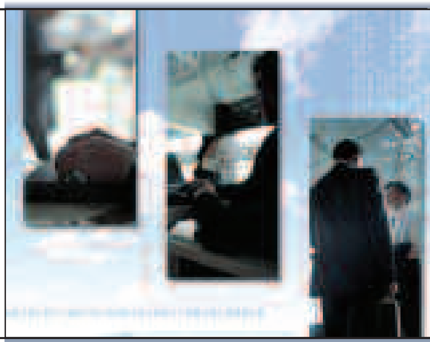
Effecting Change in Business Enterprises: Current Trends in Change Management



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The Only Business Constant Is Change

Businesses have always had to deal with change – it may be the only thing about the business world that doesn't change. And globalization, competition, and accelerated technological innovation are creating conditions under which change itself is changing: change is becoming more complex and omnipresent, requiring enterprises to develop focused capabilities for change management.

Instead of being an episodic obligation associated with the occasional restructuring or market crisis, change management is increasingly perceived as a permanent business function that is essential to keeping the organization agile and adaptable in a continuously changing, competitive environment. Chief executive officers around the globe seem to agree: in a survey conducted for The Conference Board's 2004 CEO *Challenge*, 540 CEOs *rated speed, flexibility, and adaptability to change* as one of their top two business challenges.[1]

Change Management as a Business Function

Change management is increasingly perceived not as a focused response to an occasional need for reorganization, but rather as an ongoing business function. Expectations have shifted – change is no longer seen as an extraordinary event: it is now viewed as a permanent condition of business life. Survey results and case studies indicate that change management is becoming institutionalized in various ways, including:

- Designation of a change management function in the organization (most commonly in HR departments),
- Development of tools and techniques for planning and implementation,
- Establishment of communication methods for facilitating change, and
- Reorientation of corporate culture toward flexibility and agility.

Among survey respondents, 19 percent have formalized change management "to a great extent," while 54 percent of companies have achieved modest formalization.[2]

Expanding Presence

A central finding is an expanded presence of change management. Among survey respondents, 82 percent identified change management as a priority for their company. "Change management has become a core competency; as such, it is leveraged into every aspect of how we manage our business. It keeps the enterprise nimble and more flexible to change, and better able to respond to change occurring around us," says one executive.

Survey participants are virtually unanimous in their expectation that the need for change management will continue to expand: 99 percent expect an increased need over the next three years, and of this group, 62 percent expect the need to increase to a great extent. In response to such needs, almost half the companies surveyed (48 percent) have already established a change management function somewhere in their organization, and over a quarter of the rest expect to launch one within three years.

Most frequently, the responsibility for change management is located in the HR department (46 percent), reflecting a view that change implementation is essentially a question of changing the practices and attitudes of people. Another common approach is to situate operations in corporate headquarters (27 percent), which emphasizes the importance attached to having senior management support.

Less often, change management is assigned to other departments (such as IT, when the change involves implementing new software) or to individual business units. Regardless of the organizational location, surveyed companies generally recognize the impact of constant change and the need to develop a capacity to deal with it.

However, a gap is evident between perception and performance. While respondents are virtually unanimous in anticipating increased need for change management, over a third have neither implemented a change management function nor plan to do so within the next three years.

This gap raises the question of how such organizations deal with change when it occurs. It is likely that some are continuing with the familiar episodic or crisis approach, while others may expect to deal with change by buying expertise as the need arises – either through outside consultants or new hires with the necessary skills.

What Drives Change Management

The expanded scope of change management is driven by a variety of demands, reflecting the four key aspects of any enterprise:

