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THE GFC AND THE SEVEN INDICATORS OF CHANGE SUCCESS

Questions to Ask Yourself

1. Does everyone understand the handful of factors that drive value in your organisation?
2. Do you have a compelling purpose statement that is widely known?
3. Does each of your employees understand the line of sight between their own role and the goals of your change initiatives?
4. Do you have agreed 'human capital' metrics to help determine change success beyond costs alone?
5. Do you have robust mechanisms to support ongoing monitoring and adjustment?
6. Do you have a comprehensive implementation plan for each change project?
7. Does your organisation possess 'change capability' as one of the key features of its culture?

Unprecedented focus on survival

The Global Financial Crisis has brought us the most uncertain business environment since the 1930s. Every day we're being told that things will get worse before they get better. Unsurprisingly, many organisations are working out how to cut costs and safeguard revenues, while seizing any opportunity for competitive advantage. Every aspect of the business is under intense scrutiny. Sound familiar?

Is change capability a hidden killer?

This sharp focus on business priorities leads inevitably to the thorny question of change. How can we improve the organisation in ways that will stick, when study after study shows that most change efforts fail? The figures are staggering, with 40% to 80% of change efforts falling well short of expectations!

At a time when we need to make every single action count, we risk wasting scarce resources pursuing business improvements that might have helped us – *had we managed the change better*. At UGM, we believe the ability to execute change is one of the biggest risks facing organisations, as they navigate these uncertain times.

Research confirms change in crisis too

But even in good times, many businesses still struggle with change. A recent US study of change in 132 businesses of varying sizes supported evidence we've gathered in the Australian marketplace.

Multiple change efforts, increasing pace

Most businesses in the study were engaged in one or more significant change initiatives, with many embarking on a number of large changes simultaneously, designed to save costs and increase revenues.

Organisations also reported that the pace of change is increasing, even compared with two years ago. But disturbingly few companies felt they were handling change either "very well" (5.6%) or "pretty well" (24.1%). Over 70% stated they handled change only "somewhat well" to "poorly".

Change success poorly monitored

Perhaps one of the most disconcerting findings (supported by our own experience in the Australian environment) was that success was determined largely on the basis of subjective impressions alone. Although 44% of companies did consider cost metrics, and 43% made efforts to confirm that changes actually occurred, *only 21% of companies checked whether the change lead to improved behaviours and skills*. So, although almost half of the companies could confirm that some sort of change had occurred, only one fifth determined whether they'd realized their objectives. Not surprisingly, 14% of companies stated categorically that they didn't measure change outcomes at all.

Change initiatives lack focus on metrics

In our experience, one of the major reasons that change poses such a great risk is this lack of focus on change metrics.

Echoing what we said in our February newsletter, 60% of the organizations in the study attempted to improve their change capability by improving communication, with a strong focus on clarifying values, mission and vision. But we've found that many Australian organisations don't have a clear purpose statement that is readily accessible or understood by the majority of their people.

Lack of change alignment wastes resources

Perhaps even more devastating to a change initiative is lack of clarity around the core drivers of value in the business. Quite typically in our work with teams of senior executives, we discover there isn't the crystal clarity around these fundamentals that is required if the organisation is to develop an aligned strategy, maximise competitive advantage and secure best value from their change investment.

Failure to recognise phases of change

In addition, even well-intentioned communication strategies may not take into account that people move through different phases during the change cycle. As a result, while the change communications may deliver a consistent message, the content doesn't necessarily suit the stage where employees are in the change journey. The right messages can be delivered, but at the wrong time! People affected by the change then begin to feel the change leaders don't understand them. Confusion and doubt spread, and a successful outcome is threatened.

New winners, new losers

Evidence from past economic downturns shows how company fortunes alter as we exit troubled times. Many companies previously listed in the top 100, for example, shifted places. After the downturn, the list was populated by a swag of companies who'd been able to turn adversity into competitive advantage. Many of these were newcomers, replacing those businesses unable to make the changes needed to retain their position. Not all of the heavy losers lived to fight another day! With the collapse of establishment icons, such as Lehman Bros, we already know that the current GFC is likely to mirror those past trends.

As one Harvard wit put it last month, we find ourselves, "Caught between two elemental forces – one called Calamity and the other called Change". But, in fact, *'change capability' is the business-critical indicator that's all too frequently overlooked*. The upshot is poorly executed change that doesn't deliver the promised results. Think of it as a muscle you can flex and strengthen. It's this strength that will ensure not just survival but also help you seize the opportunities to be found during periods of uncertainty. □