“70% of business transformations fail”
Urban myth or worth another look?

A fresh look at maximising the chance of success by understanding the common areas of risk on change journeys
What really drives organisations to embark on a tough change journey?

In today’s world, a confluence of technological, macroeconomic and demographic drivers means that we live in an environment of constant change. In private, most corporate executives are weary of one transformation after another. However, working to maintain the status quo is doomed to fail. Or said differently, there is no defendable excuse as a business leader to avoid embracing change. It is the role of a leader to build sustainable competitive advantage in today’s constantly evolving marketplace. Most businesses today face one or more of the following external drivers.

- Increasing complexity: companies need to adapt to operating in a world of increasing volatility, uncertainty, complexity, ambiguity (Packowski, 2014)
- Rising costs: businesses have seen significant cost pressures in recent years, underpinned by resurgent commodity prices and a rise in real wages due to labour productivity stagnation
- Visibility of demand: digital transformation of the supply chain will allow companies to get closer to their customers, with real-time visibility across the end to end supply chain
- Speed of response to customer needs: the expectations of customers are increasingly sophisticated, transcending just pricing and lead times
Building and engaging a resilient workforce

- How do business leaders deal with the shortage of talent and capabilities to lead change within their organisation?
- Many companies fail to recognise the importance of engaging with what has become a multi-generational workforce with a range of different responses to communication from the ‘top’
- Motivating staff to embrace/drive change means thinking differently than in the past about how and when to engage your people in the complex and difficult challenges the organisation faces, not protecting them from these issues *(Heifetz and Laurie, 2011)*

Sustaining competitive advantage and customer loyalty

- Individualised products (lot size of one): as customers are more informed, connected and impatient than ever before, increasing personalisation of products leads to increased complexity
- Innovation to retain and attract customers: to win over customers in today’s evolving competitive landscape, companies need to fundamentally rethink the way they operate

About that 70% urban myth... do most transformations fail?

It is a cliché amongst change management professionals that 70% of all corporate transformation efforts fail. However, despite numerous attempts by academia, think-tanks and consultancies alike, there has been no valid and reliable empirical evidence to support the oft-quoted 70% failure rate. *(Hughes, 2011)*

The latest research suggests that the failure rate of corporate transformation varies between 40% and 81% and depends on a multitude of factors, including the type of change and the success criteria. The full spectrum of transformation objectives can range from specific business improvements such as technical or performance changes to processes and products, to creating an adaptative organisation capable of leading change as a core capability.
Committing to strategy and driving the changes to deliver it

Senior executives often spend a disproportionate amount of time discussing strategy, but many struggle to maintain the same level of commitment and enthusiasm through implementation. The lack of authentic support from the C-suite also leads to a misalignment between executives and middle managers. (PMI, 2013)

Making tough decisions to break corporate inertia

To effect change, executives often need to make tough decisions to overcome the active inertia that exists within an organisation. The most effective executives do this by adopting a three-pronged approach focusing on the company’s values, internal processes and communication.

Tackling the talent gap

No executive will say “I have inherited the right set of talent to turn around the company”. It is imperative to highlight upfront the existing gaps in the skills and capabilities mix and develop ways to build high performing teams. Many executives find that they need to fundamentally alter the way they think about the (under)management and attraction of talent within their organisations. For instance, leadership needs to recognise the increasing relevance of having a multi-generational workforce.

Successful transformations have a clear approach and framework to describe the change challenge and articulate meaningful outcomes and milestones. This engages the workforce with an end-state which is compelling and inspirational.

Using the company’s culture to achieve change

It is a truism that ‘culture eats strategy for breakfast’, but many leaders consciously or unconsciously choose to ignore culture at the peril of delivering strategy. More importantly, executives often overlook the fact that the probability of a successful transformation is the sum total of their actual behaviour and not their stated intentions.
It is critical throughout the transformation journey to understand and leverage the strengths of the organisation’s culture, as well as seek to influence the elements of the culture that will prevent and even sabotage the change. The reality of how organisations recognise individual performance, both formally and informally, significantly drives individuals’ values as well as shaping the overall culture. (Burke and Litwin, 1992). Defining and communicating a clear and coherent vision for the organisation while seemingly obvious, is often a missing component of delivering transformational change. Not surprisingly, this is one of the most significant areas that prevents the vision from being achieved.

**What really is crucial to success?**

1. **Using processes as a differentiator**

   Having the right internal processes in place is crucial to maximise the chance of success. Establishing new processes will help the organisation break the inertia of mediocrity and go from good to great. It can also be used to as a tool to drive innovation and continuous process improvements. Unless you consciously design new processes to achieve change, and improve critical existing ones, they will continue to reinforce the status quo.

2. **Getting the change rhythm right**

   In any corporate transformation initiative, the importance of leadership alignment and change leadership cannot be overstated. Effective change leadership is a balance between equipping the organisation to tenaciously drive change from within and leading from the top when required. Getting the rhythm right depends on optimising the level of stress placed on the organisation compared with what is perceived as normal. It is extremely important to recognise the increasingly complex and fluid nature of organisational change, and to watch closely how the business copes with the amount and speed of change at any one time. In this context, relevant and transparent governance structures must be put in place to help the organisation throughout the journey.
3. Engaging people to foster a change culture

A requirement of a successful transformation is investment in the technical capabilities of your organisation as well as the capabilities to lead and drive change. A common cause of failure is for companies to under-invest in these capabilities based on their leader’s belief that they are uniquely positioned to make the real changes happen. The ‘leap of faith’ that leaders have to make is to build these capabilities throughout the organisation and genuinely trust that the right things will get done. Good executives strike the right balance and can switch between the perspective of the management team and the shop floor. It is also equally important to engage and energise the entire organisation with an ambitious, clear and coherent vision. (Heifetz and Laurie, 2011)

Learning from the 70% to lead successful change

Having put the ‘70% failure rate’ to rest, corporate leaders at any stage of a transformation journey will benefit from focusing on the critical get rights as well as the common underlying reasons why change programmes fail to achieve their objectives. Successful transformations have a clear framework and approach to describe why there is the need to change, articulate meaningful outcomes and milestones of the journey, and engage the workforce with an end-state which is compelling and inspirational.

At Crimson & Co, our approach to business transformation is underpinned by our Assess Design Embed® methodology which filters through each stage of a project, generating lasting change. Combined with our deep operational capability, we ensure that the right transformation decisions are made at the right times by the right people and the business has the ability and mindset to deliver the changes.
About the Author

Stuart Williamson

Stuart works with corporate Boards and leadership teams to implement large-scale transformational change and address complex growth challenges. He links people and change challenges to technical delivery.

About Crimson & Co

Crimson & Co is a global management consultancy that specialises in the supply chain. We help clients achieve their strategic and operational objectives, working together to transform their businesses and generate lasting change. Our people have operational experience, are easy to work with and are trusted by clients to get the job done.

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References