- organization,
- people,

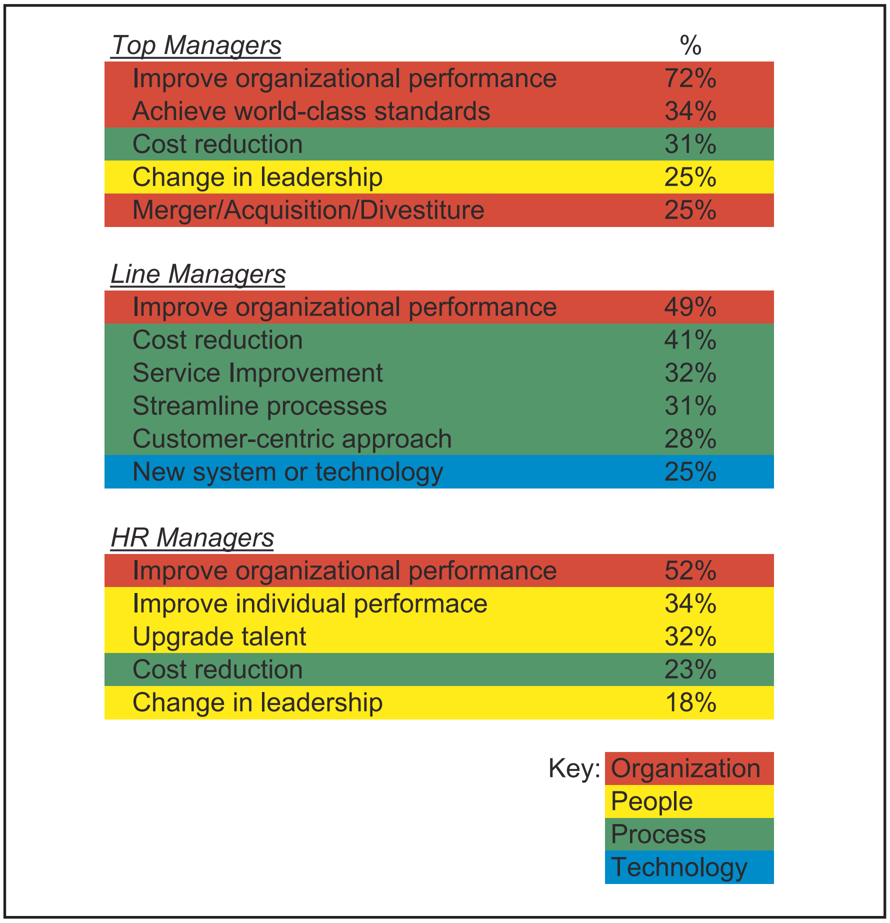

Figure 1. Drivers of Change Management.

- process, and
- technology.

Some change drivers are common across the enterprise; while others vary for different groups of executives – top managers, line managers and HR managers (see Figure 1). When asked to identify the principal drivers that prompt these executives to develop or sponsor change management in their companies, management groups select improving organizational performance and cost reduction – two organization-wide goals. The other drivers reflect the differences in focus and responsibility in each management group.

Top management is driven to change management primarily by organizational concerns, such as restructuring due to mergers or divestitures, but the group is also influenced by one obvious people factor: change in leadership.

Line management is driven largely by business process concerns. Anything related to people and personnel is notably absent, suggesting that line managers take a fairly narrow view of change and may lack an understanding of the importance of talent management and its role in the change process.

Human resources management is largely brought to change management by the people aspects of the business, which is not surprising given its behavior-oriented function.

WHAT DOES NOT DRIVE CHANGE MANAGEMENT

What is *not* mentioned as a change management driver is as important as the drivers actually identified. Some of the unmentioned drivers include:

Innovations in products and technology. It is not surprising that new product development is not perceived as a driver since, in a broad range of business sectors, it is a part of regular business practice. Industries routinely structure their operations around new product introductions, such as the annual launch of new models in the automotive industry or the frequent release of new versions of applications and operating systems in the software industry. Many businesses have been built around such practices for over a century, so product development would not require new management techniques for dealing with change.

New technology, however, is a different story. Technological development is manifestly transformational: what Microsoft does so lucratively now barely existed as a business 20 years ago, and what Google does today didn't exist at all even a decade ago. Cell phones have completely undermined the business model of fixed-line telecom giants in less than a decade, and the easy transmission of files over the Internet threatens the very existence of intermediary businesses, such as record companies, video rental stores, and book publishers and retailers.

Sixty-one percent of survey respondents indicate technological change initiatives are currently underway in their organizations. So, why is introducing new technology not a bigger driver for change management? The answer for some might be that they see – correctly or not – an existing ability to accommodate new technology within their current business practice. It is also possible that respondents simply fail to appreciate the potential impact of new technologies or believe there is no way to anticipate their effects.[3]

Marketplace Expansion. Surveyed HR executives do not see marketplace expansion as a potential driver of change management. In fact, domestic expansion is mentioned less than three percent of the time, and global expansion less than eight percent. The global figure is particularly surprising; given that 41 percent of companies surveyed indicate they have global change initiatives currently underway.

These results could have a number of explanations. Little expansion may have occurred during the recent recession, or these executives may believe

Process	89%
Structure	76%
Behavioral	68%
Technological	61%
Redesign	54%
New systems	48%
Global initiatives	41%
Outsourcing	38%
Domestic initiatives	32%
New alliances	31%

Key: Organization, People, Process, Technology

Figure 2. Change Initiatives Underway.

their organizations already possess a capability for expansion. Perhaps HR executives are more disconnected from strategic business growth than other top management would be, or they may simply display shortsightedness in considering the impact of expansion on their organizations.

CHANGE INITIATIVES UNDERWAY

What executives see as drivers of change management contrasts greatly with the actual change initiatives underway (see Figure 2). The most common type of ongoing initiative is change in business process (89 percent), which is ranked fourth as a driver for line managers, but not at all for other executives. The 38 percent of executives who indicate that outsourcing is an ongoing change in the company is noteworthy. Given the considerable emphasis placed on outsourcing in recent years as a competitive business practice, this figure is likely to increase.

An interesting comparison is between changes involving global initiatives, which are underway at 41 percent of companies responding, and changes involving domestic initiatives, which trail at 32 percent. These percentages suggest that globalization is a big factor in business operations at a broad spectrum of companies.

THE ROLE OF MANAGEMENT

The broad-based engagement of many management categories in the change management process is striking. Effecting change is no longer compartmentalized or externalized. Executives at all levels across the enterprise are now seen as having important roles in change management (see Figure 3).

Initiating. There is considerable diversity in the roles that various levels of management take in change management. The most common pattern is to assign initiating change to the CEO and/or other top officers. However, top executives appear to have less active roles in other stages of change management. Leadership over the change process is, for most participants, fairly evenly divided between HR directors, local business unit leaders, and corporate officers at the vice president level.

