaders must both promote change and model new behaviors to be adopted and internalized. For CTOs it is, therefore, extremely important to identify where in the organization leadership capacity is most needed for the transformation effort, and to ensure that supply meets demand. This requires an understanding of the personal, cultural, or structural barriers inhibiting the effectiveness of individual leaders in supporting their teams.

To enable transformation leaders to better understand organizational and individual
change-leadership capacity so that they can take action to improve it, we suggest gathering input from leaders’ peers, superiors, and direct reports, as well as from self-assessments, to create a comprehensive picture of leadership across an organization. This allows the CTO to work with the leadership team to

- Determine overall change-leadership strengths and limitations
- Assess individual leaders’ behavior and the gaps between current and potential behaviors
- Identify change champions across the company
- Develop strategies for leveraging leadership strengths
- Create action plans for addressing gaps between current and desired leadership behaviors

We have worked with CTOs on the people journey to achieve employee-centric transformation by developing engaged and capable transformation leaders. For example, we helped a European financial company assess its transformation leadership needs and capacity, and we used the results not only to create a detailed action plan for leadership skills development but also to select people for both program and permanent roles within the organization.

Competitive advantage is shifting to organizations that can not only generate and implement great ideas but also support their employees in adopting them. Whether the issue is assessing employees’ ability to absorb and internalize rapid change or developing change leadership capacity, we believe the kinds of organizational knowledge and skills described here will be increasingly critical for successful transformation.

About the Authors
Reinhard Messenböck is a managing director and senior partner in the Melbourne office of Boston Consulting Group. He leads BCG’s work in Smart Simplicity and in cost and efficiency, and has expertise in organization design and large-scale transformation. You may contact him by email at messenboeck.reinhard@bcg.com.

Michael Lutz is an associate director focusing on change management in BCG’s Munich office. He has worked on multiple large-scale transformations globally with a focus on cost savings, organization design, and codetermination processes. You may contact him by email at lutz.michael@bcg.com.

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact.

To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

© Boston Consulting Group 2019. All rights reserved. 7/19

For information or permission to reprint, please contact BCG at permissions@bcg.com. To find the latest BCG content and register to receive e-alerts on this topic or others, please visit bcg.com. Follow Boston Consulting Group on Facebook and Twitter.