BCG

REPORT

Changing Change Management

A Blueprint That Takes Hold

THE BOSTON CONSULTING GROUP

CHANGING CHANGE MANAGEMENT

A BLUEPRINT THAT TAKES HOLD

PERRY KEENAN

KIMBERLY POWELL

HUIB KURSTJENS

MICHAEL SHANAHAN

MIKE LEWIS

MASSIMO BUSETTI

December 2012 | The Boston Consulting Group

CONTENTS

3 EXECUTIVE SUMMARY

6 CONFRONTING "CHANGE FATIGUE"

7 NO RELAXING OF THE CASE FOR CHANGE

9 TOWARD VERY PRACTICAL SOLUTIONS
Executional Certainty
Enabled Leaders
Engaged Organization
Governance and PMO
In Unity Is Strength

25 THE NEXT 100 DAYS

28 FOR FURTHER READING

29 NOTE TO THE READER

EXECUTIVE SUMMARY

YOU WOULD NOT KNOW it by looking at the popular history of corporate-change efforts, but there are ways for organizations to successfully and confidently manage change—and to make sure the changes stick year after year. The Boston Consulting Group has found that the key to sustainable change is to take a disciplined, systematic approach that focuses energy, resources, and time on the most important change elements.

There can be no relaxing of the case for change.

- The risks inherent in major change efforts mean that some will surely fail. However, it is still surprising that the failure rates remain so high even though business leaders have been exposed to decades of conversation, coaching, and consulting on change management.

- Business leaders, tired of repeatedly failing to shift their organizations, are demanding new approaches—all the more so because the most accessible opportunities have long since been harvested.

Many companies are moving toward very practical solutions.

- The good news is that there is growing recognition of the need for change done right. Many boards have been appointing CEOs with that explicit charter, and almost all CEOs recognize the need to take even successful enterprises to new levels of performance.

- Using an integrated approach that BCG calls the Change Delta, organizations are flipping the odds toward success by aligning leaders around goals, initiatives, and decisions; strengthening executive sponsorship; and enhancing employee engagement. The approach has three elements that help boost management's certainty that desired targets will be met: *executional certainty, enabled leaders,* and an *engaged organization.* These three elements are brought together by effective governance, program management disciplines, and a program management office (PMO). The

Change Delta helps ensure that as many employees as possible experience the change process in the most positive ways possible.

Executional certainty ensures positive results by giving top managers a forward view of progress and the means to make course corrections early enough to make a difference.

- A transparent early-warning system allows senior leadership to see the inevitable gaps that open between change targets and actual progress across a portfolio of initiatives. This transparency gives the leadership team operational insight into emerging issues that is sufficient to make rapid course corrections across the range of change activities, removing potential roadblocks, fast-tracking decisions, and tweaking the allocation of resources, time, and their own attention.

- The fundamental building block of this approach is a set of initiative roadmaps. Each roadmap captures the 15 to 25 major events and leading indicators of risk and financial impacts, signaling the triggering of financial and operational outcomes. The roadmap includes early-warning indicators, such as tests of business case assumptions, to flag risks likely to have impact in the future. Once the initiatives have been launched, the roadmap owners update progress against plan on a monthly basis.

- To help gauge the robustness of each initiative's roadmaps, truly change-capable companies use formal rigor-testing processes.

- Success is far more likely when a contract of respect has been established with the roadmap owner. When issues arise, the emphasis has to be on problem solving—not on apportioning blame.

Enabled leaders ensure that the extended leadership team "owns" the change and its connection to the vision and strategy of the company; enabled leaders speak with one voice and have the necessary training and tools to manage the change.

- The top team has to commit to forthright, no-holds-barred discussion of the need for change and the objectives of a change effort. There can be no "undiscussable" topics among the management team members.

- The top management team must not wait until conditions are perfect. Definitive action should be taken within the next four to six months—not the one to three years it can take for major leadership-development efforts to work.

- Change really does start at the top. However, success depends on enrollment of the extended leadership team. Change mandated by the CEO alone is bound to fail.

- Leaders must champion the change using visible sponsorship behaviors. Change efforts seen to have only lip service from senior management are doomed.

An engaged organization is equipped and has the confidence to handle change by thoughtfully engaging key stakeholders and proactively enlisting employees.

- Employees at every level must be equipped and able to manage the change. So leaders must be able to answer such questions as, Why do we need to change? If I change, will my boss change too?
- It is important to adhere to a clear, systematic process for clarifying roles, responsibilities, and leadership behaviors down through the ranks. This is an area in which many organizations have failed.
- Engaging the organization requires segmenting stakeholders in order to focus efforts on leveraging influential supporters and enlisting skeptics.
- Communication of the key messages is crucial. It must not be rushed, and it must be repeated. It can take up to nine conversations for a key message to really stick.
- Leaders also have to communicate less tangible factors—pride of workmanship, job satisfaction, self-worth—to win every team's emotional buy-in for the changes ahead.
- A proper engagement effort will nourish all three facets of an employee's contribution: attitude (willingness to change), skills (ability to change), and knowledge (experience of how to change).

If the three preceding Change Delta elements are the arms and legs of a real change effort, then governance, program management disciplines, and the PMO are its nervous system.

- Change is created and delivered by line managers and their teams, but this happens effectively only when accountability is made explicit through robust governance structures and when managers are armed with the information to facilitate timely decisions and actions.
- To achieve success, a large-scale change initiative requires engagement and support at the highest levels of the organization. Key governance bodies must allocate time for regular reviews, as well as resolution of key issues outside of meetings.
- In many cases, a PMO serves as the "glue" that helps bind together the data, conversations, and decision making among senior executives, initiative leaders, and the line organizations. This is particularly important for complex cross-business initiatives.
- As stewards of value delivery, the PMO, executive sponsors, roadmap owners, finance, and HR representatives rigor-test the various roadmaps. They must be sure that the organization's leaders will have enough time to act effectively. This requires that the roadmaps for each of the major initiatives include meaningful forward-looking indicators that will raise early-warning flags if updates from the roadmap owners suggest that targets might not be met.

CONFRONTING "CHANGE FATIGUE"

IT WAS NOT A pretty story. A large energy company, striving to overhaul support functions and reduce costs, was having a very tough time. The management team leaders had launched what they thought were the right change initiatives, and they believed they were off to a good start.

They were wrong. It soon became obvious that employees, less than engaged, were more likely to roll their eyes than roll up their sleeves when the new change requirements were explained to them. "Change fatigue" was ubiquitous. After all, the current effort was just the latest in a long string of change efforts—few of which had succeeded.

Even more worrisome: proof of resistance was everywhere, confidence in the company's senior management was low, and there was little clarity concerning the factors by which employees were measured. Long story short: the changes went nowhere fast. In that respect, the energy company was no different from the myriads of other organizations that fail to do a proper job of delivering transformational changes.

Today, the company's story is quite different. The targeted savings have been achieved—and are being sustained. Many of the company's functions are cost-effective, thanks largely to motivated in-house teams of line managers. The key initiatives are explicitly defined and owned, and managers know which milestones the organization must achieve and when, as well as which course corrections they must make if a milestone is likely to be missed.

Line leaders are engaged; they know what they have to do to facilitate change.

The executive team gives clear and meaningful direction and backing. Line leaders are engaged and feel supported; they know what they have to do to facilitate change. Communication about change cascades more easily and systematically down through the ranks.

The energy company's ability to make change management work—to change change itself—is proof that achieving positive and productive change is entirely possible. In this report, we deconstruct the concept of a systematic, integrated approach to change management.

We show how organizations that focus energy, resources, and time on the most important change elements—as did the energy company described above—can make sense of the change management chatter and successfully achieve sustainable change as a result.

NO RELAXING OF THE CASE FOR CHANGE

ORGANIZATIONS ABSOLUTELY *MUST* DO a better job of managing change because—clichéd though it might seem—change really is a constant. The volatility and turnover of industry leadership has more than doubled since 1980, according to recent BCG findings published in *Harvard Business Review*.[1]

Corporations, government agencies, and nonprofits are hemmed in by heightened volatility, shifting economic realities, and rapidly evolving competition—forces that collectively mean that companies must adapt and restructure, and do so more frequently, more thoroughly, and faster than ever before.