Leading. A substantial number of respondents still see an important role for the CEO or COO in leading the change management process. More sweeping changes and extensive organizational restructurings, e.g., mergers and divestitures, generally require more hands-on leadership from the top brass, if only to demonstrate will and commitment.

Managing and Sustaining. Day-to-day managing and sustaining change is more clearly assigned to the local unit leaders at the line level and to HR directors at the corporate level. As with any initiative, effectiveness is typically greatest when it is driven from the level closest to the people who are actually affected by it.

Evaluating. It is interesting that the task of evaluating change is more diffuse across the organization:

- Human resources director: Evaluates people factors;
- Chief operations officer: Assesses ROI and effects on the bottom line;
- Business unit leader: Determines effects on the business unit's efficiency; and,
- Various specialized roles, e.g., change management manager, organizational effectiveness leader, and VP of strategy, development and planning.

Other officers and agents are also

Role/Position	Initiation	Leading	Managing	Sustaining	Evaluating
CEO	**80%**	45%	4%	31%	24%
CFO	45%	41%	17%	30%	20%
COO	39%	28%	21%	23%	32%
VP strategy, development, planning	37%	45%	27%	31%	27%
External consultant	4%	4%	27%	11%	16%
HR director	30%	**51%**	**52%**	49%	**39%**
Change management manager	11%	24%	25%	27%	30%
Organizational effectiveness leader	11%	21%	31%	25%	28%
Organizational planning and development manager	8%	20%	20%	18%	23%
Senior VP of operations	31%	49%	34%	35%	21%
Business unit leader/manager	27%	**51%**	49%	**58%**	27%

Figure 3. The Roles of Management.

Factor	%
Changing priorities	83%
Resources	66%
Time	58%
Alignment	56%
Commitment	51%
Budget	45%
Results	41%
Magnitude	39%

Figure 4. Top Factors Triggering Adjustments.

mentioned as having roles in the change management process. One approach to formalizing the change management process cited by a quarter of respondents is to have a change management manager involved in all phases of the process.

Similarly, an organizational effectiveness leader is cited by about a quarter of respondents as having responsibility for leading, managing, sustaining and evaluating change. One-fifth of respondents assign similar roles to a leader of organizational planning and development. Finally, external consultants play a small but steady role, especially in managing change (an outsourcing model of change management) and evaluating results.

ADOPTING CRITERIA AND DETERMINING STRATEGY

An effective change management model must adopt criteria for choosing one form of change over another or for deciding among competing strategies. Survey respondents report several factors that contribute to such a decision, but market demand (68 percent) is most important.

As noted earlier, some market factors (like expanding market share and introducing new products) are not important drivers of change, but the market does more directly affect change management. Market demand is an impetus only in general ways, such as creating the need for improved organizational performance overall, but once change management is underway, it is a decisive factor in charting direction.

Other criteria for selecting the path for change include availability of budget (52 percent) and other resources (47 percent) and the impact of changes in leadership (41 percent). People-related factors rate fairly low on this particular question: employee satisfaction and turnover are accorded importance by only 37 percent of respondents.

MAKING ADJUSTMENTS

Change management, like any form of management, must allow for revising plans or altering processes in light of experience. Just as the famous military aphorism declares, "No battle plan survives contact with the enemy," no change management plan survives contact with the real world of implementation.

What factors influence such revisions? By far the most common factor leading to plan revision is change in corporate management priorities (see Figure 4). Lead-time for change management planning is often considerable and market conditions, competitive pressures, or organizational restructurings can easily intervene before the change is completed, requiring alterations in scope or direction.

Other similar factors cited are changes in alignment and commitment. Changes must be coordinated across various divisions and units with differing concerns. Maintaining alignment among stakeholders and retaining their commitment to the process throughout implementation of changes is a regular challenge for change managers.

Availability of resources, time pressures, and budgetary concerns also lead to plan adjustments. Their importance speaks to the planning challenges in change management. Since it is sometimes difficult to forecast the full scope and time demands of a change project and its impact on budget and resources, it may be necessary to revise the plans in light of experience. This is reflected in the remaining factors affecting plan adjustments: results and magnitude.

Change implementation should clearly be a dynamic process, undergoing frequent revision to accommodate practical lessons learned. It may turn out that the scope of the project is overly ambitious or doesn't extend far enough.

PREPARING FOR AND EFFECTING CHANGE

Three crucial factors in preparing an organization for change are evident in the study:

- planning,
- communicating, and
- achieving participation.

Nearly three-quarters of the executives in the survey identified full em-

	%
Planning Techniques	
Project management	85%
Use planning/design tools	61%
Develop assessment tools	55%
Formal change management methodology	37%
Communications	
Communicate scope and rationale	89%
Training	75%
Employee input	63%
Feedback	61%
Obtaining buy-in across the organization	
Seek sponsorship, commitment	70%
Identify resistance and challenges	61%
Develop reward/recognition processes	51%
Trust-building efforts	38%

Figure 5. Critical Factors in Effecting Change.

