



The Changing Face of Change Management

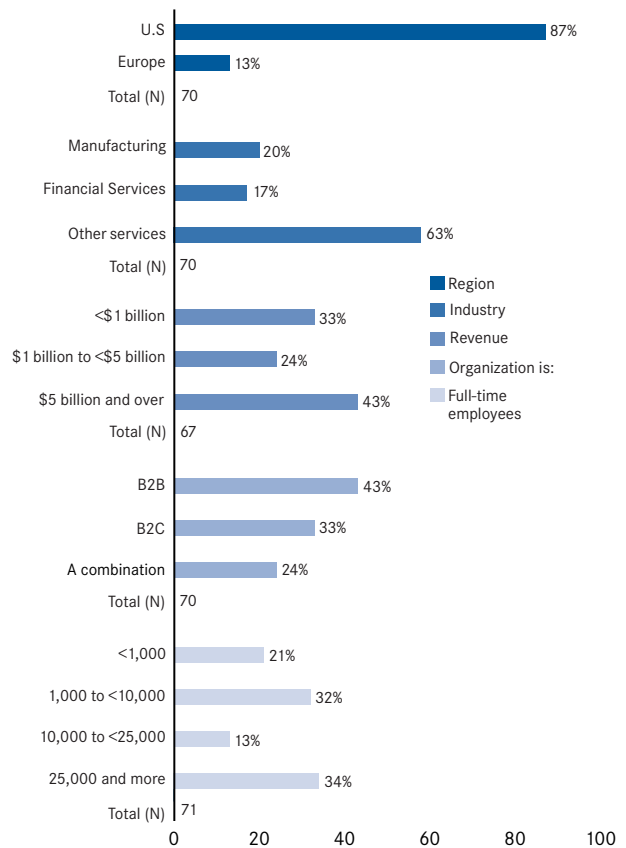
Current Perspectives

by Lynne Morton

Change management has long been an undervalued and poorly understood field. But recently, it has come into its own as both a business function and an organizational competency. Recent survey results and discussions among members of the Three Faces of Change Working Group reveal that change management has never been more important or more complex.

A large percentage (82 percent) of HR executives surveyed considers change management as a priority for their organizations. This echoes the findings of The Conference Board’s 2004 CEO Challenge research report: 540 CEOs from around the world rated Speed, flexibility, adaptability to change as their second greatest overall business challenge.¹ (Only Sustained and steady top-line growth ranked higher.)

Respondent Profile



¹ Esther Rudis, *CEO Challenge 2004: Perspectives and Analysis*, The Conference Board, Research Report 1353-04-R, 2004.

Defining Change Management

Change Management is a process and driver used to manage the people, process, or system factors of change to achieve intended business outcomes.

This definition was carefully developed to include the notions of rigor (“process”) and impact (“business outcomes”). Additionally, it incorporates the sense that change management is both needed as a *result* of a business event and selected to *create* other business outcomes (“driver”).

While 84 percent of respondents agreed with this definition, several individuals wanted to highlight or add a few key aspects to the wording:

- Leadership
- Communications
- Attitude

These elements were not included in the definition because they are seen as *enablers* of change management rather than core to it. For communications, especially, this is notably different from previous thinking.

“Change management has become a core competency; it is leveraged into every aspect of how we manage our business. . . . It keeps the enterprise nimble and more flexible to change—better able to respond to change occurring around us.”

Change Management’s Importance

The importance of change management starts with an appreciation of the significance and magnitude of change itself. One anonymous survey participant captured this feeling succinctly: “Change is the priority. . . . We are in a sea of whitewater changes—rapid and rocky.”

Because change affects so many aspects of business, it is not surprising that the kinds of initiatives that fall under its auspices touch a wide range of areas. Change management is known to affect people’s behavior, so its high placement among initiatives isn’t a surprise. But change management is now also touching business’s processes and structure—the way business is operated. Thus, the initiatives being implemented go beyond those that address employee behavior.