More than 30 percent of business leaders polled in recent BCG research say that they are dogged by economic uncertainty. Nearly as many express concerns about increasing complexity and the pace of innovation and change.[2]

Most corporations *are* trying to keep pace with change. For example, nearly 90 percent of those surveyed in a BCG study of executives worldwide (leaders at organizations with more than 1,000 employees) said that they had recently carried out a reorganization. Roughly half were large-scale enterprise-wide reorganizations—efforts designed to fuel global expansion, unleash innovation, capitalize on a market trend, cut costs, digest a merger or an acquisition, or respond to major social or economic shifts.[3]

Yet few are succeeding. Customers' expectations are rising faster than corporations' ability to respond effectively. New global competitors are popping up everywhere. Products are becoming obsolete in no time flat. And technology's march keeps pulling the rug out from under even the most forward-looking organizations. As common as transformations and reorganizations have become, what's even more common is their high failure rate: at least half of all change initiatives fail to deliver the anticipated value.[4] Some academics and consultants cite far higher probabilities of failure.

Senior managers are deeply frustrated by the failures. "I just don't get why things have changed so little after all we've done," is a typical reaction to such frustrations. As Tom Enders, then CEO of Airbus, told *Aviation Week* in 2011, "Somewhere in the last 40 years we learned to save fuel and forgot how to take risks and manage them properly. We forgot how to turn our ideas into reality before they were out of date."[5]

What goes wrong with change efforts? There is no single answer. What we do know is that the immediate and lasting costs are not tolerable. (See the sidebar "The Persistence of Resistance—and Its Long-Term Consequences.") What's needed now is a

THE PERSISTENCE OF RESISTANCE—AND ITS LONG-TERM CONSEQUENCES

Advice about change management is almost an industry unto itself. Given all the wise words of academics, consultants, and in-house experts, why are failure rates still so high?

There is no simple answer. Yes, there is the dead weight of history. Failure begets failure. Many organizations are on their umpteenth "transformation." After several rounds in which nothing much changes, most employees—the all-important middle managers included—switch off when top management rolls out Operation Galvanize! or a similarly dubbed plan designed to rally gung-ho enthusiasm.

Real change is also dogged by fuzziness about the objectives. Change in the service of what? Then, there are the personal motivations of all the individuals who must begin to do things differently if the change effort is to succeed. That's particularly true for the extended leadership team and middle management, who in many cases are simply informed of the impending change rather than being enrolled to help bring it about.

There is also the unavoidable fact that achieving change is tremendously difficult. Too often, change programs drown in oceans of initiatives rather than focusing on rivers of opportunity. They fail to emphasize the "minimum sufficient to win"—that is, the decisions and actions that will have the biggest, quickest impact. Absent any rigorous prioritization, the organization chokes on the profusion of change efforts, each of which is deemed important. Furthermore, the same managers are tapped for each and every new initiative, with the risk that they suffer burnout.

The immediate costs of failure to change are too familiar (and too depressing) to spend time on here. Arguably more pernicious are the lasting costs of failure—the factors that effectively teach the organization to resist change. It's easy to see the negative cycle. Executives whose middle managers complain that "we've tried things like this before and they've failed"—and who themselves complain about resistance from the ranks—simply reinforce such responses when yet another change initiative does fail.

The story gets worse. The employees who resisted the changes end up looking like champs, and those apparently naive enough to cooperate end up feeling like fools. The message the cooperators get is loud and clear: don't get caught again. The organization is now set up to fail. It is constitutionally unable to get out of its own way.

systematic, disciplined approach that acknowledges the many real-world complexities of change and helps flip the odds in favor of success.

NOTES

1. Martin Reeves and Mike Deimler, "Adaptability: The New Competitive Advantage," *Harvard Business Review,* July 2011.
2. *Organization of the Future: Designed to Win: Organizational Capabilities Matter,* BCG report, January 2012.
3. *Organization of the Future: Designed to Win; Flipping the Odds for Successful Reorganization,* BCG report, April 2012.
4. Malcolm Higgs and Deborah Rowland, "All Changes Great and Small: Exploring Approaches to Change and Its Leadership," *Journal of Change Management,* 5, (2): 121–51.
5. "Airbus CEO Bemoans Slow Pace of Change," *Aviation Week,* October 18, 2011.

TOWARD VERY PRACTICAL SOLUTIONS

So what does it take to build a real change capability? What is the right mix of skills and attitudes and behaviors that can be embedded in and institutionalized throughout the organization? The good news is that there is growing recognition of the need for change done right. Many boards have appointed CEOs with that explicit charter, and almost all CEOs recognize the need to take even successful enterprises to new levels of performance. The Economist Intelligence Unit found that 63 percent of senior executives polled said that they had been spending more time on their organizations' most significant change initiatives over the past year.[1]

Most CEOs, especially those new to the position, must fundamentally transform their enterprises at some time during their tenure. Christopher Nassetta, president and CEO of Hilton Worldwide, found that out during a world tour of Hilton properties soon after he took the reins. "People were practically screaming it from the company's rooftops around the world, very consistently, that we needed to really transform this company," he stated. At the same time, senior executives are becoming much more aware of the factors that promote failure. (See Exhibit 1.)

Working on change initiatives across several decades and in an array of industries, BCG has identified the distinct elements that come together to form what BCG calls the Change Delta—a set of success factors proven to help organizations achieve sustainable change through an integrated approach.

These elements consistently prove successful because they reduce the variability of results from a portfolio of change initiatives and allow for effective early course correction. Indeed, companies that have used the Change Delta approach have exceptionally high rates of meeting their targets while building organizational engagement and confidence in the future. (See Exhibit 2.) Let's examine each element in turn.

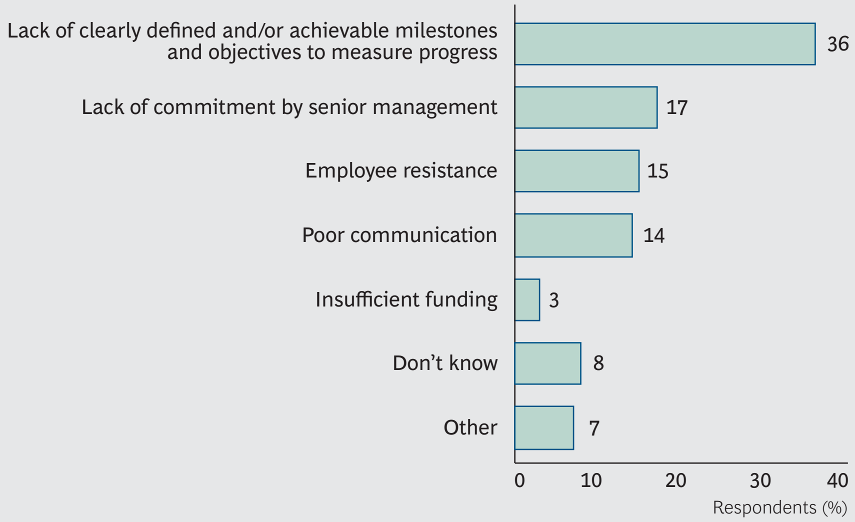
Executional Certainty

More often than not, executional certainty is the preferred starting point for many conversations about change management—probably because it feels the most concrete and actionable. But the conversation almost always winds its way around and among the other Change Delta elements.

The insistence on executional certainty diverges from traditional approaches to change management. It comprises several major activities, all of which are sharply focused on results. It is tied to another essential of change management that we cover later in this report—establishing a governance structure with clear accountabilities. The structure must provide the minimum level of orchestra-

Exhibit 1 | The Lack of Well-Defined Milestones with Clear Impact Metrics Has Killed Many Change Initiatives

For the change initiatives that did not succeed in the past 12 months, what was the single most important factor in determining failure?



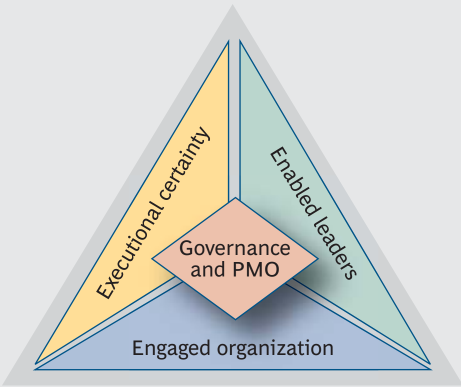
Source: Economist Intelligence Unit.
Note: The January 2011 global survey included 288 executives, more than 75 percent of whom were from organizations with annual revenues exceeding $1 billion.