Technique	%
Clarify the rationale and the nature of the change	90%
Continuous communication	78%
Sponsoring and championing the change	69%
Two-way communication	62%
Identify potential barriers	61%
Explain criteria for success	59%
Explain how change is achieved	54%
Repetition	54%

Key: Clarity, Continuity, Advocacy, Reciprocity

Figure 6. Top Techniques for Successful Communications.

ployee engagement as critical to success (see Figure 5). Planning and communicating are preparations for stimulating such engagement.

Planning is the first task in getting people involved in the change. Companies regularly prepare for change at the project or program management level and often use planning and design tools or develop assessment tools to do so. Using formal methodologies and processes is less common.

Effective communication is critical. As one executive notes, it is "fundamental to our efforts." Survey respondents systematically seek to communicate the scope and rationale for change – almost all cited this as a basic preparation for launching a change. Three-quarters also conduct training for employees as a part of preparing for change. And recognizing that communication is a two-way process, a majority of respondents sought employee input or feedback regarding preparations for change.

Achieving participation through sponsorship and commitment during the preparation phase is pursued by 70 percent of respondents, and about half establish reward and recognition processes related to the change. Advance identification of potential resistance is a preparatory step taken by almost two-thirds of companies, and more than a third pursue trust-building efforts.

THE IMPORTANCE OF COMMUNICATION

The vital importance of communications in change management has been repeatedly stressed since the field was first developed. But what approaches to communication are most effective in achieving success? Survey results echo several themes that recur throughout this report: clarity, continuity, and constancy are basic features of successful communication (see Figure 6). The communication must also be reciprocal: management has to listen as well as talk. Advocacy and sponsorship are also vital in communications.

FACILITATING CHANGE

When change management is initiated, what do businesses do to implement change? Again, survey results and working group discussions reveal that effective communications are seen as the principal means of putting change into practice: the ability to clarify and communicate is the top-ranked competency for facilitating change (see Figure 7). The second- and third-ranked competencies, building trust and achieving collaboration, also involve communication.

There appears to be less emphasis on achieving two-way communications: eliciting feedback is rated as an extremely important competency by only 17 percent of respondents, and asking relevant questions by 24 percent. This is unfortunate, given the critical importance of employee engagement to successful change. Merely preaching the change message

Key Competencies for Implementing Change.
Percentage rating "extremely important"

Competency	%
Planning	
Strategic Planning	41%
Strategic decision-making	35%
Analytical thinking	27%
Diagnose needs	24%
Market intent and results	13%
Communications	
Clarify and communicate	59%
Building trust	45%
Achieve collaboration	44%
Identifying and managing resistance	38%
Asking relevant questions	24%
Managing emotions	20%
Facilitate feedback	17%
Operations	
Manage cultural change	39%
Solve problems	25%
Mobilize resources	23%
Manage diversity	9%
Facilitate interventions	14%

Key: Action oriented, Attitude oriented

Figure 7. Key Competencies for Implementing Change.

will not necessarily convert the audience. However, it may be that respondents understood their top-ranked choice (clarify and communicate) to include two-way communication.

In either case, it is encouraging to note that in describing their current practices in change implementation, companies state they are seeking employee input: 61 percent obtain feedback and 75 percent say they are achieving active employee participation.

Planning and operational competencies are also necessary for facilitating change, but executives in the survey see them as less important than communications. Respondents also give intermediate rankings to strategic planning, decision-making at intermediate levels, and operational ability to manage cultural change, but other competencies in these areas receive comparatively low ratings, e.g., facilitating intervention, managing diversity.

Action versus Attitude. A useful distinction can be made between the action-focused side of change management (what people are to do) and the attitudinal or relationship side (how they feel about it). Any action plan developed for effecting change is more likely to succeed if it is accepted and positively endorsed by the people carrying it out. The importance that executives attach to establishing good relations and attitudes within the workforce and achieving buy-in shows up clearly in the survey results: four of the top-six competencies necessary for facilitating change are directed at relationships and attitudes.

Overall, the median frequency of "extremely important" ratings for attitude-oriented competencies was 38 percent versus just 24 percent for action-oriented competencies. Developing a good action plan and communicating it clearly is vital, but strong employee relations and positive attitudes are required for successful change.

ENGAGING EMPLOYEES

Successful implementation is greatly facilitated when the people carrying out the change are engaged in the process and buy into strategy and tactics. Ideally, this should involve:

- acceptance,
- understanding,
- willing participation, and
- enthusiasm.

Achieving this buy-in requires two-way communication — not just top-down dissemination of instructions and information, but also soliciting and listening to workforce questions, concerns and suggestions.

Attention should also be paid to building motivation and incentives, like recognition and reward programs and links to compensation into the change process.

Finally, it is critical to the success of any change initiative to follow-up during and after implementation and to evaluate the new processes and modify them if they are not having the intended impact on departments or individuals.

Employee Engagement Tools. Be open and invite employee participation and communication. Communicate in multiple directions:

- Convey strategic goals, rationale, and overall change direction;
- Communicate constantly about what is different and how it affects people;
- Communicate about links to corporate culture and other systems;
- Solicit feedback; and,
- Use multiple communication methods: Web sites, newsletters, focus groups, town hall meetings, information centers, and the like.

Think globally:

- Conduct surveys and interviews to determine employee views and needs; and,
- Obtain early input about impact on employees, and their roles and functions.

