

FROM NOW TO NEXT

i4cp Executive Thinksheet: Organizational Change



MANAGING CHANGE EFFECTIVELY IS CRITICAL TO ORGANIZATIONAL PERFORMANCE, YET MOST CHANGE INITIATIVES CONSISTENTLY FAIL

Only 17% of business leaders say their organizations are highly effective at managing change. At the same time, most organizations experience three or more major changes per year. And leaders say changes are growing faster and more unpredictable.

High-performance organizations see change as a vital driver of growth and revenue, and i4cp's **People-Profit Chain™** performance model confirms that a supportive, change-ready organization is among the distinctive outcomes that drive market performance. Although a majority struggle with effectiveness at managing change, high-performance organizations are:

- **6.5x** more likely than low-performance organizations to respond quickly to changes in the business environment
- **3x** more likely to adapt to those changes
- **4.5x** more likely to exploit or take advantage of changes



THOUGHT LEADER SPOTLIGHT

Amy Kates on Organizational Change



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THOUGHT LEADER SPOTLIGHT

What are the one or two most effective elements or actions needed to ensure success in Organizational Change?


I tend to see two types of changes. In the first, a leadership team initiates change to respond to a strategic opportunity or threat and may need help to think through the organizational implications of their strategic decisions.

In the second type, major strategy, organization, and talent changes have been made, but the company is not performing. Diagnosing misalignments is important, along with course corrections to achieve the original intention of the change.


Two key learnings from the second type of change help in coaching firms through the first type:

1) Understand the time span and commitment required.

A significant organizational change often requires two to three years to take hold and produce full results. Leaders don't want to hear this, but most know it is true. If they think of their organization as an information-processing and decision-



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making machine, they are changing the organization—roles, power, rewards—because they want different decisions and outcomes.

But most high-value decisions are made only a few times a year. It takes a number of business cycles for people in new roles and relationships to practice, learn, and adjust. We can accelerate organizational learning and set up the people at these new interfaces for success, but we can't rush it. Being realistic about the timeframe for change is essential.


2) Build the infrastructure to sustain momentum.

An implication of the time required for change is that a change infrastructure must be created to sustain momentum. Robust steering committees, project offices, and design teams may be mobilized for the design and planning phases of change. But interest is quickly lost when the fun work is over and the hard work of monitoring, reflecting, learning, and adjusting needs to take place.

For example, celebrating and publicizing successes is one of the most important, but overlooked, activities to sustain change. Without dedicated and focused resources—executive sponsorship, line leadership, and a change support team—opportunities to build on positive outcomes, and to recognize the signals that tell us all is not on course, are often missed.



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What aren't Chief HR Officers thinking about (that they should be) when it comes to Organizational Change—what important considerations tend to be overlooked?

In many organizations, *implementation* is narrowly defined. It typically encompasses ensuring that employees


understand the purpose of the change and the plan for achieving it, undertaking the mechanics of the change (re-staffing positions, moving locations, or changing technology, processes, or systems), and enabling people to succeed in new roles by providing tools and training.

When talking about organization change, *activation* is a broader and more robust descriptor. It isn't just the implementation tasks of getting from point A to point B. It is about bringing a strategic and organizational vision to life.


The four areas of activation work most commonly missing or under-resourced in change plans are these:

Governance: The design of new leadership conversations that will lead to better and faster decisions involves more than launching a new executive team or putting in a council or two. It requires designing an integrated system of conversations that feed into one another.

Management processes: In complex organizations undergoing change, management processes have to



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be redesigned. Some of the most important: strategic planning, prioritization, operational planning, and business performance reviews. Expectations of how business units will work together and procedures for reviewing performance must be set.

Metrics realignment: Frequently, metrics are left to the finance function, while recognition and reward programs


fall to HR and the compensation unit. To fully activate any organizational change, measures of success and incentives have to be realigned, enabling people to make rational choices about work to attend to and trade-offs to make.

Decision rights: Get the right players together to lay out how decisions will be made. Leaders need to identify the small set of high-risk, high-value decisions where diverse perspectives will improve outcomes and the new power dynamics of the organization are likely to come into conflict, then set out a set of principles to guide good judgment based on the intent of the new design. Specifying accountabilities and expectations for how decisions will be made is foundational.


In your opinion, which companies are doing a great job at Organizational Change, and how are they approaching it?

Regardless of industry, large companies struggle with the tension between needing to stay fast and agile (typically in local markets), while leveraging global enterprise assets to

gain efficiencies of scale. Smart leaders make continuous adjustments to fine tune the balance between global and local perspectives, center and field power, and standard and customized offerings.



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Those leaders don't see change management as a separate discipline or activity that comes into play only once a decision is made. Rather, they are using change-management models and tools to ensure they ask better questions about the implications of choices early in their business discussions.

Smart leaders keep the underlying organization structure stable and use a sophisticated set of linking mechanisms—councils, teams, integrating roles, business and management processes, and matrix reporting—to shape new conversations across organizational boundaries. This provides organizational agility, while avoiding the disruption that comes with constant restructuring.


Most leadership teams just haven't been provided with a set of frameworks and a common language to fully understand the organizational options available to them and the implications of their choices. Companies that equip their leaders with competence in organization design, development, and change tend to have leaders that weave this thinking into their business decisions and planning. Then, design and activation become fully connected.

Where do you see things going next for Organizational Change? And how do you see Organizational Change evolving over the longer term (5 to 10 years)?

I hope, and predict, that more companies will start to think more broadly about change and see it as strategy execution, rather than merely project and design implementation. In this view, strategy execution is a capability, rather than an activity; something that is hard to do, but which provides competitive advantage when done well. Therefore, it is worth investing in.



**Saying change is
everyone's job,
makes it nobody's job.**



Organizational change management is a leadership accountability. But, just like any specialized skill, saying change is everyone's job, makes it nobody's job, and deep skills are never built. In addition to those with change management in their titles, there are a number of disciplines in any large company that are change enablers, including: project and program management, organization development, internal communications, and process improvement. People in these roles tend to have the passion and the skills to support leaders, managers, and employees through change. But, frequently, they are scattered throughout the organization and never leveraged as a function.

Hopefully, we will see more multi-functional change enablement teams replacing narrowly defined project management offices. These teams would not only support major transformations, but help embed the skills, tools, and mindset of change management and design activation into their organization.

Amy Kates acknowledges the contributions of her business partner Greg Kesler with whom she works closely to develop insights and interventions to drive successful organizational change.

i4cp's NEXT PRACTICES IN ORGANIZATIONAL CHANGE

- **Change management should be an organization-wide competency.**

High-performing organizations (HPOs) report that most or all of their leaders' and managers' core competencies include change management. They are more than three times more likely than their lower-performing counterparts to say that managing change also is a core competency for most or all employees.

- **Strategic workforce planning enables organizations to mitigate talent risks.**

High-performance organizations are far more effective than lower-performers in workforce planning. Gap analysis, scenario construction, and other strategic workforce planning activities empower high-performers to anticipate and avoid or mitigate talent risks associated with significant organizational change.

- **Emphasis on change capabilities begins when change considerations are imbedded in talent acquisition processes.**

HPOs understand that it's never too early to think about change-management skills. A majority of HPOs ask behavior interview questions designed to explore job candidates' past experiences in managing change.

- **Change-tolerant cultures are built on values that embrace change.**

In HPOs, characteristics of culture include readiness to meet new challenges, positive responses to shifts in the business environment, and adaptability to dynamic market conditions. Organizational values encompass change leadership, resilience, adaptability, and continuous improvement.



High-performance organizations consistently achieve greater success in managing and sustaining change.

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