Exhibit 2 | The Change Delta Helps Organizations Achieve Sustainable Change Through an Integrated Approach

The Change Delta

Executional certainty

- A portfolio approach to initiative management supports transparency across milestones and outcomes.
- Rigorous methodologies, tools, and testing of initiatives are required.
- A forward-looking view provides early awareness of emerging issues.



Enabled leaders

- Leaders are deeply accountable for success.
- Leaders are able to sponsor and manage the change effectively.
- Alignment of leadership is palpable, visible, and maintained.

Governance and PMO

- A clear governance structure includes explicit roles, processes, and decision rights.
- The value-added PMO provides essential support structure to the organization.

Engaged organization

- Employees at every level understand the change and are equipped to manage it.
- Critical stakeholders are deeply engaged.
- Essential behaviors are reinforced.
- Accountability is hardwired in line management metrics, as well as performance management and recognition systems.

Source: BCG industry experience.
Note: PMO = program management office.

tion to ensure progress without being burdened with bureaucracy.

It's important to define the necessary initiatives precisely, figure out the risks and interdependencies, and prioritize those that drive the bulk of the value. The approach must expose any and all emerging risks to the impact of those initiatives. Senior leadership has to be able to see the inevitable gaps that open up between change targets and actual change progress; it has to be easy for leaders to get clear operational insights so that they can respond quickly—before targets are missed—making necessary course corrections across the range of change activities by adjusting critical allocations of resources, time, and their own attention.

Truly change-capable companies use formal rigor-testing processes.

The underlying building block for this approach is what BCG terms the initiative roadmap. (A transformation program can have many initiatives, each of which can have several roadmaps.) The roadmap is categorically not a project plan covering a list of discrete tasks. Its purpose is to tell the story of the change initiative in such a way that executives, on the basis of monthly updates, can easily understand what is happening and can make course corrections to ensure ultimate on-time value delivery.

Roadmaps are made up of a number of milestones—in most cases, 15 to 25 are most effective—along with time frames, financial and operational metrics, and clear accountabilities. The milestones set a cadence for the overall change program, breaking it into manageable pieces that seem much more attainable for everyone involved. Equally important: individuals and teams—and eventually the whole organization—steadily build confidence not only in the potential success of the transformation effort but also in their individual and collective ability to identify, launch, manage, and succeed at change at any time.

Most important, an initiative roadmap articulates the key risks of and lead indicators for delivering the financial and operational impacts; it ensures that these are tested at critical points, and it signals when and how financial and operational outcomes will be triggered. Conventional change efforts typically have overall financial and operational goals, but the roadmap approach of tying such goals to individual milestones proves to be a far more successful way to achieve the promised value.

Furthermore, linking measurable KPIs to milestones means that red flags will appear much earlier than in typical implementation exercises. (An example milestone might be the hiring of a designated number of sales personnel with a particular new skill set. Achievement of the milestone is a prerequisite for reaching a sales target in a new channel within a specified timeframe.) Bad news becomes good news: as the roadmap owner updates the roadmap, typically monthly, the fact that an indicator is flagged red means that there is an opportunity to act in time to ensure delivery of desired results. Typically, red indicates failure, but that's not necessarily so when effective early-warning indicators and financial goals are tied to milestones.

Of course, not every milestone can be defined in such quantitative terms. Typically, only 20 to 30 percent of milestones have impacts attached to them. To help gauge the robustness of each roadmap, truly change-capable companies use formal rigor-testing processes. (See the sidebar "Why It's Smart to Rigor-Test.")

Senior leaders next think through the "how" of tracking and managing the initiatives that matter most. Typically, we find that the 80-20 rule applies: roughly 20 percent of initiatives drive 80 percent of the value. Only the few initiatives, typically those with large financial value or critical cross-functional enablers, require transparency up, down, and across the organization; they include only the information that the leaders need in order to have confidence that progress is on track or to know when to intervene and make course corrections. By selecting a reporting mechanism that delivers exception-based reports on just these critical initiatives and by flagging

WHY IT'S SMART TO RIGOR-TEST

Just because there are plans for each initiative of the change program doesn't mean it will be smoothly translated into action or will generate the intended value. There are many unknowns, risks, and interdependencies that can quickly scramble a plan.

That's why BCG works with roadmap owners, sponsors, the PMO, finance, and HR representatives to apply a strict rigor test to each initiative's roadmaps. At first glance, the test includes a set of seemingly obvious questions. Is the roadmap clear enough to be readily implemented? Are the benefits and timing clearly and correctly identified? Are the risks and issues explicit enough? (See the exhibit below.) If such questions are not asked and answered, more than half of the initiatives are likely to fail.

The rigor-testing discussion is often the most influential among the many conversations that PMO staff will have about each initiative in the program portfolio. While every discussion is slightly different—customized to the organization and its needs—the 16 or so core questions, in three groups, are much the same.

Essentially, the rigor test significantly strengthens both the local-level considerations of people-related issues such as communication planning and

Rigor-Testing Helps Gauge the Robustness and Consistency of Roadmaps Prior to Launch

Is the roadmap clearly defined, logically structured, and readily implementable?

1. Is ownership and accountability for the roadmap clearly established? Does the ownership structure tie logically to the content of the roadmap?
2. Is the roadmap logically disaggregated into regular milestones that are sufficient for review of main actions and progress against plan?
3. Are the milestones tangible enough to describe how the roadmap will really be achieved?
4. Is the timing and sequencing of milestones logical?
5. Do milestones incorporate an executable change plan, including communication, training, and stakeholder engagement?
6. Do those executing the initiative feel that they "want to" rather than "have to" be involved?

Are impacts, their sources, timing, and leading indicators clearly identified?

7. Are the overall impacts disaggregated into financial and operational impacts and quantified along the timeline (for example, recurring cost reductions and downtime reductions)?
8. Do the operational KPIs act sufficiently as lead indicators of subsequent financial-impact delivery? Do they test appropriately for any critical business-case assumptions (for example, cost, yield, or market assumptions)?
9. Has the finance department identified all potential recurring and one-time cost implications and confirmed that they are measurable?
10. Is the timing of impacts (benefits and costs) consistent with the timing of the milestones with which they are associated?
11. Is revenue uplift thought through in a practical and measurable way?

Are interdependencies and other risks and concerns addressed clearly?

12. Would someone from another part of the organization be able to read the roadmap and understand what to do and what is at risk?
13. Are key issues, risks, and interdependencies adequately exposed and addressed in the qualitative roadmap description?
14. Who are the key stakeholders for the initiative? Have their concerns and needs been factored in effectively?
15. Have key issues, risks, and interdependencies been made explicit in milestone descriptions? Have specific milestones been developed to trigger conversations that assess confidence in delivering against key issues, risks, and interdependencies ?
16. Does a DICE assessment predict a favorable outcome for the roadmap?

Source: BCG industry experience.
Note: DICE, BCG's assessment of a change program's likelihood of success, tracks the duration of the project, the capability of each initiative team, the overall leadership and local commitment to change, and the additional effort required of staff.

stakeholder discussions. It also reinforces the delivery of the intended operational and financial impacts, addressing what the Economist Intelligence Unit has found to be the single biggest management challenge—a lack of clearly defined or achievable milestones and objectives to measure progress.[1] The test, which typically takes up to one hour, exposes the roadmap to much higher levels of upfront discussion and scrutiny, making sure that the milestones are clear, there is consensus about the impacts, and the assumptions driving intended impacts are articulated and validated. It also helps to ensure that the risk points are well understood, the appropriate risk-testing and mitigation measures are in place, key stakeholders have been identified and are being or will be effectively engaged, and every aspect of the endeavor that must be communicated has been or will be communicated.

Is rigor-testing worth it? It certainly is. BCG's analyses—mapping the outcomes of thousands of such tests over several years—indicate that high-quality rigor-testing allows for the capture of more value. In fact, the roadmaps whose rigor tests earned "excellent" scores captured an average of 130 percent of their planned value compared with 100 percent of planned value for those with "marginal" rigor-test scores. Clearly, the incremental value derived from rigor-testing is compelling. Even a marginal "pass" rate means that a roadmap is very likely to fully deliver against plan. Roadmaps with lower scores do not pass the rigor test and therefore are stopped or, more likely, reshaped and replanned.