Act locally:

- Facilitate effectiveness of local leaders and build trust within units;
- Create employee-driven teams; and,
- Reorganize work assignments effectively and equitably.

Provide motivation and incentives:

- Link implementation to objectives, compensation, HR practices;
- Establish recognition and reward systems; and,
- Empower employees in the change process.

Follow-up:

- Conduct surveys to assess successes, hurdles and employee engagement; and,
- Respond to employee suggestions and concerns.

IMPLEMENTATION TECHNIQUES

Companies are using a variety of techniques in carrying out their change initiatives. Communication, as noted, comes in at the top, followed by employee participation. But several specific techniques to promote motivation and employee empowerment are widely used (see Figure 8).

	%
Communication	90%
Employee participation	75%
Link to performance objectives/competencies	66%
Feedback	61%
Integrate with HR processes	58%
Technology	48%
Recognition	47%
Leverage industry knowledge	41%
Shared decision making	38%

Figure 8. Implementation Techniques.

Linking implementation to individual performance objectives and compensation is ranked third: two-thirds of companies have adopted this policy. Integrating with HR processes, e.g., in hiring, promotion, and training, is commonly used, but shared decision-making, which also promotes empowerment and engagement, is less popular.

One approach that appears to be underutilized is leveraging knowledge from the industry (such as pursuit of best practices and benchmarking). Fewer than half the respondents cite this response, suggesting there is substantial room for growth, at least in those industries where such information is readily available.

	%
People issues	59%
Organizational resistance	58%
Communication weaknesses	47%
Employee resistance	39%
Lack of trust	34%
Strategic alignment	32%
Downsizing	25%
Structure	23%
Lack of defined mission	18%
Outsourcing	13%

Key: Organization, People, Process

Figure 9. Top Challenges to Change Management.

Overcoming Resistance and Sustaining Change

Follow-through is often the tedious and unglamorous part of change – the hard slog of identifying bottlenecks, flaws and resistance; finding solutions; revising the plan; and rising to the challenges. External consultants may have come and gone and senior management may have turned its attention to other things, but the change process is not complete and will not be so without sustained effort. What are the typical challenges that change management efforts face during the follow-through stage, and how are they overcome? What techniques can help managers sustain the change over the long haul?

Of the top challenges reported in the survey, the biggest factors are people issues: covering staffing and talent problems, personnel turnover, employee attitudes and engagement, and the like (see Figure 9). Resistance and lack of trust by individual employees have fairly straightforward resolutions (the same ones discussed in connection with planning and implementation): communicate effectively, solicit feedback, establish rewards and recognition, demonstrate leadership commitment, build trust through teamwork, consistency, clarity, and so on. Similar solutions are indicated for communication weaknesses. The appropriate response is to identify shortcomings in the communication strategy and implement successful techniques.

The rest of the top 10 challenges, beginning with organizational resistance, all involve problems associated with the organization itself. This is perhaps the face of change that is the most complex and the least amenable to general solutions. Some challenges inherent in the structure of the enterprise cannot be avoided simply through better planning or communication. Many changes have asymmetrical effects with respect to costs and benefits, affecting adversely some areas of the organization while bringing benefits to others (and presumably to the organization as a whole).

However much management seeks to make the change a win-win situation, some change inevitably results in someone's institutional "ox" being gored. Some departments may lose staff, responsibility, or budget; or they may suffer a loss of institutional clout and status. Some may assume new, perhaps less attractive, tasks and responsibilities. Still other units may have to work harder or lose valued perquisites or privileges. Institutional jealousies and rivalries may also come into play.

Under such circumstances, it is hard to motivate "losing" departments or individuals; even the imminent collapse of a burning platform may not motivate a unit to embrace a change in which it sees itself as being "thrown to the wolves." Overcoming such challenges cannot always be done without pain, and it has to be handled on a case-by-case basis. Nevertheless, some general points can still be gleaned.

Overcoming organizational resistance requires commitment and engagement from top leadership. If, for example, IT and HR are engaged in a turf war over new software implementation, an effective and lasting resolution can most likely come only from the top leadership, who are above the fray and presumably have in mind the interests of the entire enterprise.

Achieving strategic alignment is generally a problem of planning, sponsorship and commitment. Solutions lie in strengthening these areas. Similarly, lack of a defined mission can clearly be resolved by defining the mission.

The basic structural conflicts of interest that arise during downsizing and outsourcing may be among the most difficult to accommodate.

If a function formerly performed in-house is now outsourced, one cannot expect the departments and individuals who performed that function to march cheerfully toward what they see as their own execution. Amelioration strategies directed at the individual, e.g., early retirement or outplacement packages or transfers to other departments/units, or at the department (repositioning to assume other func-

	%
Surveys	70%
Scorecards	70%
Revenue	59%
Costs	58%
On-time completion	42%
Quality indicators	42%
Process tools	28%
Market share	27%
Expectation indicators	21%
Models	13%

Figure 10. Change Management Metrics.

tions as part of a general reorganization of tasks) can cushion the blow.