Types of change management initiatives

<i>Initiative</i>	<i>Percent</i>
Process	88%
Structure	76
Behavior	68
Technology	61
Redesign	54
New system	48
Global	41
Outsourcing	38
Domestic	32
New alliances	31

Increasing need

While some respondents do not see change management as a current business priority, almost all respondents expect the need for it to increase during the next three years “to a great extent” (62 percent) or “somewhat” (37 percent). It is unknown to what extent these anticipated increases are driven by a desire to establish resilience or get ahead of the change curve. Few working group members felt that getting ahead of the curve was realistic, so discussions focused on resilience.

Change Management as a Business Function

Much like accounting is a business function (of the finance department), so, too, is change management. Nearly half (48 percent) of survey respondents have a change management function within their organizations. Forty-six percent report that this function is housed within HR, and 27 percent house it within corporate headquarters. (It is not surprising that change management retains a close link to HR, since much of its work still involves behavior—the motivation and management of people.) A quarter of survey respondents do not yet have such a function, but are planning to add one in the next three years (26 percent).

Has Change Management Itself Changed?

While the question wasn’t a research objective, differences between this study and previous ones are worth noting.

The Conference Board’s prior research on change management focused on:

- Communications
- Valuing people in the change process (specifically, dealing with the needs for emotional intelligence around willingness to change, sharing intellectual capital and motivating/rewarding people to change)

These earlier findings indicated that while processes were important, the success of change came down to the behavior of people. The studies didn’t place change management at the forefront of business issues, as current research does.

Source: Jean-Marie Martino, Valuing People in the Change Process, The Conference Board, Conference Report 1265-00-CR, 2000; and Kathryn Troy, Change Management: Communication’s Pivotal Role, Research Report 1122-95-R, 1995.

How change management has changed

ISSUE	THEN	NOW
<i>Key drivers of change</i>	Technology	Improving organizational performance
	Mergers and acquisition	Culture shift
	Pressure for near-term results	Business case
<i>Role of communications</i>	Drove the effort	One aspect
	Leadership tool	Facilitates empowerment
<i>Change management itself</i>	Reactive	Proactive
	Feared	Expected, perhaps welcomed
	HR responsibility	Critical, organizational competence

Change Management as a Process

While change management is highly dependent on people—their commitment, motivation, trust, and the like—it also requires a process with a business focus. As one survey respondent noted, “it is a management process to enable change to become the norm.” Change is now so prevalent, there is an organizational need to develop resiliency. Thus, being ready for change is more than a luxury; it is critical to business capability.

Preparing for change

When asked what approaches or elements are used to prepare for change, individual behavior is of paramount importance. An overwhelming majority of survey respondents rank communications at their top preparation tool.

Top elements used to prepare for change

	<i>Percent</i>
Communications	89%
Project management	85
Training	75
Sponsorship	70
Employee input	63
Identification of resistance	61
Plan and design tools	61
Feedback	61
Reward/recognition	51
Trust building	38
Formal management methodology and process	37
Innovation/creativity	30

Discussions with interviewees and working group members revealed four statements about conditions needed for change readiness. Here, too, processes or tools don’t make the list:

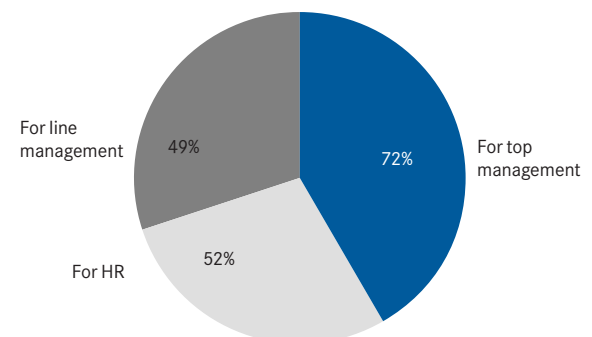
- Leaders are respected and effective
- People feel personally motivated to move with the change
- Organization is less hierarchical
- Employees are comfortable with collaborative management

Why is change management so integral?

The answer to this question lies within the drivers of change. Research probed for the principle business drivers prompting various executives—top management, line management, and HR—to develop or support change management. For all executives, the need to improve organizational performance is the primary driver.