There is a good example in the story of a major railroad that was investing heavily to improve its on-time record. By applying a rigor test, the railroad was able to develop a clearer view of some of the risks associated with implementing its on-time initiative, enabling its leaders to actively manage the risks. The test helped ensure that leading indicators were built into the roadmap before it was launched.

For instance, the railroad developed a measure that correlates trains' on-time arrival with how quickly passengers move on and off the trains and across the platform. Building a milestone for passenger movement into the roadmap—and quantifying its impact—made it easy to see its importance and to ensure that it would be regularly tested against once the roadmap was launched. In implementation, managers quickly diverted resources to ensure that employees who coordinated traffic on the platforms were able to take on new, more public roles, interacting with commuters and managing the flow of crowds at these stations. This response caused on-time performance to increase substantially and remain at this higher level.

Note

1. "Leaders of Change: Companies Prepare for a Stronger Future," *Economist Intelligence Unit,* January 2011.

early-warning indicators, business leaders remain engaged and can more easily and effectively resolve issues. (See the sidebar "Exception-Based Reporting in Action.")

Woven into the executional-certainty element is the issue of respect for the individual—a crucial point that is regularly overlooked and too easily dismissed as "squishy." Respect must be reciprocal: from managers to employees, disclosing the need for and nature of the change and signaling commitment to support employees when challenges arise; and from the employees to managers, committing to deliver and share information promptly and accurately when things are not happening as planned.

This contract of respect contributes to an atmosphere of transparency and partnership in the delivery of results. There can be no "shooting the messenger" in an environment

EXCEPTION-BASED REPORTING IN ACTION

An exception-based reporting mechanism can make a big difference in the delivery of business value. Management at a large mining organization discovered this while trying to boost the output of the company's extraction operations. The team leading one of the ten roadmaps for the company's manpower-planning initiative had identified the recruiting of miners formally certified in occupational safety, health, and environment (OSHE) skills as a critical leading indicator for the successful launch of a new shift.

However, due to an existing skills shortage, the team was hard-pressed to recruit the 120 miners needed to launch on schedule in October, three months later. Top management rapidly recognized the challenge when the initiative team updated its roadmap and showed that the KPI for OSHE-certified miner recruitment was falling short of plan, in turn triggering an exception in the next executive report.

As a result, the organization's human-resources chief jumped into action, setting up a temporary task force to bolster hiring for the remaining three months. The outcome: the company found its new recruits and started the new shift on time in October.

in which problems are recognized early on, allowing far more opportunity to make course corrections that work. If, in effect, the organization tolerates, or even rewards, the hiding of failures or shortfalls while punishing requests for support, there will be less transparency, and ultimately productive course correction won't be achieved. The emphasis has to be on solving problems, not apportioning blame.

When the issue of respect is an explicit part of the project roadmap, and when it pervades the change effort—and, ideally, the whole organization—there is a much greater likelihood of success: information shared is accurate and timely and fully reflects concerns, and leadership is now positioned to take a more proactive, effective stance on decision making.

Enabled Leaders

This element of the Change Delta starts with the top team's commitment to open, forthright, no-holds-barred discussion of the need for change and the objectives of a change effort. There can be no "undiscussable" topics among the management team members—no shrinking from debates about turf, power, or spans of control. There should be more than one or two or even three discrete discussions; the guts of change are that important. "Never assume that leaders get it," said the program sponsor at a global oil and gas company. "We need to take probably ten times as long in engaging, empowering, and educating our leaders as we actually think we do."

There can be no "undiscussable" topics among the management team members.

One thing that business leaders have certainly learned about change is that it cannot be mandated by the CEO alone. CEO support is necessary but not sufficient. What's needed is the enrollment of the extended line leadership team. That's what happened at ING, a Netherlands-based banking conglomerate, during a major change initiative. (See the sidebar "How ING Bank Took Change to Heart.") ING made serious commitments of time and effort to win over its extended leadership. To launch detailed discussions of the combined organization's brand values and the behaviors needed to support them, ING held four sessions a year for the top 300 managers in its retail and IT operations. At the first session, the CEO himself explicitly laid out the expected behaviors. There was also a

HOW ING BANK TOOK CHANGE TO HEART

There could not have been a clearer sign that ING's change was for real. Early in 2008, the Dutch retail-banking unit moved into its own new headquarters building, cementing the union of ING Group's two previously separate banking units in the Netherlands: ING Bank and Postbank.

A few months earlier, the bank had begun to integrate functions such as marketing and product management. As part of its overall change program, ING had carefully thought through the order in which its two banks' functional units would be joined, reasoning that the strategic thinking needed to entrench change across the newly unified organization would be reinforced best if it were couched in terms of what ING's customers wanted over the long term.

ING's change program was an uncommon one: the merger of two internal units not dissimilar in operation and sharing the same overarching cultural traits. Yet those factors would make the process as challenging, in many ways, as the merger of two corporate strangers.

The group's ING Bank operation was rooted in a strong network of branch offices, with a particular focus on small to midsize businesses. By contrast, Postbank operations were conducted almost entirely by mail, by telephone, and online. Founded in 1881 as a nationalized business, Postbank had 7.5 million private-account holders and was one of the largest providers of financial services in the Netherlands—everything from current accounts to mortgages and pensions. Privatized in 1986, Postbank became part of the structure of the organization that, four years later, would become ING Group. In 2007, the group announced that it would merge its daughter ING Bank with Postbank, forming a single brand.

Easier said than done. The corporate culture and the familiarity, on many levels, that the two banks shared meant that crucial aspects of merger transactions were in danger of being taken for granted. Decisions that in more conventional mergers would be assessed objectively were at risk of being made on the basis of "gut feel." Moreover, the ING Group had not been through a postmerger integration in many years. It quickly became apparent that ING needed to apply a structured process to the integration.

The financial services provider started out on the right foot by putting in place several elements that would underscore *executional certainty*. There was an emphasis on transparency around each specific program in the portfolio of initiatives, as well as around the overall effort. Rather than starting with a gap analysis—a conventional approach in such situations—the executive leadership team kicked off by focusing on the shape of the yet-to-be-merged company, providing a single, bright beacon around which to rally people from both Postbank and ING Bank.

Members of the top team spent a significant amount of time preparing for the change. In the first of their many meetings to ensure that all board members would consistently "radiate" the desired behaviors, the top team convened for three hours to decide how to apply the defined values and behaviors to themselves personally and as a team.

The executives also defined objectives for managing the business and, working as a team, they created a behavioral action plan, defined what the team would do differently from then on, pinpointed the visible evidence, and agreed on how progress would be tracked. By the end of this exercise and others like it, the executives, together and individually, were entirely in alignment: they really "owned" the change.

The ING team looked into the future—further than most of the banks' employees

HOW ING BANK TOOK CHANGE TO HEART
(continued)

were used to. Instead of looking out one quarter or even one year, the projections extended nearly three years out, bolstering the solidity of the merger idea by describing the path needed to get there. Most important, very clear milestones with specific delivery dates and clear impacts were set early on, defining the pace and forcing tough decisions throughout the effort in order to deliver on schedule. In short, ING's top executives led the charge for clarity in an ambiguous situation, so staff at both banks quickly got the message that the merger really was going to happen.

To further improve the chances of a successful integration, the ING team made sure to underpin the project with formal rigor-testing and other proven change and program-management tools. For example, detailed plans were converted into rigor-tested roadmaps that would be presented to the executive leadership team before actual changes were made. The roadmaps were painstakingly constructed to provide the top team with the means for making forward-looking course corrections if needed.

An important component of the process was implementing rule-based "traffic lights" to categorize a roadmap's progress against completion of key milestones and against leading indicators as well as operational and financial metrics. Although at the outset, many managers balked at the rigor of the process, there was nearly universal acceptance that rigor was crucial to making change stick. Indeed, the traffic light conversation itself changed slightly as the teams debated what was needed to turn a red or yellow traffic light back to green—and what actions should follow. Through constructive debate, the managers were able to clarify aims and goals and to define appropriate actions. One outcome was that a yellow light was recognized as a signal for help, as opposed to an opportunity to shoot the messenger. Such levels of clarity helped muster the necessary support early on, often mitigating the risks of limited buy-in.

ING also placed a premium on *enabled leaders*—at many levels. The organization went to considerable lengths to enroll its extended leadership team in the change effort, driving accountability down through the ranks with a structured "cascading" approach that left no ambiguity about who was responsible for what.

