Making Change Management Work

Traditional approaches to change management don’t work. CEB research discovered that 66% of change success factors are related to talent. Transition away from a top-down approach and focus on your people to greatly increase your chances of success.
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Business Context

The average organization has undergone five enterprise changes in the past three years. From restructuring to leadership transitions to M&A, today’s organizational changes are significant and complex for any organization.

Increasing Complexity of Change

- **78%** Culture Change
- **69%** Restructuring
- **61%** Market Expansion
- **52%** Leadership Transition
- **29%** Merger or Acquisition

\(n = 305\) organizations.
Source: CEB analysis.

In addition, 73% of organizations expect more change initiatives in the next few years, and only a small minority expects the pace of change to decelerate. So far, organizations are not achieving the successes they hoped for when they initiated the change. In fact, only about one-third of the more than 400 change initiatives we examined were clear successes based on self-reporting.

Organizational Change Success

Performance Against Organizationally Defined Goals

- **Clear Failure** 50%
- **Mixed Results** 16%
- **Clear Successes** 34%

\(n = 413\) changes.
Source: CEB HR Change Readiness Survey.

73% of organizations expect to increase the types of major change initiatives they will undertake in the next three years.
Furthermore, data indicates the likelihood of change success is similarly small globally.

**Change Success by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage of Changes That Succeed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia and Oceania</td>
<td>33%</td>
</tr>
<tr>
<td>Europe, Middle East, and Africa</td>
<td>33%</td>
</tr>
<tr>
<td>North America</td>
<td>32%</td>
</tr>
<tr>
<td>Asia</td>
<td>29%</td>
</tr>
</tbody>
</table>

\(n = 102\).
Source: CEB 2016 Change Management Head of Function Survey.

Dissatisfaction about the pace of change is also high—among both heads of HR and CEOs.

**Heads of HR Dissatisfied with Change Implementation Speed**

66% of Heads of HR agree that change needs to be completed faster.

\(n = 296\).
Source: CEB 2016 HR Agenda Poll.

**CEOs Challenge Heads of HR to Implement Change More Quickly**

73% of CEOs expect HR to implement change faster than they did three years ago.

\(n = 102\).
Source: CEB 2016 Workforce Change Survey.
Are Employees Capable of Rapid Change?

A first reaction to the lack of change success might be to suspect that employees lack the willingness or capabilities to drive successful change quickly.

However, 64% of employees have at least a baseline level of effectiveness in three out of five of the skills required to effectively engage in change.

![Skills Distribution](image)

Even more surprising, 74% of employees say they are willing to adapt to support organizational change. So what’s the problem?

The Implementation Problem

Despite foundational capabilities and high levels of willingness, only 26% of employees report that they are effective at changing how they work to support the change. And even when they do, 17% admit that they do not change their behaviors quickly enough.

These results show the gap between intention and reality that companies experience. What does that mean for the way companies manage change?

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1. Of the more than 6,500 participants in the survey, 40% were from Europe, 35% from North America, 18% from Asia, 4% from South America, 2% from Africa, and 2% from Australia and Oceania (total does not equal 100% due to rounding).
Top-Down Approaches Don’t Work

CEB finds that most companies globally (more than 70%) manage change through top-down approaches. At these companies, leaders create the implementation plans and roll out communications plans that are designed to embed and sustain the change throughout the workforce. The intent is to make the change more consistent and efficient and to speed implementation as much as possible.

This approach once made sense because organizations were largely vertical, featuring straightforward reporting lines where leaders had all the key information. In addition, markets were more predictable, and organizations were less complex. In that environment, a top-down change strategy mirrored the way the organization was structured and the way work flowed.

Compare that situation to today’s organizations featuring:

- Flatter organizational structures,
- Complex, matrixed reporting lines with many horizontal interdependencies, and
- Employees who know their jobs, their markets, and their competitors much better than they did decades ago.

The upshot? A top-down change approach is fundamentally disconnected with the way work happens today.
A New Way

We believe that an open-source approach is a more contemporary, relevant, and effective way to manage change.

Open source originated in the 90s in the computer software field and is now applied in other areas and products as well. Wikipedia is one of the most familiar examples of an open-source product. Yelp and Waze are similarly open source in that they crowd-source information, which users then consume.

The unique benefits of an open-source approach are:

- It is participative,
- It is inclusive,
- It provides access to diverse expertise and perspectives, and
- It is able to stay updated through iterative improvements with multiple users.

Open Source Change Defined

Open Source change uses the workforce to plan and implement change. Staff not only execute the change but also influence and improve it. Open Source change includes three key elements:

✔ Leaders proactively include employees in change strategy decisions.
✔ Employees own implementation planning.
✔ Communication focuses on talking instead of telling.
Comparing Top-Down and Open Source Change Approaches

Set the Strategy, and Define the Vision

**Leaders Set Change Strategy**
Leaders alone determine the strategic changes the organization will make and the vision for those changes.

**Employees Cocreate Change Strategy**
Leaders engage the workforce as active participants in making and shaping change decisions.