In the best of all possible worlds, these shifts in function and individual (or wholesale departmental) departures from the organization result in a classic reallocation of resources to more productive and lucrative activities – what economic theorists term "creative destruction" in a market economy. But in the real world, and in the short term, managers must recognize that not everyone sees it this way, and some dissatisfaction and disengagement is inevitable under these conditions.

Measuring Progress

Some of the techniques that help sustain change involve tracking and measuring its progress and effects (see Figure 10). Appropriate assessment of outputs and results is vital to sustain the business case for change and change management.

Surveys and scorecards, which can be custom-tailored to focus on the features that are most relevant to a given change process or to investigate issues of greatest concern, are the most commonly used metrics, adopted by more than two-thirds of participating companies.

Financial indicators are "lagging" measures: revenue, costs, and market share are key financial measures and the criteria by which the market evaluates a company's performance. But they focus on overall performance over a period of time and thus can be influenced by a number of factors that are independent of the change management process, such as market conditions and competition. If an airline undergoing internal reorganization experiences rising costs due to increases in the price of jet fuel or declining revenue, this sheds no light on the relative progress, successes or failures of change managers. Therefore, as tools for tracking the course of a change, financial measures are relatively crude.

Most of the remaining metrics are more specifically focused on the process of change. On-time completion is an obvious way to track the progress of a change implementation, especially when a project is phased and interim target dates can be set. Quality indicators can be focused on desired outcomes or on such components of the change process as training, communications and the like. Process tools can be tracked to study implementation. And expectation indicators are also customizable to fit local circumstances.

Models have limited use for survey respondents, however. Modeling is a technique of formal change management; it allows managers to simulate, quantify, and make predictions about the course of the change. The relatively low usage of this technique is consistent with previous findings in this study indicating that the spread of formal change management methods still has considerable scope for expansion.

Avoiding Common Pitfalls

Respondents cite the following indicators as demonstrating inadequate change management or potential pitfalls to be avoided. Some indicators suggest the need for further study, such as how to measure capacity for change, how to evaluate appropriateness of risk-taking, and how to model compatibility or difference in corporate culture:

- Poor communications, e.g., of goals, methods, motives, commitment;
- Unclear rationale for change;
- Lack of understanding of the urgency of change;
- Inadequate employee mobilization and engagement;
- Lack of courage and risk-taking: may cause change to fail by default;
- Complacency: resistance to change because of prior success;
- Too many initiatives at one time, overloading change management capacity;
- Mixed messages from top and middle management;
- Short-term thinking and lack of follow-through, especially in long-term initiatives;
- Changed or diminished priorities; lack of focus;
- Cultural mismatch in mergers and acquisitions that seek to blend two contrasting cultures;
- Lack of leadership support, commitment or modeling behavior;
- Poor market analysis; poor planning; and,
- Underestimation of barriers; lack of due diligence.

Developing a Sustainable Plan

In the final analysis, sustainability in change management depends on a complex dance of strategy and tactics, overall vision and meticulous attention to detail. It requires foresight and strategic planning, but plans must be revised in light of experience. An effective and sustainable plan not only requires attention to the overall business context (the market, competition) and business goals but also a close focus on the specifics of the process:

- identifying resistance, redundancies, and inefficiencies, and over-

	%
Commitment	83%
Knowledge and competency of leadership	80%
Employee involvement	73%
Sponsorship	66%
Link to mission/values	66%
Corporate culture	58%
Trust	51%
Values	49%
Burning platform	47%
Training	44%
Market pressures	44%
Capability/competence	42%
Resources	42%

Organizational competency
Alignment and engagement
Competitive pressure

Figure 11. Factors Leading to Success.

coming or eliminating them;

- ensuring every necessary step in the change process is taken; and,
- building and maintaining internal relationships to ensure engagement.

Sustainability demands continuing commitment and support from the top, but it can only be put into effect by the actions of individuals at all levels of the organization. Ultimately, sustaining change and bringing it through to success means that it must become institutionalized – a part of regular practice across the organization. Tracking progress toward that goal consists of tracking a shift in corporate culture.

ACHIEVING SUCCESS

What are the secrets of successful change management? They fall into three main areas (see Figure 11):

- alignment,
- competency of leadership and organization, and
- competitive pressures.

Obtaining Alignment. The number one factor, commitment, is one of eight "top-10" factors related to achieving alignment and engagement across the organization. This comprehensive significance that surveyed executives attach to alignment reinforces earlier findings: obtaining buy-in across the enterprise is a key component of preparing for change; the ability to work on relationships with associates and secure positive attitudes are essential competencies for implementing change; and achieving employee engagement is a recurring theme in all studies of change management. The success factors relating to alignment broaden and deepen this picture.

When key corporate and local leaders are seen as *sponsoring* and endorsing the goals and mechanisms of change, it encourages alignment at the organizational and departmental levels. Sponsors should communicate compelling reasons why change needs to occur. Regardless of whether this is done one-on-one, business unit-by-business unit, or through mass communications (a Web portal or newsletter), it should involve all levels. Consistency must be demonstrated, just as with other initiatives.

Linking the change to the *corporate mission* and *values* makes the motivation clearer. It also makes it possible to bring the entire workforce on board as contributors and enablers of change. If everyone on the team understands the enterprise's objectives and strategy, they are far more likely to contribute than if they are merely executing orders by rote.