The bank went well beyond the typical steps to ensure an *engaged organization*. Knowing the value of crystal-clear communication and understanding the "stakeholder" roles of the employees who would have to put the changes into action every day, the executive leadership team carefully crafted an overarching "story" that explained how the two independent banks had come to the ends of their lifecycles as independent entities and showed what the new merged bank would look like and what its value to customers would be.

A "ready, willing, and able" poll of employees revealed no shortage of readiness and willingness, but it also exposed widespread concerns about the organization's ability to make the merger work—particularly as it would affect large IT projects. To help create confidence down to grassroots levels, the top team emphasized that change would not happen overnight: it would be a three-year journey that would follow a very structured approach.

To make the change personal for each employee, managers invested time in translating the values and behaviors into what an employee experienced every day. Everyone was given a booklet that provided simple descriptions of the new values. Managers got structured-training toolkits so that over the next few months, they would be able to help employees craft their own change-behavior plans.

At the same time, ING created buzz with creative internal-marketing campaigns. One of the more entertaining programs involved pictures of behaviors that employees were invited to judge as "hot" or "not"—that is, "in" or "out" of compliance with the expected behaviors. (See the exhibit below.) Employees submitted their votes to a website where the submissions that best matched company values were identified.

In parallel, the new values and behaviors were continually repeated in ING's monthly magazine, online interviews, and video clips with the CEO and board members. Frequent repetition was important in order to reinforce the messages. And interactivity (such as the hot-or-not game) served as a key engagement mechanism. But listening to employees was considered absolutely essential.

Meanwhile, ING took pains to design an appropriate *governance* structure with an active *program management office* to facilitate integration. This essential infrastructure meant determining who would have what decision rights, creating a detailed governance manual, and holding forums to thoroughly discuss the manual's content—with a carefully designed flow of communication and action down through the ranks.

The chief measure of success for the new banking entity is not so much in numbers of new accounts, in higher revenues, or in a much lower cost base: goals such as these have been exceeded. Nor is it that ING has built a powerful and widely recognized new brand. It is simply that with customers' needs foremost in mind, the bank has built a very effective retail-banking platform that meets customers' expectations and creates a strong platform for growth. Announcing the intent to combine the two entities, the ING Group's chairman at the time said, "By combining the activities of Postbank and ING Bank, we will improve the services to our customers while maintaining a strong focus on cost-effective execution. This investment will reinforce our position as the leading Dutch retail bank."

ING's Creative Internal Campaigns Reinforced Compliance with Expected Behaviors

Initiatives	Examples
• Employees were encouraged to submit pictures of situations they considered "hot" or "not"—that is, compliant or not with the behaviors expected as part of ING's change initiative. • Each month, website users voted for that month's best pictures.	

Source: ING Group.

full day of interactive training for the top 1,000 managers, distributed among carefully orchestrated workshop groups of 60, to translate behaviors into practical realities. These sessions included development of an individual plan for each manager.

Leaders must continually, visibly, and authentically act as role models for the change.

Over the next six months, repeated training sessions drove home the big change messages and engaged middle managers in determining what the organization should keep doing, start doing, and stop doing. In the sessions, managers were provided with information, training, and tools that would ensure that messages cascaded down to junior managers and employees.

To be candid, though, the enablement of an organization's leaders must be a very practical catch-as-catch-can exercise. In many cases, senior executives lack the luxury of the time required to bring in lots of new blood or embark on long-term leadership-development programs designed to spur change. And they likely have to work with the leaders they already have, regardless of the levels of their capability. There is no time to wait until conditions are perfect: things have to happen in the next four to six months—not the year to three years it can take for major leadership-development efforts to work. The key question is: How do we best support the personnel we have?

The answer to that question is rooted in the extent to which each leader truly "owns" the change agenda—and is seen to own it. Each leader should be continually aligned with his or her peers; the alignment must be palpable, visible, and evident to all in the way the entire management team communicates and embodies change, doing so in unison. And it should go without saying that all the leaders should have the skills and knowledge to manage change effectively and to pick lieutenants and key team members who can augment their efforts.

Throughout, leaders must continually, visibly, and authentically act as role models for the change. Furthermore, they must not tolerate the tendency to slip into old habits. The moment that senior managers are perceived as merely paying lip service to the change efforts, those efforts are doomed. An effective change champion models sponsorship of the effort, enables employees to achieve the declared goals, and drives accountability for the outcomes. (See Exhibit 3.)

In making personal changes to become better sponsors, leaders often benefit from an outside-in view of how others in the organization perceive their behaviors. Data coming from focus groups or short surveys can prove helpful in bringing leaders to a common understanding of the impact of their actions and decisions, as well as the consequences of inaction and failure to make decisions.

A case in point: When a global biopharmaceutical company was conducting a program aimed at achieving significant productivity improvements, alignment of the senior team with the targets and the means to achieve the targets were spotty at best. The manager of the program management office (PMO), a well-respected former business-unit leader, advised the CEO that the program should be halted until the leadership group could come to terms. The CEO supported this move, putting pressure on the group to work through their differences quickly—especially since targets had already been communicated to investment analysts.

Once key concerns had been fully aired in a supportive environment, the group worked through a range of specific issues and was able to cascade this alignment effectively to the line leaders below them. The results of the overall effort actually exceeded the targets, enhancing the group's self-confidence in managing change.

Engaged Organization

The organization has to be engaged down deep. If a critical mass of the workforce and middle management doesn't buy into the change effort, then senior management may

EXHIBIT 3 | Personal Checklist for Becoming an Effective Champion of Change

Modeling effective communication
- Am I communicating openly and honestly, and addressing key issues directly?
- Am I reinforcing the purpose for change in alignment with the leadership team?
- Am I displaying positive support for the change?

Modeling effective outreach and connection
- Am I establishing a personal connection broadly with my organization and deeply with key stakeholders?
- Am I actively listening to concerns and soliciting feedback? Am I leveraging that information to win support?
- Am I maintaining credibility and trust within the organization?

Modeling desired behaviors
- Am I leading by example, embodying the change I want to see?
- Am I coaching my team members on their own sponsorship and leadership behaviors?
- Am I demonstrating fact-based, decisive action, not letting issues drag on?

Providing clarity of purpose
- Have I clarified context, purpose, priorities, and expectations for my people? Am I reinforcing the messages regularly?
- Am I sharing clear and relevant information?

Providing resources, capabilities, tools, and support
- Am I continually scanning for gaps in clarity, skills, and resources, and intervening to eliminate roadblocks?
- Have I equipped my people with the resources (for example, training, processes, and tools) required?
- Am I actively using change program reports to identify ways to support teams?

Providing consequences
- Am I rewarding rapid issue identification with fact-based support?
- Am I quickly addressing unacceptable behaviors?
- Am I driving an above-and-beyond culture with positive reinforcement and celebration of successes?
- Am I clearly seen to be valuing people beyond their work?

Providing explicit feedback
- Am I delivering pinpointed feedback to communicate reinforcing or constructive messages?
- Am I responding to problems with support and constructive messages—not shooting the messenger?

Source: BCG industry experience.

as well not try to push it through, no matter how well the other elements of the Change Delta are handled. It is crucial that people at every level understand and be prepared and able to manage the change. The change program sponsor at a leading global medical company said, "People face constant uncertainty in their lives. Given the stress they are under these days, you must be empathetic and flexible, and you must address the uncertainty if your change effort is to be successful."

This element of the Change Delta defines and supports the necessary changes in ways of working at many levels, making sure that appropriate behaviors are reinforced and hardwired into systems and structures. The understanding and mandate for individual behavior change should be cascaded down through the organization. Behavioral change will not show up organically everywhere at once. To successfully cascade the enrollment of the organization all the way down to the grassroots employees, senior managers have to be able to help their people answer key questions such as, Why do we need to change? How will this change affect me and my colleagues? If I change, will my boss change too?

It is important to adhere to a clear, systematic process for clarifying roles, responsibilities, and leadership behaviors down through the ranks; for assigning accountability; and for determining decision rights. This is one area in which leaders often fail for the simple reason that, in the absence of a structured process and candid debate, it is especially difficult to get it right. BCG has found that companies that use a structured role-clarification process are more likely to experience superior economic performance than those that don't.[2]

Overall, engagement is especially important when it comes to key supporters—and skeptics. The process of identifying and prioritizing stakeholders by their level of support for the change effort and their degree of influence in the organization promotes targeted engagement. We find that in many cases, influential supporters are underleveraged and skeptics underengaged. Effective stakeholder engagement sees business leaders arming influential supporters as change agents, giving them the information and messages they need to influence the organization.