Driver of change management support/participation

"Need to improve organizational performance"



Drivers of change management support/participation

<i>Top management</i>	<i>Line management</i>	<i>HR</i>
Improve organizational performance	Improve organizational performance	Improve organizational performance
Achieve world-class standards	Cost reduction	Improve individual performance
Cost reduction	Service improvement	Upgrade talent
Change in leadership	Streamline processes	Cost reduction
Mergers and acquisitions	Customer centricity	Change in leadership

Other top drivers reflect the specific needs of different levels of executives.

Change Management Success Factors

Although several participants cite change management models and tools as critical, processes don't factor into the top five or even the top ten success factors. All top five factors relate to personal elements that unite the heart with the head.

There are, however, some minor differences among demographic groups when looking at factors for success.

Manufacturing companies are more likely to find training, links to missions/vision, trust, and values to be important than are financial services or other services organizations. Additionally, such softer aspects as sponsorship, trust and values, and having a burning platform, are more important to mid-market companies (generally, companies with less than \$1 billion in revenue) than to larger ones.

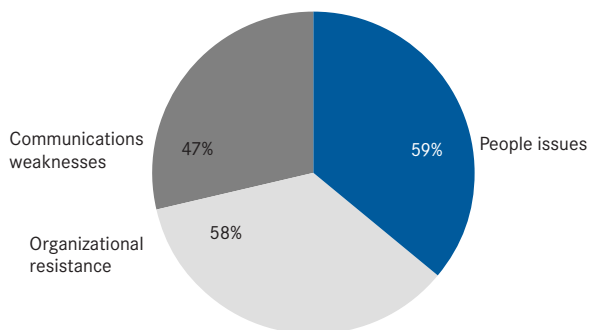
Top factors that contribute to making change a success in organizations

<i>Factors</i>	<i>Percent</i>
Commitment	83%
Leadership	80
Employee involvement	73
Mission/vision link	66
Sponsorship	66
Training	44
Resources	42
Culture	58
Trust	51
Values	44
Human resources	30
Burning platform	47
Market pressure	44
Capability/competencies	42

Challenges and Obstacles

When asked about challenges or obstacles to success, respondents once again look toward people rather than process. This isn't too surprising since only 54 percent of respondents said that they have a "somewhat" formalized Change Management process.

Top challenges or obstacles

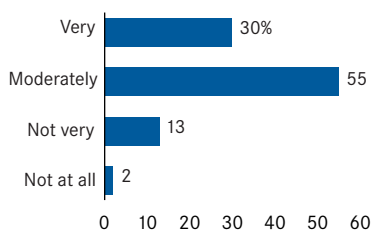


Measuring Change Management

Change management is complex and hard to measure in one dimension. Thus, multi-aspect measurement tools, such as Scorecards and surveys, are often employed: Seventy percent of respondents use either Scorecards or surveys to measure success, while 59 percent use revenue indicators.

Currently, change management is not achieving the kinds of results that it should. When asked how successful change management efforts have been, the results from respondents are disappointing. Eighty-five percent of respondents said their initiatives were “moderately” successful, which isn’t terribly impressive given the magnitude and prevalence of change.

How successful have your change management initiatives been?



Three Faces of Change Management

Understanding the current nature of change management allowed the working group to focus on its characteristics at three organizational levels:

- Individual
- Department
- Organization

It is hoped the new knowledge about competencies gleaned from the following research will help organizations know more about what they need to make change management work.

Individual

What competencies are required for individuals leading change initiatives? For CEOs, the critical competency is the ability to initiate change—cited by 80 percent of respondents. This fits well with a leader’s key responsibilities as a change agent: Create a vision, and begin to move/motivate others.

Survey results reveal that COOs also play an important role as initiators of change (45 percent), as do HR directors (and the HR department) (51 percent) and business unit leaders (51 percent).