Plan Implementation

**Leaders Own Implementation Planning**
Leaders create implementation plans indicating what employees should do.

**Employees Own Implementation Planning**
Employees create personal change implementation plans.

Communicate and Sustain Change

**Communication Focuses on Telling**
Organizations roll out communication campaigns to tell employees about the change and its benefits.

**Communication Focuses on Talking**
Organizations facilitate open conversations with employees about the change.

Source: CEB analysis.
Benefits of Open Source Change

Incorporating open-source strategies into change approaches can help organizations do the following:

- Increase the probability of change success from 34% to 58%.
- Decrease implementation time by one-third.
- Increase employee productivity. (Employees will spend nearly 13 hours per week less on change.)
- Increase employee engagement, discretionary effort, and intent to stay.
- Decrease the number of change resistors in the organization.

Incorporation of Open-Source Strategies Drives Change Success

Effect on Probability of Change Success in Percentage Points

<table>
<thead>
<tr>
<th>Change in Probability of Success</th>
<th>Top-Down Change Strategy</th>
<th>Open Source Change Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leaders Set Change Strategy</td>
<td>+3</td>
<td>+10</td>
</tr>
<tr>
<td>Employees Cocreate Change Strategy</td>
<td>+1 (1)</td>
<td>+8</td>
</tr>
<tr>
<td>Leaders Own Implementation Planning</td>
<td>+3</td>
<td>+3</td>
</tr>
<tr>
<td>Communication Focuses Telling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communication Focuses Talking</td>
<td></td>
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</tbody>
</table>

n = 6,686 (Change Survey); 102 (Change Management Survey).
Source: CEB 2016 Workforce Change Survey; CEB 2016 Change Management Head of Function Survey.
Including Employees in Change Strategy Decisions

Although the vast majority of leaders state they recognize the value of involving and/or already involve employees in change, most employees do not feel included. In addition, determining the appropriate extent of involvement (in terms of volume and method) is extremely challenging. Leading companies do the following:

- Involve the right, not all, people.
- Include employees before establishing the vision.
- Differentiate employee involvement based on employee expertise and change requirements.

Open Decision Making

Correct:

- Invite diverse perspectives and ideas.
- Manage expectations.
- Explain requirements, constraints, and trade-offs.
- Engage potential detractors (early and often).
- Stay engaged with those who reject the solution.
- Remain open to new information and ideas.
- Work together to accomplish tasks.

Incorrect:

- Give everyone a vote.
- Try to please everyone.
- Ignore requirements and constraints.
- Avoid uncomfortable conversations.
- Debate endlessly.
- Achieve consensus.
- Fail to accomplish tasks.

CEB Change Capability Solution

The Need for Precise Talent Management

To adopt an open-source approach, organizations need to optimize HR’s structure and systems as well as manage and track individuals’ capabilities to engage positively with change.

Leading organizations use objective assessments to measure individual predisposition to embrace Open Source change behaviors, such as taking ownership of change, handling uncertainty, and supporting others through change.

Understanding the extent to which individuals in your organization possess the following change capabilities will help you make effective decisions on staffing and required training.

**Taking Ownership of Change**
- Taking responsibility for actions relating to change
- Taking initiative to make things happen
- Introducing required changes into work processes
- Making quick, clear decisions that may include tough choices or considered risks

**Handling Uncertainty**
- Coping easily with environmental uncertainty and ambiguity
- Maintaining a positive outlook
- Remaining calm and working productively in a fluid change environment

**Supporting Others**
- Working effectively with others toward a common purpose
- Showing willingness to give and take in an effort to achieve group goals
- Developing constructive relationships

Use assessment data before a planned change initiative to generate a profile—at individual, team, or organizational levels—of change readiness. These profiles will help you understand who and what to develop to successfully enable change in the organization.
How We Can Help

Whether you are planning for a specific change initiative, trying to get a difficult change effort back on track, or building your overall capability in preparation for a change that may be coming, we can support you. Our solution addresses three key questions:

- How do I ensure my organization is well positioned for change success?
- How do I identify and develop my employees’ likelihood of change success?
- How do I enable managers to lead through change?

Diagnose and Reduce Risks to Your Organization’s Change Success

Enable and Develop Your Team’s Change Capabilities

CEB Organizational Change Survey
Identify your organization’s strengths and risks to success in Open Source change strategy with our diagnostic survey.

CEB Team Change Enablement
Objectively assess individuals’ and teams’ natural predispositions to engage in effective change behaviors.
Enable managers and teams to change by developing critical behaviors and capabilities.

CEB Corporate Leadership Council™
Receive guidance and best practices on how to incorporate Open Source change strategies.
Access tools and resources to improve HR’s effectiveness at managing change.

For information about the CEB Change Capability Solution, please visit cebglobal.com/redefine-change, or e-mail HR.Support@cebglobal.com.

CEB Corporate Leadership Council™ members may obtain more information on best practice approaches to change management by visiting cebglobal.com/change-management/member. Through this portal, members can do the following:

- Partner with a member of the Executive Advisor™ team to evaluate how they make change strategy decisions and how to implement a more inclusive approach.
- Access (and learn how to implement) tools to set change objectives and assess individual change needs of leaders, managers, and employees.
- Receive guidance on how to create effective communication strategies to engage employees and change behavior.