At the same time, it requires real backbone to deliberately engage the skeptics. (See the sidebar "Never Shut Out the Naysayers.") The upside is enormous though.

At the very least, you win their respect by hearing them out and potentially learn a thing or two about real-world obstacles to change. At best, you win them over, and they become passionate advocates for change. In many cases, the influential supporters are uniquely positioned to play key roles in converting skeptics.

Of course, engagement is very much about great communication—clear, candid, constant, consistent, and two-way. "Generally people are not afraid of the unknown. They are afraid of the unexplained. A true leader shines a light on the road ahead to help others see where they are going," one midlevel supervisor at a U.S. bank said when asked about his greatest frustration in implementing change. Such communication efforts start with active, effective listening to recognize and enlist the most critical stakeholders. These efforts involve rehearsal—lots of it—of the key messages. The process cannot be rushed and must be repeated, because there is inevitable "signal fade" as the message is

NEVER SHUT OUT THE NAYSAYERS

It is not uncommon for business leaders to inadvertently ignore or shut down those who voice opposing opinions. Yet the naysayers often have good grounds for their skepticism. And when they feel that their points of view are disregarded or disrespected, bad situations quickly become worse.

A large commercial and retail bank had embarked on a major change program designed to offer a much better customer experience at far lower cost. The program meant extensive restructuring of back-office activities: a fundamental reorganization, greater use of technology, significant process redesign, site consolidation, and a workforce reduction of 30 to 40 percent.

Most of the senior executives had been with the bank for decades and were not particularly open to change. Moreover, many of the rest of the employees had been with the bank for most of their working lives. An initial assessment of the change program's likelihood of success (a review of the duration and phasing of the project, the capability of each initiative team, the overall leadership and local commitment to change, and the additional effort required of staff) helped reveal the extent of stakeholder resistance—and the degree to which it had to be actively managed. The assessment, which BCG refers to as DICE, also shone a light on the need for a better-aligned message cascaded from the leadership team.[1]

To identify employees whose enthusiasm would be critical to the success of the effort, the top team used an influencer matrix—a simple but powerful prioritization of stakeholders along the two most critical dimensions: the level of their support for the change effort and the degree of their influence in the organization. (See the exhibit at right.) The matrix helped the team determine whether and to what extent specific employees or groups were supportive or unsupportive. The matrix also guided the team's hypothesizing about why certain critical employees might not show support and helped the team form constructive responses. The process of prioritizing and gaining a deep understanding of a select group of stakeholders—in this case, approximately 1 percent of the employee base—focused resources efficiently, producing real impact.

Regardless of how supportive the stakeholders are, respect is pivotal to success in change efforts. But respect does not imply overly inclusive or naively optimistic programs. Not everyone will be—or needs to be—a direct agent of change. In the transmitted throughout the organization. BCG has found it can take up to nine conversations to ensure that key change messages really do stick. (See Exhibit 4.) When senior leaders feel that they are communicating about three times as much as they ever thought they would need to, they are probably hitting it right. Moreover, it is really important to communicate in small, interactive group settings.

The hard facts of change—why, what, when, who, and, most important, what is in it for each individual—are the essential components of the conversation, to be sure. But leaders will have to communicate less tangible factors—pride of workmanship, job satisfaction, and self-worth to win the teams' emotional buy-in for the changes ahead. After all, they will be asking busy people to use their time differently while ensuring that the incentives are in place to reinforce the new ways of working. They must not threaten with if-you-don't-do-this messages: there should be four times as much positive reinforcement as negative. Additionally, leaders need to be careful not to alienate people by sounding too critical or dismissive of earlier change efforts.

Last but not least: a proper engagement effort works to nourish all three facets of an employee's contribution: attitude (willingness to change), skills (ability to change), and knowl-

same vein, treating people with respect doesn't necessarily mean being "nice" to them or failing to make the tough decisions. But it does mean being honest with them. Some individuals may not have jobs when the change initiative is complete, but if they are addressed candidly and fully, and given every care and concern in terms of best-practice outplacement, they are far less likely to throw darts from afar.

Note

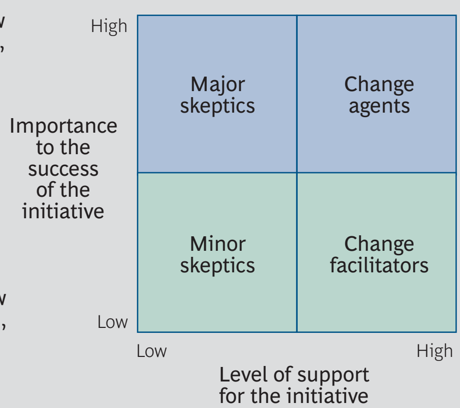
1. For more information on BCG's DICE assessment, see "The Hard Side of Change Management," *Harvard Business Review,* October 1, 2005.

An Influencer Matrix Can Help Identify Employees Who Are Crucial to the Change Effort

The influencer matrix

Major skeptics offer low support for the initiative, but their participation is critical for initiative success
- Address issues for the initiative to succeed
- Focus major influencing strategies on this group

Minor skeptics offer low support for the initiative, but they are not critical for initiative success
- Use less intensive influencing strategies for this group
- But be wary of their collective "clout"



Change agents offer high support for the initiative, and they are important for initiative success
- Maintain their support
- Focus on mobilizing them and leveraging their help to influence major skeptics

Change facilitators are not, in most cases, directly critical for initiative success, but it's still important to keep them as supporters
- Consider them for possible team-member roles for specific roadmaps
- Keep them informed

Critical focus of stakeholder engagement activities

Source: BCG industry experience.

Exhibit 4 | Messages About Change Usually Do Not "Take" Until They Have Been Communicated Multiple Times

The progression of responses as change messages start to stick:

1.	I barely know what they're saying.
2.	I've heard this before.
3.	Maybe they're serious this time.
4.	They're sticking to this. I think they're serious. Maybe I should listen.
5.	OK. This is probably going to happen. It's good for somebody else.
6.	I think you mean me.
7.	Here's why you're wrong.
8.	Uh-oh. I think I have to change.
9.	So now that I have to do things differently, explain my role in this again.

Source: BCG industry experience.

edge (experience of how to change). Where skill or knowledge is deficient, it's necessary to acknowledge and invest in building additional skills through training, coaching, and developmental assignments and experiences (although in practice, this isn't often done). For employees who are unwilling to change, the goal should be to improve their confidence that change will happen and that they can be valuable contributors in shaping the future. Leaders need to convey the vision for change and the scope and trajectory of the effort needed to realize that vision. They also have to give employees confidence that the leadership team will stay the course, steering effectively; sending consistent, aligned, and repetitive messages; and implementing symbolic actions that underscore the desired changes.

Governance and PMO

If the three preceding elements are the arms and legs of a real change effort, then the governance, program management disciplines, and the role of the PMO are its nervous system. The fundamental idea: to have a way to keep top executives engaged and updated on critical milestones, planned operational or financial impacts, and emerging risks, and to provide them with the right information at the right time to take action.

Successful large-scale change requires engagement and support at the highest levels of the organization. In most cases, there is a steering committee comprising some or all of the senior team of leaders likely to be affected by the program. The committee members act as sponsors for key initiatives, providing guidance, solving immediate problems, and removing roadblocks, and they energize the broader management team and celebrate success.

In general, it is critical that key governance bodies allocate time for regular reviews and resolution of key issues outside of meetings. At ING, this was very much the case. The board of directors was heavily involved from the outset, committing significant time to getting the change journey right. During the critical early months of its effort, the steering group at another large organization—a global financial-services provider tackling a particularly complex and challenging change program—invested a full three days per month in preparation, issue resolution, and review meetings. The group provided recommendations to the executive committee, which in turn invested a day each month in deciding unresolved issues, reviewing progress toward the targets, and tracking investments.