But not all individuals who lead change come from the leadership ranks. A wide range of anecdotal information about individual competencies came from research interviews and anonymous survey respondent comments:

- Individuals need to establish change within the culture’s framework. This includes the business values, credo, and operating philosophy.
- Individuals need to frame change in the context of personal responsibility.
- Individuals leading change need to develop OD skills around teamwork and holistic thinking.

- Individuals need to ask the right questions to ensure commitment is fully gained.
- Individuals leading change also need fortitude to stick with whatever process is being used and they must *communicate*.

In addition, some research participants talked about fully engaging the CEO and leadership, spending lots of time—from the beginning—on the people issues, and continuously reinforcing the change so it becomes part of the culture.

Department

The role of managing change typically falls to either HR (52 percent) or business unit leaders (49 percent). In many cases, the HR department itself is responsible for managing change efforts. Thus, when speaking of departmental competencies, it is in terms of the HR department.

The survey asked respondents to rate department competencies from extremely important to not at all important.

Anecdotal and interviewee information confirmed what the survey data showed. Departments or groups engaged in change management need to:

- monitor outcomes;
- create a holistic approach that considers strategy/culture and structure while simultaneously integrating reward/recognition systems;
- reinforce strategic intent with individual goals; and
- incorporate changes into work processes, job descriptions, and the multiple systems that drive individual behavior.

Importance of competencies

<i>Extremely important competencies</i>	<i>Percent</i>
Clarifying/communicating	59%
Building trusting relationships	45
Collaboration	44
Strategic planning	41
<i>Very important competencies</i>	
Culture change	61
Mobilizing resources	58
Diagnosing needs	55
Marketing intent and results	55

Communications continues to be critical. The two most important things that the function needs to do are:

- Clarify the rationale and nature of change
- Develop champions or sponsors

Continuous, ongoing reinforcement is obligatory, and establishing two-way communications—gathering feedback and sharing the responses to it—is also important.

Organization

At the organizational level, many of the same factors emerge as requisite competencies. The top 6 (all equally important) are:

- Leadership
- Commitment
- Employee Involvement
- Sponsorship
- Link to mission/vision
- Trust

These cited factors indicate the need to:

- pay attention, understand, and then respond to the needs of the individuals;
- clarify roles and functions;
- share decision-making; and
- leverage change in a way that manages emotions and allows for the evolutionary process of culture change.

Monitoring results is also very important, as is maintaining an emotionally intelligent balance between strategy and behavior.

Organizations seeking to enhance their change management capabilities may find the following action planning tool, developed in light of this survey’s findings, to be useful.

Action Planning Tool

<i>Change management status</i>	<i>Actions</i>	<i>Barriers to overcome</i>	<i>Change leader/ HR role(s)</i>	<i>Success factors</i>
<i>New</i>	Do research – gather all key points of view	Lack of understanding	Develop strategy	Employees are motivated and aligned
	Acknowledge/ involve intellect & emotion	Fear and no “WIFM”	Lead internal and external communications	Management / responsibility defined
	Plan for change, using a methodology	No follow-through/ no plan	Roll out the methodology	Staying the course – endurance
	Communicate!! (on-going)	Poor leadership and involvement	Conduct pilot(s)	
	Involve many others – leader(s) and cross-functional groups	Rewards not aligned	Create/ use teams	
	Provide rewards		Provide rewards	
	Embed in culture			
<i>Experienced</i>	Establish priorities	Programs, not processes	Establish cultural acceptance	Respected and effective leaders
	Embed resilience in culture	People issues	Share responsibility with line	Collaborative culture
	Monitor outcomes	Communications weaknesses	Create holistic approach	Commitment
	Align change to customers	Organizational resistance	Ask the right questions	Trust
	Communicate!			Link to mission and vision

About the Author

Lynne Morton, Principal, Performance Improvement Solutions, is a management consultant and executive coach with a 20-year multidisciplinary career in change management and organizational effectiveness. Her clients include Fortune 500 companies, government agencies, and not-for-profit organizations. She is also the author of The Conference Board's talent management studies, *Integrated and Integrative Talent Management* and *Talent Management Value Imperatives*, as well as a frequent speaker and author.

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