Corporate culture and *values* support the same goal of engagement: A culture that embraces innovation and values participation is more likely to achieve success than one that demands obedience without question.

Trust is critical for achieving employee engagement and sustaining the change results. It is helpful to baseline the trust factor at the beginning of a change initiative through surveys and/or focus groups, and then to monitor periodically its growth.

Employees must perceive they are being treated with dignity and equality to give their trust. If trust is there initially, employees will buy in sooner and motivate others to follow along. "Communicate, educate, engage," cited one respondent as the strategy for increasing trust in her organization. Deliberate communication from management ensures that people know *what* is changing, *why* it's changing, and *how* it will affect them – thus empowering employees and reinforcing trust.

Training is a classic technique for achieving alignment. Systematic and clear training in the goals, means, and practices of the change greatly facilitates transition to the new business system.

Leadership and Organizational Competency. With every business initiative, good leadership is a rising tide that lifts all boats. In initiating change, leadership is perceived as the most important enabler of success, especially when the top leaders are seen as models of desirable behaviors.

But working group findings reveal that all levels of management must be involved to achieve truly excellent leadership. When management sees change processes as a means to achieving strategic results, it implies that successful change management is an institutional priority and an enabler of improved organizational performance. Several respondents indicate that consistent leadership messages and a clear operating model contribute to success and alignment with strategic goals.

Just as leadership knowledge and

competency were widely cited as an essential component of success, the rest of the organization must also have the *capability and competency* to do what is asked of it. Of course, competency is not enough: resources must also be deployed in pursuit of the goal. Forty-two percent of respondents note that success depends on devotion of *adequate* resources to the change management process.

Competitive Pressures. Competitive pressures create a sense of urgency and clarity about the need for change. But change for the sake of change is pointless, even counterproductive. So, initiating any change requires justification. If justification is objective and clear to all, it becomes far easier to make the case for change and bring associates on board. And a *burning platform*, headed for imminent disaster, concentrates minds wonderfully.

Clear *market pressures* do the same. If the sales force is getting beaten by the competition every day, they will be clamoring for change. Of course, competitive pressure alone is hardly a predictor of success: more enterprises succumb to it and fall by the wayside than those that achieve successful change because of it. But if the other factors that facilitate change are present, the organization can make constructive use of the focus and impetus provided by a burning platform and market pressures to successfully implement a new approach.

THE ROLE OF HR IN CHANGE MANAGEMENT

Since changing an organization ultimately comes down to changing the practices, attitudes, and behaviors of the people who comprise it, HR departments are an essential component of change management. Human Resources is the most popular location for a formal change management function, among surveyed companies that have established that function. Survey respondents also identify the department as having the broadest spectrum of leading roles across all phases of change.

As noted earlier, HR is rated as the top choice for leading, managing and evaluating change, and is second only to line managers in its importance for sustaining it. Initiation is the only phase in which survey respondents do not see a top leadership role for HR; in this phase, it is ranked only sixth in importance, below all c-level management and other corporate officers, who are seen as the principal initiators.

Human Resources often shares its responsibilities in change management with other departments and other executive levels, but it is always seen as the major player. So, what responsibilities must HR assume in change management, and what competencies can it leverage to facilitate the process?

Provide Leadership. Human Resources departments have established competencies in dealing with people, affecting their behavior, monitoring performance, and developing and implementing systems. They are, therefore, well placed to provide leadership in change management processes that call for such talents. Specifically, HR can take the lead in:

- *Communications*. Human Resources can conduct informative communications, spreading the word about the goals and methods of the change and also aid in developing two-way communications and soliciting and receiving input and feedback.
- *Planning*. Human Resources' people experience is critical in planning the change, including assessing skill requirements; anticipating training, hiring, or outplacement needs; and identifying resistance.
- *Rollout*. Human Resources can act as a leader, resource center, coach, and adviser to managers and employees in support of the process; create roadmaps to enable implementation; and redesign systems that are affected by change initiatives.

Act as a Center of Expertise. Human Resources departments can be organization-wide resource centers for the change management process. Survey respondents report various initiatives of this sort, such as:

- creating Web portals to provide online access to information and tools for effecting change,
- providing consultancy and advisory services to line managers, and
- organizing HR partner academies to educate associates in facilitating and sustaining change management.

Human Resources can assist in identifying and resolving resistance to change and in promoting cultural change and establishing cultural acceptance of changed business methods.

Align HR Systems with Change Objectives. According to survey respondents, an essential component of implementing change is linking the change to personnel policies to enhance motivation, employee engagement and workforce competencies. Two-thirds of the companies surveyed link the implementation of a change with individual performance objectives and compensation policies. The majority also integrates the change with other HR processes, and nearly half develop reward and recognition programs to promote the change.

Clearly, HR needs to respond to the workforce demands created by a change: hiring, outplacement, and downsizing are consequences of many changes, and virtually all changes demand different skill sets and training requirements.

Assess and Evaluate. Human Resources typically possesses information systems and metrics that are vital to assessing progress and success in change management initiatives. Headcount, payroll and compensation information, and employee turnover figures provide overall measures relevant to many change initiatives.