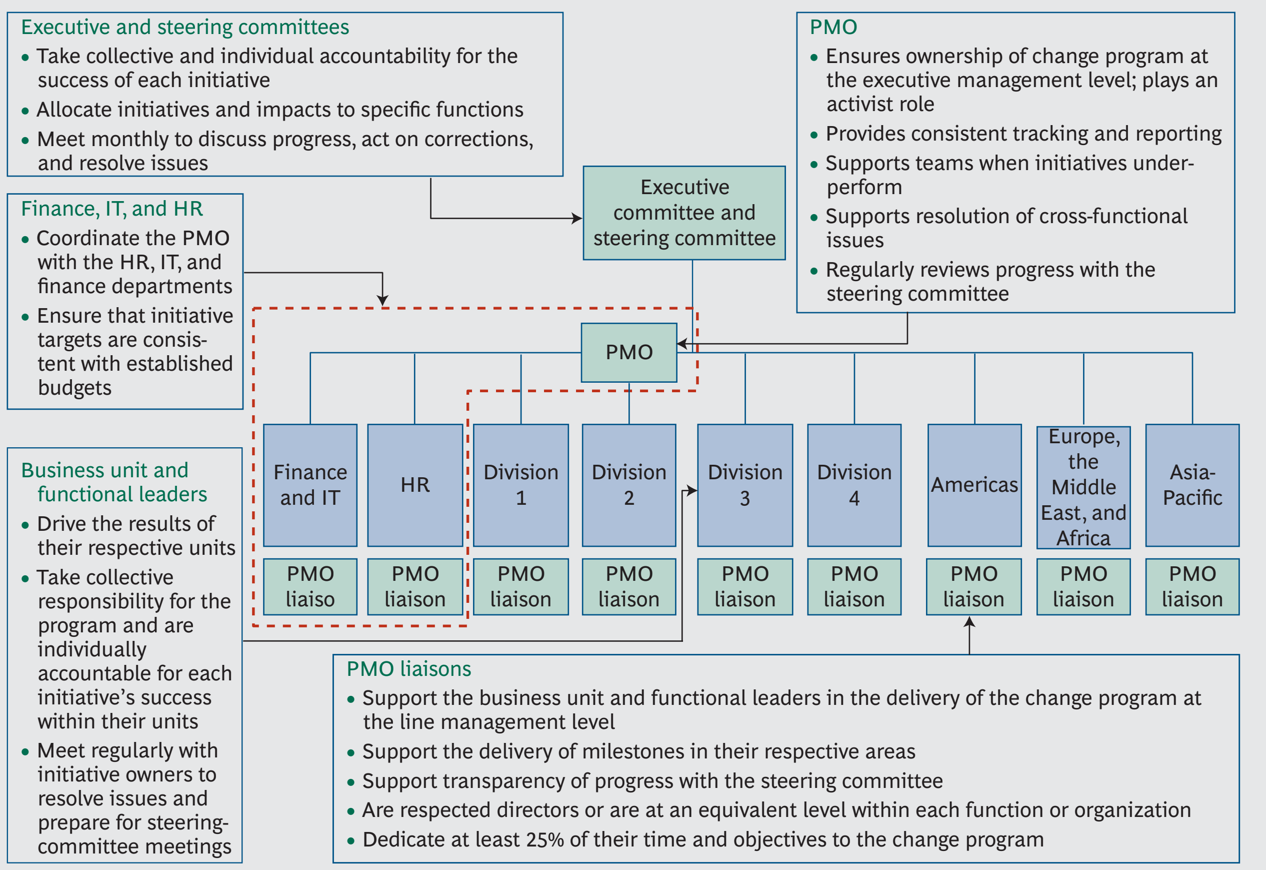
Change is created and delivered by line managers and their teams, but this happens effectively only when accountability is made explicit using robust governance structures and when the managers are armed with the information they need to facilitate timely decisions and actions. Given the challenges associated with information collection, data flow, and issue resolution in any complex program, a PMO is often the "glue" that binds together the necessary data, conversations, and decision making among senior executives, initiative leaders, and the line organizations. This is crucial for complex cross-business initiatives. (See Exhibit 5.)

The PMO acts as the steward of the aspiration for change.

The PMO plays several important roles. It works with the leadership team to set an appropriate pace of change, supporting the creation of a detailed timetable and putting in place the mechanisms that make it possible to meet every deadline. It acts as the steward of the aspiration for change, elevating and highlighting inconsistencies in understanding, processes, and language across the enterprise. It is important—but often quite difficult—to have consistent ways of creating a baseline, developing the plans for the change initiative, tracking against those plans, and flagging the significance of any deviations.

To make sure that sufficient value is being delivered on time, the PMO supports executive sponsors in rigor-testing the various roadmaps prior to the launch of the initiatives. As a result, the organization's leaders have the forward-looking indicators they need to raise warning flags, giving themselves enough time to act effectively. When issues do arise, the PMO helps make sure that the right conversations are occurring and that rather than being blindsided, the line leaders are enabled to take action. The PMO does not need to be liked, but it should have broad-based respect. "PMO used to be a dirty word around here. This PMO has

Exhibit 5 | The Components of a Governance Structure for a Significant Change Program



Source: BCG industry experience.
Note: PMO = program management office.

changed that," remarked a senior leader at a global oil and gas company where the PMO is now recognized as a key part of a Change Delta approach.

Overall, the governance structure gives leaders the enterprise-wide view they need to steer the program to a successful outcome. Without breadth of view that encompasses both the change program and business as usual, costs can balloon in functional areas outside the scope of the change effort.

In almost any endeavor, clear roles and guidelines make things more efficient. Improvisation has no place in the unforgiving business of change. Governance and the organization structures to enable it are must-haves.

In Unity Is Strength

So how should the Change Delta elements be viewed?

Companies aiming for change management success should not consider the Change Delta elements to be an à la carte menu from which they can pick and choose. All the elements are important and interdependent. Each element augments and supports the others, giving propulsion to and confidence in the overall change journey. You cannot deliver executional certainty without getting the extended leadership team to really shape and own the change, and the change will not stick unless the organization is engaged right down to the grassroots level.

Notes

1. "Leaders of Change: Companies Prepare for a Stronger Future," *Economist Intelligence Unit*, January 2011.
2. *Organization of the Future: Designed to Win; Flipping the Odds for Successful Reorganization,* BCG report, April 2012.

THE NEXT 100 DAYS

Change done right is never a one-off project. It is a set of reliable, practical capabilities that harness the energies of the entire organization time after time. The emphasis is on the practical: the Change Delta approach helps sharpen the focus on the change activities that matter most and gives business leaders the tools they need to ensure success.

Time and change wait for no one. Leaders who are embarking on change initiatives have only a matter of months to establish "change credibility," to be able to say, authentically, that things are starting to be really different. (See the sidebar "Signs That Change Is Here to Stay.") BCG strongly recommends looking at what can be achieved in the first 100 days of a change effort. To shape that journey, executives should consider how well their organization is aligned with the Change Delta elements and should ask themselves questions such as the following at the next management meeting.

Executional Certainty. It is crucial that executives have a forward-looking view so that they can get fair warning about emerging issues that might trip up the change effort. As such, they have to make full use of rigorous change methodologies, tools, and testing of initiatives. And they must take a portfolio approach to initiative management. Key questions for discussion include the following:

- Do we know which initiatives represent the bulk of the intended value?
- Who is accountable for each initiative?
- Does leadership share an aligned view of the priority initiatives for the enterprise and for each business unit and function? Are resources allocated appropriately?
- Does the operational and economic impact of each initiative plan reconcile fully with the originally approved business case?
- Have we articulated in detail what will trigger the financial and operational results so that we're not just notionally associating value with an initiative?
- Are key risks embedded in milestone descriptions so that they can be tested against regularly?
- Does each initiative plan include local communications and stakeholder engagement activities?
- Are we confident that we'll know in advance when value delivery might slip? Have we given ourselves enough time to make course correction changes?

SIGNS THAT CHANGE IS HERE TO STAY

Talk with executives who are well able to handle change, and you'll find that the tenor of the conversation is quite different from what you'd hear at organizations that still struggle with change. The following comments are characteristic at the companies in which change is starting to take hold.

- We seem to be getting more systematic.
- For the first time ever, we know where the results are supposed to come from, where all the money is supposed to be, and who is on track to deliver.
- For efforts in which we are likely to fall short of the target, we're having really productive conversations about how to fill the gap between current performance and the target and about how to restructure the initiative in a timely manner.
- The PMO used to tick me off, but this one feels different.
- I'm not sure my people always like the role the PMO is playing, but it's getting respect.
- Wow. These quick wins really have been quick and they have been wins.
- This has pushed us to communicate sooner about what we know and what we don't know.
- Now I see that even though we execs may get it, the folks on the ground may not.
- It's brought our extended line leadership team into the loop; these leaders feel respected because we gave them the necessary information in advance, and they had time to reflect on it and help shape some of the recommendations.
- I've seen executives call each other out on unproductive behaviors. It even happened to the CEO, and he was receptive to being called out.
- This is the first time someone has sat down with me and really explained why this is necessary and how it affects me. It's been much more personal than prior changes the company has undertaken.

Enabled Leaders. Change leaders are deeply accountable for success. They are able to sponsor and manage the change effectively, and their alignment with each other is visible and sustained. The test of a true change leader starts with questions such as these:

- Do our leaders, at different levels, all describe our goals and rationale for the change effort in the same way?
- Can our leaders describe the implementation process and plan?
- Can our leaders clearly articulate, in an aligned fashion, the leadership behaviors required to deliver the change? Are they balancing the energizing of teams with the driving of accountability?
- Are our leaders spending more time listening than talking?
- Do our leaders actively identify and act to remedy unproductive behaviors in direct and supportive ways?
- Do we have a well-respected executive who is devoting a significant chunk of his or her time to the visible day-to-day leadership of our transformation program?

Engaged Organization. To ensure that employees at every level understand the change and are equipped to manage it and to make sure that accountability and performance management are hardwired in the performance metrics, executives have to be able to answer these types of questions:

- Are we segmenting our stakeholders in order to leverage the influential supporters and engage the skeptics?
- Is the communication plan replete with talking points, scripts, and answers to frequently asked questions? Does it include enough small-group conversations?
- Is communication tailored for all significantly affected groups?
- Are we collecting and acting on feedback about the progress of how communication cascades in order to keep the message clear and strong all the way down the ranks?
- Are new accountabilities made personally relevant and clear to each affected individual? Have incentives been adjusted as appropriate?
- Is there an appropriate balance of positive and negative reinforcement in place to encourage and support desired behaviors?

Governance and PMO. A clear governance structure includes explicit roles, processes, and decision rights. The PMO orchestrates essential information and provides support to the organization. Executives can begin to get governance and the PMO's role right by asking these questions:

- Has senior leadership given a clear mandate for the PMO, executive sponsor roles, and other steering-team roles identified for the program?
- Do line leaders own their roles as sponsors and work to quickly and effectively make course corrections in response to any emerging issues?
- Does the flow of information support effective, timely decisions?
- Are we tracking and managing critical team activities beyond basic execution of the initiative—for example, the deployment of stakeholder management plans and management of complex interdependencies?

FOR FURTHER READING

The Boston Consulting Group publishes extensively on topics related to change management. Recent examples include those listed here:

A Practical Guide to Change in the Public Sector
A report by The Boston Consulting Group, June 2012

Organization of the Future: Designed to Win; Flipping the Odds for Successful Reorganization
A report by The Boston Consulting Group, April 2012

Organization of the Future: Designed to Win; Organizational Capabilities Matter
A report by The Boston Consulting Group, January 2012

Leading Transformation: Conversations with Leaders on Driving Change
A report by The Boston Consulting Group, October 2011

Cascading Change
BCG Perspectives, September 2009

Managing Survivor Guilt
BCG Opportunities for Action in Organization and Operations, March 2009

Leading Change in Turbulent Times
BCG Opportunities for Action in Organization and Operations, October 2008

In addition to the BCG publications listed above, the authors recommend the following:

Smart Rules: Six Ways to Get People to Solve Problems Without You
Harvard Business Review, September 2011

Adaptability: The New Competitive Advantage
Harvard Business Review, July 2011

Lead Change—Successfully, 3rd Edition
Harvard Business Review OnPoint Collection, 2005

NOTE TO THE READER

About the Authors

Perry Keenan is a senior partner and managing director in the Chicago office of The Boston Consulting Group and global coleader of the Change Management topic within the firm's People and Organization practice and Operations practice.

Kimberly Powell is a global topic specialist in BCG's Atlanta office.

Huib Kurstjens is a senior partner and managing director in the firm's Amsterdam office.

Michael Shanahan is a senior partner and managing director in BCG's Boston office.

Mike Lewis is a principal in the firm's Houston office in the Energy practice and the Operations practice.

Massimo Busetti is a senior partner and managing director in BCG's Milan office and global coleader of the Change Management topic within the firm's People and Organization practice and Operations practice.

Acknowledgments

The authors would like to offer their sincere thanks to Angela Arnold, Mary Barlow, Kilian Berz, Jeanne Bickford, Rolf Bixner, Christian Branum, Jennifer Bratton, Evelyne Brooks, David Brownell, Taz Chaudhry, Patricia Clancy, Curtis Davies, Joe Davis, Erin Deans, Cindy DeTar, Jeanie Duck, Andrew Dyer, Chloe Flutter, Grant Freeland, Marc Gilbert, Marin Gjaja, Steve Gunby, Jim Hemerling, Tim Hoying, Rune Jacobsen, Judy Johnson, Larry Kamener, Matt Krentz, Jason LaBresh, Maury Leyland, Tom Lutz, Steve Maaseide, Fiona MacLeod, Joe Manget, Sharon Marcil, Bjorn Matre, Yves Morieux, Ned Morse, Zarif Munir, Brad Noakes, Christian Orglmeister, Martin Reeves, Anthony Roediger, Michelle Russell, Jürgen Schwarz, Robert Sims, Harold L. Sirkin, Aaron Snyder, Rainer Strack, Peter Tollman, Andrew Toma, Roselinde Torres, Mel Wolfgang, and other BCG colleagues for their contributions.

They would also like to acknowledge John Kerr for his editing and writing assistance as well Katherine Andrews, Gary Callahan, Angela DiBattista, Elyse Friedman, June Limberis, Cleo Race, and Sara Strassenreiter for their contributions to the editing, design, and production.

For Further Contact

If you would like to discuss this report, please contact one of the authors.

Perry Keenan
Senior Partner and Managing Director
BCG Chicago
+1 312 993 3300
keenan.perry@bcg.com

Kimberly Powell
Global Topic Specialist
BCG Atlanta
+1 404 877 5200
powell.kimberly@bcg.com

Huib Kurstjens
Senior Partner and Managing Director
BCG Amsterdam
+31 20 548 4000
kurstjens.huib@bcg.com

Michael Shanahan
Senior Partner and Managing Director
BCG Boston
+1 617 973 1200
shanahan.michael@bcg.com

Mike Lewis
Principal
BCG Houston
+1 713 286 7000
lewis.mike@bcg.com

Massimo Busetti
Senior Partner and Managing Director
BCG Milan
+39 02 65 59 91
busetti.massimo@bcg.com

For information or permission to reprint, please contact BCG at:
E-mail: bcg-info@bcg.com
Fax: +1 617 850 3901, attention BCG/Permissions
Mail: BCG/Permissions
The Boston Consulting Group, Inc.
One Beacon Street
Boston, MA 02108
USA

12/12

BCG

THE BOSTON CONSULTING GROUP

Abu Dhabi
Amsterdam
Athens
Atlanta
Auckland
Bangkok
Barcelona
Beijing
Berlin
Boston
Brussels
Budapest
Buenos Aires
Canberra
Casablanca
Chennai
Chicago
Cologne
Copenhagen
Dallas
Detroit
Dubai
Düsseldorf
Frankfurt
Geneva
Hamburg
Helsinki
Hong Kong
Houston
Istanbul
Jakarta
Johannesburg
Kiev
Kuala Lumpur
Lisbon
London
Los Angeles
Madrid
Melbourne
Mexico City
Miami
Milan
Minneapolis
Monterrey
Montréal
Moscow
Mumbai
Munich
Nagoya
New Delhi
New Jersey
New York
Oslo
Paris
Perth
Philadelphia
Prague
Rio de Janeiro
Rome
San Francisco
Santiago
São Paulo
Seattle
Seoul
Shanghai
Singapore
Stockholm
Stuttgart
Sydney
Taipei
Tel Aviv
Tokyo
Toronto
Vienna
Warsaw
Washington
Zurich

bcg.com