Communication efforts can be assessed by looking at information sources and dissemination, training and publicity efforts, and interaction with employees via Web sites and call centers. Human Resources often conducts pilot projects to assess the feasibility of change management efforts and uses surveys or focus groups to examine progress and results. In addition, HR managers can take the lead in a formal review process at various stages of change.

THE FUTURE OF CHANGE MANAGEMENT

Prophecy is difficult but several directions for the future of change management are suggested by the working group's findings.

1. The business environment will continue to drive an accelerating rhythm of changes in modern enterprises. Thus, the need for effective change management can only increase.
2. Change management will be further institutionalized in established departments or programs and formalized processes.
3. Change management is increasingly seen as a business function, given that it is driven more and more by business factors and becomes a way to optimize organizational effectiveness, balance competing demands and improve the bottom line.
4. Businesses with extensive experience are likely to develop change management as a core competency, giving them a competitive edge in a rapidly changing market.
5. If the trend toward outsourcing continues, a rise in change management service providers may be seen. If companies can obtain cost savings and improved service by outsourcing payroll, product development and customer relations, it may be feasible that they could do the same with change management.

In addition to the above trends, however, a number of aspects about the future of change management remain unclear. Working group participants and survey respondents were unanimous in their belief that there is a great need for further study and research in the following areas:

- recognizing characteristics of organizational culture that make it flexible and resilient;
- finding links to further integrate change management into day-to-day organizational practices;
- managing change as resources shrink and the frequency of change accelerates;
- institutionalizing an organizational capacity for change;
- integrating change management with other organizational mandates, e.g., promoting diversity, social responsibility;
- aligning talent management with change management;
- identifying the tradeoffs in change alternatives to optimize return;
- balancing short- and long-term needs for change management;
- developing tools for resilience during change; and,
- articulating the roles of each "face" of change (organization, department/group, individual).

Achieving practical solutions to these challenges will greatly assist enterprises in performing change management effectively.

SOME RECOMMENDATIONS

Change management is a collective enterprise with distributed responsibilities and competencies. To make it work, all components of the organization – individual, department/group, and organization – have to work together, collaborating on a common goal and aligning efforts. But they also have to work separately, carrying out their separate responsibilities and developing their individual competencies. All aspects of the change management process, including planning, implementation and assessment, require some degree of segmentation, distributing different pieces to different units and individuals and making different demands from each of these perspectives. The following recommendations may be helpful:

Organization

- Set the overall strategy.
- Assign roles, responsibilities and resources.
- Manage the process, ensuring compliance and successful outcomes.

Departments or Groups

- Communicate effectively about the plan and educate department/group members.
- Assign jobs among members.
- Redesign practices to conform to the new system.

Individuals

- Assume responsibility for getting educated about the change process.
- Do the tasks the process requires.
- Coordinate activities with others.

Organizational Competencies

- Leverage change across the organization.
- Diagnose needs strategically.
- Align resources.
- Identify and manage resistance.
- Clarify roles and functions.
- Share decision-making among responsible parties.
- Integrate with HR processes.
- Manage the cultural shift.
- Manage emotions.
- Facilitate collaboration across the organization.
- Hold people accountable.

Departmental/Group Competencies

- Clarify the rationale and nature of the change.
- Champion or sponsor the change.
- Facilitate two-way communication and feedback.
- Identify potential barriers.
- Explain criteria for success.
- Incorporate changes into work processes, job descriptions, expectations and evaluations.
- Monitor ongoing implementation efforts and communication.
- Pursue a holistic approach that simultaneously considers strategy, culture and process.
- Reinforce strategic intent by aligning individual goals and rewards.
- Develop centers of expertise, where associates can go for information.
- Embed the change in systems that drive behavior.
- Align change to customers.
- Develop ongoing assessments with feedback loops and continu-

ous improvement.

Individual Competencies
- Establish a sense of personal responsibility for effecting the change.
- Display commitment and model appropriate behavior.
- Solicit support from leadership and associates.
- Develop organizational development skills, e.g., teamwork, knowledge of strategy.
- Communicate, communicate, communicate!
- Manage people issues; don't ignore them.
- Pursue continuous individual learning about the change.
- Ask the right questions.

ENDNOTES

1 See CEO *Challenge: Top 10 Challenges*, The Conference Board, Executive Summary R-1353-04-ES, 2004.

2 This article is an extract from a larger study based on the collective wisdom and experience of The Conference Board's Three Faces of Change Working Group members, a survey, in-depth interviews and case studies. Seventy-one companies participated in the change management survey, ranging in size from small to very large as measured by worldwide revenues and number of employees. They represent a range of industries, operating in the United States and across a broad spectrum of other countries and regions. Drawing on these resources, the group sought to examine the state-of-the-art in initiating and effecting change in business enterprises. The authors would like to thank Lynne Morton from PI Solutions for leading the working group on change management and providing us with support in this effort. In addition, we'd like to acknowledge from The Conference Board, Linda Barrington, research director, for sharing her insight and inspiration with us on numerous occasions, and Henry Silvert, research statistician, who reviewed the findings and statistics provided in this report. Finally, many thanks go to Lisa Faucher of The Jeitosa Group, now Workday™, for her tireless efforts.

3 It should be taken into consideration that the survey targeted HR executives, who are not necessarily the people closest to the technological side of a business.

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